



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 Report 2010



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Corporate Information

Directors

Executive Directors

Mr. Hoi Kin Hong
(Chairman of the Board of Directors and President)
Mr. Hoi Wa Fong *(Chief Executive Officer)*
Mr. Xiao Qing Ping *(Deputy President)*
Ms. Shih Sze Ni *(Chief Audit Officer and Deputy General
Manager of the Cost Control Center)*
Ms. Liu Xiao Lan *(General Manager of the Commercial Group)*

Non-executive Director

Ms. Hoi Wa Fan

Independent non-executive Directors

Mr. Ngai Wai Fung
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

Remuneration Committee

Mr. Hoi Wa Fong *(Chairman)*
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

Audit Committee

Mr. Ngai Wai Fung *(Chairman)*
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

Nomination Committee

Mr. Hoi Kin Hong *(Chairman)*
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

Company Secretary

Mr. Au-yeung Po Fung

Authorized Representatives:

Mr. Hoi Wa Fung
Mr. Au-yeung Po Fung

Registered Office

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

Place of Business in Hong Kong

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

Website

www.powerlong.com

Auditor

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

Compliance Advisor

WAG Worldsec Corporate Finance Limited
6/F, New Henry House
10 Ice House Street
Central, Hong Kong

Principal Place of Business in the PRC

12th–15th Floor
Gubei International Fortune Center
1452 Hongqiao Road
Changning District
Shanghai
PRC

Principal share registrar

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong share registrar

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

Principal bankers

Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
Bank of China Limited
Agricultural Bank of China Co., Ltd.
China Merchants Bank Co., Ltd.
China CITIC Bank Corporation Limited

Legal Advisor

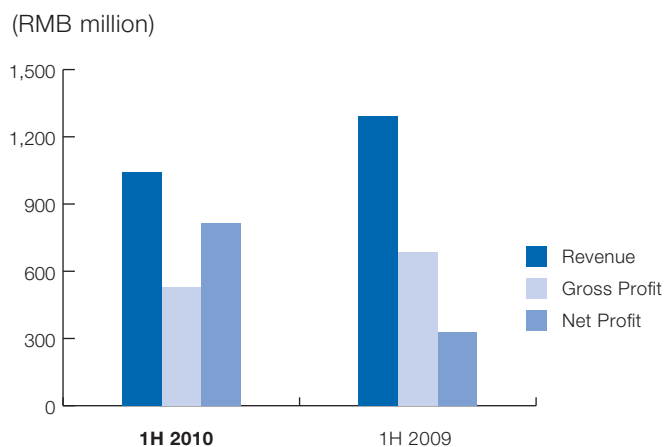
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Results Highlights

Results Highlights

For the six months ended 30 June 2010

	1H 2010 RMB Million	1H 2009 RMB Million	Change
Revenue	1,042.04	1,294.33	-19%
Gross Profit	528.85	685.03	-23%
Net Profit	813.88	328.57	148%
Attributable to:			
– Equity Holders of the Company	815.25	330.07	147%
– Non-controlling Interests	-1.37	-1.50	-9%
Earnings per Share (RMB per share)			
– Basic	0.20	0.11	82%
– Diluted	0.20	0.11	82%



Results Highlights

Revenue Analysis

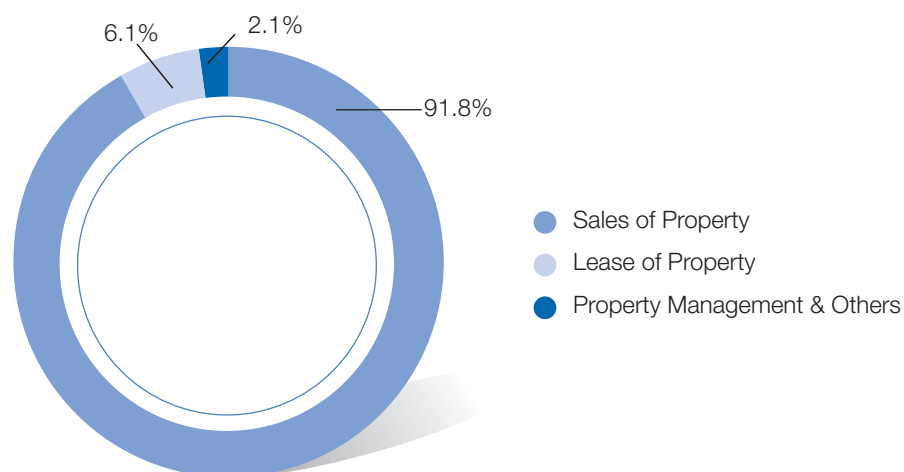
For the six months ended 30 June 2010

	1H 2010 RMB Million	1H 2009 RMB Million	Change
Sales of Property	956.98	1,255.62	-24%
Lease of Property	63.61	28.41	124%
Property Management & Others	21.45	10.30	108%

As at the period/year end

	30 June 2010 RMB Million	31 December 2009 RMB Million	Change
Total Assets	16,459.08	14,524.32	13%
Total Liabilities	7,667.41	6,294.76	22%
Total Equity	8,791.67	8,229.56	7%

Revenue Analysis for the 1H 2010



Schedule of Principal Properties

The schedule of principal properties as of June 30, 2010 was as follows:

Projects	Site area ('000 sq m)	Total GFA ('000 sq m)	Interest attributable to us (%)	Completed GFA development ('000 sq m)	GFA under development ('000 sq m)	GFA held for future development ('000 sq m)
Fujian Province						
Quanzhou Jinjiang Powerlong Golden Jiayuan (泉州晉江寶龍金色家園)	37.5	143.5	100%	143.5	–	–
Quanzhou Anhai Powerlong Haoyuan (泉州安海寶龍豪苑)	36.0	54.2	100%	54.2	–	–
Fuzhou Powerlong City Plaza (福州寶龍城市廣場)	72.9	215.4	100%	215.4	–	–
Anxi Powerlong City Plaza (安溪寶龍城市廣場)	86.9	334.8	85%	–	334.8	–
Jiangsu Province						
Suzhou Taicang Powerlong City Plaza (太倉寶龍城市廣場)	130.8	256.3	100%	213.5	–	42.8
Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城)	156.6	334.7	100%	128.1	33.0	173.6
Wuxi Powerlong City Plaza (無錫寶龍城市廣場)	77.0	284.2	80%	10.3	273.8	–
Suqian Powerlong City Plaza (宿遷寶龍城市廣場)	220.2	477.2	100%	–	477.2	–
Yancheng Powerlong City Plaza (鹽城寶龍城市廣場)	221.2	487.7	100%	–	487.7	–
Changzhou Powerlong City Plaza (常州寶龍城市廣場)	270.1	855.6	100%	–	124.8	730.9
Shandong Province						
Qingdao Powerlong City Plaza (青島寶龍城市廣場)	319.8	705.5	100%	649.6	55.9	–
Tai'an Powerlong City Plaza (泰安寶龍城市廣場)	237.5	301.9	100%	252.3	49.7	–
Yantai Powerlong City Plaza (煙台寶龍城市廣場)	668.2	854.5	100%	–	60.3	794.2
Licang Powerlong City Plaza (李滄寶龍城市廣場)	107.2	352.7	100%	–	352.7	–
Jimo Powerlong City Plaza (即墨寶龍城市廣場)	152.2	581.8	100%	–	581.8	–
Henan Province						
Zhengzhou Powerlong City Plaza (鄭州寶龍城市廣場)	114.0	247.2	100%	247.2	–	–
Luoyang Powerlong City Plaza (洛陽寶龍城市廣場)	355.6	1,127.0	100%	372.3	344.7	410.1
Xinxiang Powerlong City Plaza (新鄉寶龍城市廣場)	300.0	1,191.6	100%	–	164.6	1,027.0
Anhui Province						
Bengbu Powerlong City Plaza (蚌埠寶龍城市廣場)	192.3	491.2	100%	491.2	–	–
Tianjin City						
Tianjin Powerlong City Plaza (天津寶龍城市廣場)	30.1	373.5	65%	–	–	373.5
Total	3,786.0	9,670.6		2,777.6	3,340.9	3,552.0

Management Discussion and Analysis

Market Review and Outlook

The rapid growth in the price of the real estate since the second half of 2009 has further aroused great concern from the public. The PRC government has implemented a series of macro-economic control policies with a view to controlling the speculations in real estate and cooling down the surging prices of real estate. During the first half of 2010, with various macro-economic control policies being finalized and implemented, it is expected that there will be some changes in the market and the preliminary impacts of the control policies will be seen. The market has reached the stage to observe the impacts of control policies.

During the first half of 2010, the Group has appropriately adjusted the sales strategy and the pace of development. The Group adopted a pricing strategy close to the market price, and captured the opportunities to introduce new properties in a timely manner, including Yancheng Powerlong City Plaza and Suqian Powerlong City Plaza. The total contracted sales area was 158,828 sqm and the contracted sales amounted to approximately RMB1,248 million. The Group commenced the construction of eight new projects during the first half of 2010, and expanded its land bank by 710,000 sqm, resulting in a total land bank area of approximately 6,890,000 sqm. This has provided the Company with sufficient land bank for sustainable development in the future.

The Group is facing the uncertainties arising from the existing macro-economic controls on the PRC real estate market. In the second half of 2010, the Group will focus on its core business and endeavor to continue to implement the strategy of setting up “standard mall”, centralize resources on developing products, which meet market demand and the direction of industry development, focus on selecting suitable area for development and expanding the land bank in a rational and prudent manner, continue to adopt sound financial management, make appropriate financing arrangement and reasonably arrange the use of cash flows and invest prudently within its resource capacity based on the financial condition of the Company, in order to ensure the Group is maintaining a healthy financial status. The Group will also capture the opportunities brought by commercial properties and fully take advantage of the characteristics of stable cash flow from the commercial properties. This enables the Group to manage the fluctuation and improve its operating result, so as to bring satisfactory return to the shareholders.

Management Discussion and Analysis

Business Review

During the six months ended 30 June 2010, the Group conducted its business activities in the following major business segments, namely property development, property investment, property management. Property development remains the core business and key revenue driver of the Group.

Property Development

During the period under review, the Group adhered closely to its schedules of completions and deliveries as originally planned. The completed and delivered projects aggregated a total GFA of approximately 129,032 sqm (the first half of 2009: 179,805 sqm), and represented a decrease of 28% when compared with the corresponding period of last year. Meanwhile, various projects in Yancheng, Suqian, Changzhou of Jiangsu Province, and Qingdao Licang, Jimo, Yantai Haiyang of Shandong Province were in the stages of development and presale, highlighted as follows:

Projects completed and delivered in the first half of 2010

	GFA completed (sqm)	GFA sold & delivered (sqm)
Qingdao		
Commercial	87,040	5,317
Residential	54,745	65,937
Bengbu		
Commercial	105,526	18,207
Zhengzhou		
Commercial	–	14,947
Luoyang		
Commercial	–	16,403
Residential	–	513
Others		
Commercial	46,443	7,484
Residential	–	224
Total		
Commercial	239,009	62,358
Residential	54,745	66,674
	<hr/>	<hr/>
	293,754	129,032
Add: Car park spaces completed	<hr/>	<hr/>
	80,932	
	<hr/>	<hr/>
	374,686	

Management Discussion and Analysis

Property Sales Performance

The sales of the Group during the period were mainly attributable to Qingdao Chengyang project in Shandong Province, Bengbu project in Anhui Province and Zhengzhou project in Henan Province, as highlighted in the following table.

	GFA sold & Delivered (sqm)	Revenue (RMB'000)	Average selling price (RMB/sqm)
Chengyang, Qingdao			
Commercial	5,317	78,177	14,703
Residential	65,937	307,088	4,657
Bengbu			
Commercial	18,207	204,339	11,223
Zhengzhou			
Commercial	14,947	205,116	13,723
Luoyang			
Commercial	16,403	97,439	5,940
Residential	513	1,784	3,477
Others			
Commercial	7,484	49,204	6,575
Residential	224	13,834	6,175
Total			
Commercial	62,358	634,275	10,172
Residential	66,674	322,706	4,840
	129,032	956,981	7,416

Management Discussion and Analysis

Property Contracted Sales Performance

During the six months ended 30 June 2010, the total contracted sales area of the Group reached approximately 158,828 sqm (the corresponding period in 2009: 160,300 sqm). The total contracted sales value amounted to RMB1,248,490,724 (the corresponding period of 2009: RMB976,758,158), which represented an increase of 28% compared to the corresponding period in 2009.

Projects	Contracted sales area (sqm)	Contracted sales value (RMB'000)
Zhengzhou	14,947	210,076
Bengbu	4,777	62,672
Luoyang	17,519	106,172
Tai'an	10,656	70,817
Chengyang, Qingdao	6,169	66,190
Wangzhuang, Wuxi	36,487	309,335
Yuqi, Wuxi	3,852	17,865
Yancheng	9,296	95,146
Suqian	55,125	310,218
Total	158,828	1,248,491

During the period under review, new projects such as Yancheng Powerlong City Plaza and Suqian Powerlong City Plaza have achieved overwhelming success in their respective presale launches commenced in late 2009. The projects which will reach the stage of presale in the second half of 2010 include Licang Project, Haiyang Project, Jimo Project, Anxi Project, Changzhou Project, Xinxiang Project, phase II of the Luoyang Project and phase II of the Yuqi Project.

It is expected that the Group will have eight new projects available for sale during the second half of 2010, with a total GFA available for sale of 2,000,000 sqm, which include the completed projects as at 30 June 2010 with saleable GFA of 250,000 sqm.

Hotel Development

The Group continues to develop its hotel business for the long-term recurring income stream. The Group is now developing three luxurious hotels in Suzhou, Qingdao and Tai'an, respectively, and has entered into an agreement with Sheraton Hotels and Resorts International Group to carry out their management services as hotel operator. The hotel in Taicang of Suzhou has commenced operation, while the hotels in Qingdao and Tai'an are scheduled to complete in the second half of 2010. The Group will also focus on the development of six other hotel projects.

Investment Properties and Ancillary Services

To generate stable and recurring income, the Group also holds some of its commercial properties for leasing. As at 30 June 2010, the Group had an aggregate GFA of 658,174 sqm (As at 31 December 2009: 544,964 sqm) held as investment properties, which was increased by 21% compared with the corresponding period in 2009.

During the period under review, the Group recorded a rental income from investment properties of approximately RMB63,608,000 (the corresponding period in 2009: RMB28,407,000), which was increased by 124%. This was mainly attributable to the completion of construction works and transfer to investment properties at Tai'an, Luoyang, Qingdao and Bengbu, which will be launched on the market for lease and operation by stages.

Management Discussion and Analysis

Land Bank Replenishment

As at 30 June 2010, the Group had a quality land bank amounting to a total GFA of approximately 6,890,000 sqm, approximately 48.5% of which being under development and construction, with the remaining half being held for future development. The land bank will be used for the development of large-scale commercial properties with supermarkets, department stores, cinema complexes, food courts and other leisure facilities and quality residential properties, apartments and hotels.

The Group is upholding the strategies of prudence and long-term development to replenish a quality land bank by acquiring land in potential cities at reasonable prices. The Group has successfully expanded its land bank during the period under review:

- **Yujiapu Project in Tianjin**

In June 2010, the Group acquired a piece of commercial land in the Tanggu District, Tianjin through its 65%-owned subsidiary, Tianjin Powerlong Jinjun Real Estate Development Co. Ltd. The total site area of the land is 30,141 sqm with an aggregate land premium of approximately RMB900,950,000. The land is approved for commercial use comprising building blocks of apartments, malls and offices. The project is adjacent to the express rail station and the subway station of Beijing-Tianjin Intercity Rail. It is benefiting from efficient traffic network. It is expected that the development of the project will be completed in stages by 2013.

- **Anxi Project in Quanzhou, Fujian**

In May 2010, the Group acquired another piece of land in Anxi, Quanzhou, Fujian through its 85% -owned subsidiary, Anxi Powerlong Property Development Co., Ltd. The total site area of the land is 86,901sqm with an aggregate land premium of approximately RMB86,200,000. The land is approved for both residential and commercial usage including residential properties, apartments, mall and hotel. The project is located at the interchange between Er Huan Road and Jian An Road in Quanzhou. It is expected that the development of the project will be completed in stages by 2012.

Property Management and Related Services

During the period under review, the income from property management and related services generated from property management services, after intra-group elimination, amounted to approximately RMB21,448,000 (the corresponding period of 2009: RMB10,298,000), representing an increase of 108% compared with the corresponding period of 2009.

Financial Analysis

Revenue

The total revenue of the Group for the six months ended 30 June 2010 was RMB1,042,037,000. In terms of the overall unit selling price and GFA, a table of analysis on the sales of properties is provided as follows:

Types of properties sold and delivered	GFA (square meter)	Average selling price (RMB/ square meter)
Commercial	62,358	10,172
Residential	66,674	4,840
Total	129,032	7,416

Management Discussion and Analysis

Segment Information

The Group's business is currently categorised into three operating segments – property development, property investment, property management. An analysis of the Group's revenue is as follows:

Revenue Stream

	Six months ended 30 June		Change between 2009 and 2010 RMB'000
	2010 RMB'000	2009 RMB'000	
Sales of property	956,981	1,255,624	(298,643)
Rental income from investment properties	63,608	28,407	35,201
Property management services	21,448	10,298	11,150
Total	1,042,037	1,294,329	(252,292)

For the six months ended 30 June 2010, sales of property remained the Group's core business activity representing 91.8% of total revenue of the Group. Rental income and property management services income accounted for 6.1% and 2.1% of total revenue respectively.

Cost of Sales

Cost of sales comprised, among others, land acquisition costs, construction costs, decoration costs, capitalised interest expenses, amortization of land premium and business taxes. Cost of sales for the period under review decreased by RMB96,104,000 for the six months ended 30 June 2010 or 16% from RMB609,295,000 for the corresponding period in 2009 to RMB513,191,000. The decrease was mainly due to a decrease of total GFA delivered for the period as compared with that for the corresponding period of 2009.

Profit before Income Tax

Profits before income tax for the six months ended 30 June 2010 amounted to RMB1,066,087,000 (of which, fair value gains of investment properties amounted to RMB729,894,000), representing an increase of 83% as compared with that of the corresponding period in 2009.

Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs for the six months ended 30 June 2010 amounted to RMB41,860,000 (the corresponding period in 2009: RMB26,333,000). The increase in selling and marketing costs was mainly due to the increased number of projects supported by marketing activities. Administrative expenses for the six months ended 30 June 2010, increased by 119% to approximately RMB165,861,000 (the corresponding period in 2009: RMB75,870,000), the significant addition items mainly consisted of staff costs (such as amortization of employees share option costs), donations for construction of Chinese New Countryside and start-up expenses of Taicang Hotel, of which, increased by RMB34.85 million, RMB26 million and RMB11.5 million, respectively.

Fair Value Gains of Investment Properties

During the period under review, the Group recorded fair value gains of investment properties of approximately RMB729,894,000 (the corresponding period in 2009: RMB2,400,000), mainly attributable to the increased 113,100 sqm of investment properties of Bengbu project and Qingdao project during the period under review.

Management Discussion and Analysis

Income Tax Expenses

Income tax expenses for the six months ended 30 June 2010 amounted to RMB252,206,000 (the corresponding period in 2009: RMB254,419,000), mainly attributable to the reversal resulted from change of provision for land appreciation tax of International Community of Qingdao project as approved by the local tax authorities from calculation at progressive rate to calculation at fixed percentage of proceeds from properties sales.

Profit Attributable to Equity Holders of the Company

The Group achieved a profit attributable to equity holders of RMB815,250,000 for the six months ended 30 June 2010 (the corresponding period in 2009: RMB330,068,000), increased by 147%. Basic earnings per share for the six months ended 30 June 2010 amounted to RMB19.97 cents (the corresponding period in 2009: RMB11.00 cents).

Liquidity and Financial Resources

As at 30 June 2010, the Group had sufficient liquidity with cash and cash equivalents (including restricted cash) in total amounting to RMB2,479,358,000 and total borrowings amounting to RMB3,070,237,000. Gearing ratio (total borrowings divided by total assets) as at 30 June 2010 stood at a healthy level of 19%.

Of the total borrowings, RMB1,346,184,000 was repayable within one year while RMB1,724,053,000 was repayable after more than one year. The effective interest rate as at 30 June 2010 was 4.38% (the corresponding period in 2009: 6.42%).

Of the Group's total borrowings, approximately 79.3% was denominated in RMB, while the remaining 20.7% was denominated in Hong Kong dollars.

Material Acquisition and Disposal

For the six months ended 30 June 2010, the Company's subsidiaries and associates had no material acquisitions or disposal.

Employees and Emolument Policy

As at 30 June, 2010, the Group employed a total of 1,984 employees. The total staff costs of the Group incurred during the period under review was RMB103,845,000. The Group has adopted a performance-based rewarding system to motivate its staff. In relation to staff training, the Group has also provided different types of training programs for its staff to improve their skills and expertise.

Management Discussion and Analysis

Interim Dividend

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2010.

Pledge of Assets

As at 30 June 2010, the Group pledged properties, investment properties, properties under construction, completed properties held for sale, land use rights and restricted cash with carrying amount of RMB6,594,785,000 to secure bank facilities granted to the Group. The total secured loan balance outstanding as at 30 June 2010 amounted to RMB2,956,102,000.

Financial Guarantees

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

	30 June 2010 RMB'000	31 December 2009 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	1,419,673	1,065,978

Disclosure of Interests

Information on Share Option Scheme

Pursuant to the shareholder's resolutions of the Company on 16 September 2009, the Company has adopted a Share Option Scheme and a Pre-IPO Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

A. Share Option Scheme

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

1. Purpose of the Share Option Scheme:

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

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme

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

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and
- (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. Total number of shares available for issue under the Share Option Scheme and percentage of issued share capital as at 30 June 2010:

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 360,000,000 shares (representing approximately 8.85% of the issued capital as at 30 June 2010).

Disclosure of Interests

4. Maximum entitlement of each participant under the Share Option Scheme:

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

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting.

5. The period within which the shares must be exercised under the Share Option Scheme:

An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

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

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.

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

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

8. The basis of determining the exercise price:

Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchanges daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchanges daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary share.

9. The remaining life of the Share Option scheme:

It will remain in force for a period of 10 years, commencing on 16 September 2009.

Since the adoption of the Share Option Scheme and up to 30 June 2010, no options had been granted under the Share Option Scheme.

Disclosure of Interests

B. Pre-IPO Share Option Scheme

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

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

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

- (i) motivate the Pre-IPO Eligible Participants to optimize their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain relationship with the Pre-IPO Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

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

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

- (i) any full-time employees, executives or officers of the Company; or
- (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; or
- (iii) any full-time employees of any subsidiaries of the Company of the level of manager or above and other full-time employees of the Company or its subsidiaries who have been in employment with the Group for over 3 years from the date of the adoption of the Pre-IPO Share Option Scheme.

3. Total number of shares available for issue under the Pre-IPO Share Option Scheme and percentage of issued share capital as at 30 June 2010:

40,000,000 shares (representing approximately 0.983% of the issued capital) and no further option could be granted under the Pre-IPO Share Option Scheme.

Disclosure of Interests

4. The period within which the shares must be exercised under Pre-IPO Share Option Scheme:

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

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

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

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

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

7. The basis of determining the exercise price:

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

Disclosure of Interests

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

	Number of Outstanding Share Options		
	As at 31 December 2009	Forfeited during the six months ended 30 June 2010	As at 30 June 2010
From 16 September 2010 to 15 September 2012	7,580,000	(308,000)	7,272,000
From 16 September 2010 to 15 September 2013	7,580,000	(308,000)	7,272,000
From 16 September 2010 to 15 September 2014	7,580,000	(308,000)	7,272,000
From 16 September 2010 to 15 September 2015	7,580,000	(308,000)	7,272,000
From 16 September 2010 to 15 September 2016	7,580,000	(308,000)	7,272,000
	37,900,000	(1,540,000)	36,360,000

Disclosure of Interests in Securities

1. Directors' interests in the shares and underlying shares of the Company

As at 30 June 2010, the interests of each Director and chief executive of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

(1) Interests in shares of the Company

Name of Director	Long/Short position	Capacity	Number of ordinary shares in the Company	Approximate percentage*
Mr. Hoi Kin Hong (Note 1)	Long Position	Interest of a controlled corporation	1,800,000,000	44.24%
Mr. Hoi Wa Fong (Note 2)	Long Position	Interest of a controlled corporation	600,000,000	14.75%
Ms. Hoi Wa Fan (Note 3)	Long Position	Interest of a controlled corporation	300,000,000	7.37%

Notes:

1. Skylong Holdings Limited is wholly and beneficially owned by Hoi Kin Hong.

2. Sky Infinity Holdings Limited is wholly and beneficially owned by Hoi Wa Fong.

3. Walong Holdings Limited is wholly and beneficially owned by Hoi Wa Fan.

* The percentage represents the number of ordinary shares interested divided by the number of the company's issued shares as at 30 June 2010.

Disclosure of Interests

(2) Interests in underlying shares of the Company – equity derivatives of the Company

Name of Director	Long/Short position	Capacity	Exercised/ lapsed/ cancelled from 1 January 2010 to 30 June 2010	Number of share options outstanding as at 30 June 2010	Approximate percentage upon fully exercise of share options ^①
Mr. Hoi Kin Hong	Long Position	Beneficial owner	–	7,000,000	0.1705%
Mr. Hoi Wa Fong	Long Position	Beneficial owner	–	2,200,000	0.0536%
Mr. Xiao Qing Ping	Long Position	Beneficial owner	–	1,800,000	0.0439%
Ms. Shih Sze Ni	Long Position	Beneficial owner	–	1,200,000	0.0292%
Ms. Liu Xiao Lan	Long Position	Beneficial owner	–	1,200,000	0.0292%

Note: Details of the above share options as required by the Listing Rules have been disclosed in above section headed "Information on Share Option Scheme" and note 13 to the condensed consolidated interim financial information.

^① The percentage represents the number of underlying shares interested divided by the enlarged issued share capital assuming the relevant share options are exercised.

Save as disclosed above, as at 30 June 2010, none of the Directors, chief executives of the Company and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO.

2. Directors' Right to Acquire Shares

Saved as disclosed above, at no time during the period ended 30 June 2010 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and no Directors or chief executives or their respective spouses or children under 18 years of age had been granted any right to subscribe for equity or debt securities of the Company nor exercised any such right.

Disclosure of Interests

3. Interests of Substantial Shareholders

As at 30 June 2010, the following persons (other than Directors or Chief executives of the Company stated in "Directors interests in shares and underlying shares of the Company") had interests or short positions in shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number of Shares	Percentage of Shareholding*
Skylong (Notes 1 and 2)	Beneficial owner	1,800,000,000(L)	44.24%
Sky Infinity (Notes 1 and 3)	Beneficial owner	600,000,000(L)	14.75%
Walong (Notes 1 and 4)	Beneficial owner	300,000,000(L)	7.37%
Wason (Notes 1 and 5)	Beneficial owner	300,000,000(L)	7.37%

Notes:

1. The letter "L" denotes the person's long position in such securities.
 2. Skylong Holdings Limited is wholly and beneficially owned by Hoi Kin Hong.
 3. Sky Infinity Holdings Limited is wholly and beneficially owned by Hoi Wa Fong.
 4. Walong Holdings Limited is wholly and beneficially owned by Hoi Wa Fan.
 5. Wason Holdings Limited is wholly and beneficially owned as to 70% by Che lok Teng, as to 10% by each of Hoi Wa Lam (許華琳), Hoi Wa Lam (許華嵐) and Hoi Wa Weng.
- * The percentage represents the number of ordinary shares interested divided by the number of the company's issued shares as at 30 June 2010.

Corporate Governance and Other Information

Compliance With the Code on Corporate Governance Practices

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2010.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its code of conduct for dealings in securities of the Company by the directors. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code and all directors of the Company confirmed that they have complied with the Model Code during the six months ended 30 June 2010.

Disclosure On Change Of Information Of Director(s) Pursuant To Rule 13.51b(1) Of The Listing Rules

Mr. Ngai Wai Fung was appointed an independent non-executive Director of Sany Heavy Equipment International Holdings Company Limited. He resigned as an independent non-executive director of China Life Insurance Company Limited.

Purchase, Sale Or Redemption of the Company's Listed Securities

For the six months ended 30 June 2010, the Company repurchased 19,000,000 shares of the Company (the "Shares"):

Dates of repurchase	The number of Shares repurchased	Price per Shares		Total consideration Expenses excluded (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
6 May 2010	6,000,000	2.19	2.11	12,951,600.00
7 May 2010	3,000,000	2.15	2.10	6,410,100.00
14 May 2010	3,000,000	2.15	2.10	6,376,800.00
17 May 2010	3,000,000	2.11	2.09	6,308,100.00
19 May 2010	4,000,000	2.09	2.06	8,294,000.00

The Company subsequently cancelled its repurchased Shares. The issued share capital of the Company was reduced by such nominal values. The premium paid on the repurchase shares of RMB35,312,000 was charged to the share premium account.

The Shares repurchase during the six months ended 30 June 2010 was conducted by the Directors in accordance with the authority of the general mandate granted by the shareholders of the Company on 25 September 2009 to repurchase up to 10% of the issued share of the Director capital of the Company as at the date of passing of are resolution.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2010.

Sufficiency of Public Float

Based on information available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the period ended 30 June 2010.

Corporate Governance and Other Information

Audit Committee

The Company has an audit committee which was established in compliance with Rule 3.21 of Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three members who are the independent non-executive directors of the Company, namely Mr. Ngai Wai Fung, Mr. Mei Jian Ping and Ms. Nie Mei Sheng.

The unaudited interim results for the six months ended 30 June 2010 have been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, as well as the unaudited interim results for the six months ended 30 June 2010 and has recommended their adoption by the Board.

On behalf of the Board

Hoi Kin Hong

Chairman

Hong Kong, 28 August 2010

Condensed Consolidated Interim Balance Sheet

	Note	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
ASSETS			
Non-current assets			
Property and equipment	4	469,996	323,917
Land use rights	4	99,500	61,343
Investment properties	5	7,734,352	6,507,786
Deferred income tax assets		54,971	30,596
		8,358,819	6,923,642
Current assets			
Land use rights	4	1,924,678	1,616,364
Properties under development	6	1,374,972	1,210,068
Completed properties held for sale	7	783,986	478,410
Trade and other receivables and prepayments	8	1,478,011	1,788,562
Prepaid taxes		40,966	11,639
Financial assets at fair value through profit or loss	9	18,294	11,517
Restricted cash	10	698,865	719,891
Cash and cash equivalents	11	1,780,493	1,764,225
		8,100,265	7,600,676
Total assets		16,459,084	14,524,318
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital and premium	12	3,136,922	3,172,401
Other reserves	13	365,690	347,231
Retained earnings			
– Proposed dividend	21	–	245,247
– Others		5,253,001	4,437,751
		8,755,613	8,202,630
Non-controlling interests		36,058	26,927
Total equity		8,791,671	8,229,557

Condensed Consolidated Interim Balance Sheet

	Note	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	14	1,724,053	1,026,201
Deferred income tax liabilities		1,153,274	961,679
		2,877,327	1,987,880
Current liabilities			
Borrowings	14	1,346,184	1,145,715
Trade and other payables	15	900,331	901,829
Advances from customers		1,422,181	1,231,758
Dividend payable	21	108,755	–
Income tax payables		1,012,635	1,027,579
		4,790,086	4,306,881
Total liabilities		7,667,413	6,294,761
Total equity and liabilities		16,459,084	14,524,318
Net current assets		3,310,179	3,293,795
Total assets less current liabilities		11,668,998	10,217,437

Hoi Kin Hong
Director

Hoi Wa Fong
Director

The notes on pages 28 to 50 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Six months ended 30 June	
		2010 (Unaudited) RMB'000	2009 (Audited) RMB'000
Revenue	3	1,042,037	1,294,329
Cost of sales	16	(513,191)	(609,295)
Gross profit		528,846	685,034
Fair value gains on investment properties	5	729,894	2,400
Selling and marketing costs	16	(41,860)	(26,333)
Administrative expenses	16	(165,861)	(75,870)
Other gains – net	17	11,395	472
Operating profit		1,062,414	585,703
Finance income/(costs)	18	3,673	(2,716)
Profit before income tax		1,066,087	582,987
Income tax expenses	19	(252,206)	(254,419)
Profit for the period		813,881	328,568
Other comprehensive income		–	–
Total comprehensive income for the period		813,881	328,568
Attributable to:			
Equity holders of the Company		815,250	330,068
Non-controlling interests		(1,369)	(1,500)
		813,881	328,568
Basic and diluted earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB cents per share)	20	19.97 cents	11.00 cents

The notes on pages 28 to 50 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to the equity holders of the Company					
	Share capital and premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 (note 12)	RMB'000 (note 13)	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2010						
(Unaudited)						
Balance at 1 January 2010	3,172,401	347,231	4,682,998	8,202,630	26,927	8,229,557
Comprehensive income						
– Profit for the period	–	–	815,250	815,250	(1,369)	813,881
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the six months ended 30 June 2010	–	–	815,250	815,250	(1,369)	813,881
Transaction with owners						
– Dividends	–	–	(245,247)	(245,247)	–	(245,247)
– Repurchase of shares of the Company	(35,479)	–	–	(35,479)	–	(35,479)
– Capital contribution from non-controlling interests	–	–	–	–	10,500	10,500
– Employees share option scheme	–	18,459	–	18,459	–	18,459
	(35,479)	18,459	(245,247)	(262,267)	10,500	(251,767)
Balance at 30 June 2010	3,136,922	365,690	5,253,001	8,755,613	36,058	8,791,671
Six months ended 30 June 2009						
(Audited)						
Balance at 1 January 2009	26,659	341,983	1,640,329	2,008,971	34,501	2,043,472
Comprehensive income						
– Profit for the period	–	–	330,068	330,068	(1,500)	328,568
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the six months ended 30 June 2009	–	–	330,068	330,068	(1,500)	328,568
Balance at 30 June 2009	26,659	341,983	1,970,397	2,339,039	33,001	2,372,040

The notes on pages 28 to 50 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

	Note	Six months ended 30 June	
		2010 (Unaudited) RMB'000	2009 (Audited) RMB'000
Net cash (used in)/generated from operating activities		(37,685)	334,956
Net cash used in investing activities		(693,296)	(448,913)
Net cash generated from financing activities		748,825	177,295
Net increase in cash and cash equivalents		17,844	63,338
Cash and cash equivalents at the beginning of the period		1,764,225	205,302
Effect of foreign exchange rate changes		(1,576)	3,599
Cash and cash equivalents at the end of the period	11	1,780,493	272,239

The notes on pages 28 to 50 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1. General information

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

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 14 October 2009.

This condensed consolidated interim financial information was approved for issue by the board of directors (the “Board”) of the Company on 28 August 2010.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2.2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Notes to the Condensed Consolidated Interim Financial Information

2. Basis of preparation and accounting policies (continued)

2.2 Accounting policies (continued)

- (a) The following amendments to standards and interpretations are effective for the financial year beginning 1 January 2010:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HKAS 39 (Amendment)	Financial Instruments: Recognition and measurement – Eligible Hedge Items
HKFRS 1 (Revised)	First-time adoption of HKFRSs
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners
HKFRSs (Amendments)	Improvements to HKFRSs
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 17 (Amendment)	Leases
HKAS 36 (Amendment)	Impairment of Assets

The adoption of the above amended standards and interpretations did not have any material impact on the interim financial information except for disclosure and has not led to any changes in the accounting policies except disclosed elsewhere.

- (b) The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendment to HKAS 32	Classification of rights issues	1 February 2010
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HKAS 24 (Revised)	Related party disclosures	1 January 2011
Amendments to HK(IFRIC)-Int 14	Prepayments of a minimum funding requirement	1 January 2011
HKFRSs (Amendments)	Third improvements to HKFRSs (2010)	1 January 2011
HKFRS 9	Financial instruments	1 January 2013

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

Notes to the Condensed Consolidated Interim Financial Information

3. Segment information

The Board, which is the chief operating decision-maker of the Group, reviews 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, and other property development related services. As the Board considers most of the Group's consolidated revenue and results are attributable to the market in the PRC, the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

The segment results and other segment items included in the profit for the six months ended 30 June 2010 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	956,981	63,608	36,478	61,150	–	1,118,217
Inter-segment revenue	–	–	(15,030)	(61,150)	–	(76,180)
Revenue	956,981	63,608	21,448	–	–	1,042,037
Segment results	400,381	752,061	(5,874)	(12,054)	(3,581)	1,130,933
Unallocated operating costs						(68,519)
Finance income						3,673
Profit before income tax						1,066,087
Income tax expenses						(252,206)
Profit for the period						813,881
Capital expenditure	503,873	496,672	566	145,789	–	1,146,900
Depreciation (note 4)	2,854	–	413	595	–	3,862
Amortisation of land use rights recognised as expenses	9,006	–	–	–	–	9,006
Fair value gains on investment properties (note 5)	–	729,894	–	–	–	729,894

Notes to the Condensed Consolidated Interim Financial Information

3. Segment information (continued)

The segment results and other segment items included in the profit for the six months ended 30 June 2009 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	1,255,624	28,407	10,298	25,157	–	1,319,486
Inter-segment revenue	–	–	–	(25,157)	–	(25,157)
Revenue	1,255,624	28,407	10,298	–	–	1,294,329
Segment results	575,839	12,626	11,982	2,974	–	603,421
Unallocated operating costs						(17,718)
Finance costs						(2,716)
Profit before income tax						582,987
Income tax expenses						(254,419)
Profit for the period						328,568
Capital expenditure	179,422	51,160	142	76	–	230,800
Depreciation (<i>note 4</i>)	2,618	–	225	921	–	3,764
Amortisation of land use rights recognised as expenses	7,896	–	–	–	–	7,896
Fair value gains on investment properties (<i>note 5</i>)	–	2,400	–	–	–	2,400

Notes to the Condensed Consolidated Interim Financial Information

3. Segment information (continued)

Segment assets and liabilities as at 30 June 2010 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	6,056,710	8,876,526	41,406	866,159	(676,609)	15,164,192
Other assets						1,294,892
Total assets						16,459,084
Segment liabilities	1,969,362	190,309	73,957	546,177	(515,501)	2,264,304
Other liabilities						5,403,109
Total liabilities						7,667,413

Segment assets and liabilities as at 31 December 2009 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	5,789,426	7,184,209	21,800	878,175	(250,812)	13,622,798
Other assets						901,520
Total assets						14,524,318
Segment liabilities	1,663,562	268,057	46,963	197,232	(95,248)	2,080,566
Other liabilities						4,214,195
Total liabilities						6,294,761

Notes to the Condensed Consolidated Interim Financial Information

3. Segment information (continued)

Reportable segments' assets are reconciled to total assets as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Segment assets	15,164,192	13,622,798
Other assets		
Prepaid taxes	40,966	11,639
Deferred tax assets	54,971	30,596
Unallocated cash and cash equivalents and restricted cash	1,154,040	828,987
Amounts due from related parties (included in other receivables)	27,816	23,844
Unallocated property and equipment	1,701	2,679
Other corporate assets	15,398	3,775
Total assets	16,459,084	14,524,318

Reportable segments' liabilities are reconciled to total liabilities as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Segment liabilities	2,264,304	2,080,566
Other liabilities		
Income tax payables	1,012,635	1,027,579
Deferred tax liabilities	1,153,274	961,679
Interests payable	–	2,624
Current borrowings	1,346,184	1,145,715
Non-current borrowings	1,724,053	1,026,201
Amounts due to related parties (included in other payables)	32,900	32,900
Dividend payable	108,755	–
Other corporate liabilities	25,308	17,497
Total liabilities	7,667,413	6,294,761

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

Segment liabilities consist of operating liabilities.

Notes to the Condensed Consolidated Interim Financial Information

4. Property and equipment and land use rights

	Property and equipment RMB'000	Land use rights RMB'000
Six months ended 30 June 2010		
Opening net book amounts as at 1 January 2010	323,917	1,677,707
Additions	150,968	525,991
Transfer to investment properties (note 5)	–	(26,731)
Disposals	(1,027)	(38,599)
Depreciation/amortisation charges	(3,862)	(20,216)
Transfer to cost of sales	–	(93,974)
	469,996	2,024,178
Closing net book amounts as at 30 June 2010		
Land use rights included in non-current assets		99,500
Land use rights included in current assets		1,924,678
		2,024,178
Six months ended 30 June 2009		
Opening net book amounts as at 1 January 2009	226,149	1,155,236
Additions	19,224	187,120
Disposals	(139)	–
Depreciation/amortisation charges	(3,764)	(15,279)
Transfer to cost of sales	–	(131,777)
	241,470	1,195,300
Closing net book amounts as at 30 June 2009		

As at 30 June 2010, properties of RMB369,710,000 (31 December 2009: RMB204,176,000) were pledged as collateral for the Group's borrowings (note 14).

The capitalisation rate of borrowings for the six months ended 30 June 2010 is 6.09% (six months ended 30 June 2009: 12.21%).

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, for property development over fixed periods.

As at 30 June 2010, land use rights of RMB716,677,000 (31 December 2009: RMB303,118,000) were pledged as collateral for the Group's borrowings (note 14).

Notes to the Condensed Consolidated Interim Financial Information

5. Investment properties

	Completed properties RMB'000	Properties under construction RMB'000	Total RMB'000
Six months ended 30 June 2010			
At 1 January 2010	5,582,400	925,386	6,507,786
Addition	80,888	389,053	469,941
Transfer from land use rights (<i>note 4</i>)	–	26,731	26,731
Transfers	331,318	(331,318)	–
Fair value gains	729,894	–	729,894
At 30 June 2010	6,724,500	1,009,852	7,734,352
Six months ended 30 June 2009			
At 1 January 2009	2,173,000	1,218,894	3,391,894
Addition	4,137	24,666	28,803
Disposal of investment properties	(10,637)	–	(10,637)
Fair value gains	2,400	–	2,400
At 30 June 2009	2,168,900	1,243,560	3,412,460

The completed investment properties have been revalued at 30 June 2010 and 31 December 2009 by Savills Valuation and Professional Services Limited, an independent and professionally qualified valuer. The valuations were based on either capitalisation of the net rental incomes of the property derived from the existing tenancies with due allowance for the reversionary income potential of the property, or by making reference to the comparable market transactions assuming sale with the benefit of vacant possession.

The management of the Group has concluded that the fair value of its investment properties under construction as at 30 June 2010 and 31 December 2009 could not be measured reliably, therefore, the Group's investment properties under construction continue to be measured at cost as at 30 June 2010 and 31 December 2009.

The capitalisation rate of borrowings for the six months ended 30 June 2010 is 6.09% (six months ended 30 June 2009: 12.21%).

As at 30 June 2010, investment properties amounting to RMB4,719,289,000 (31 December 2009: RMB4,198,612,000) were pledged as collateral for the Group's borrowings (*note 14*).

Notes to the Condensed Consolidated Interim Financial Information

6. Properties under development

	30 June 2010 RMB'000	31 December 2009 RMB'000
Properties under development include:		
Construction costs and capitalised expenditures	1,036,559	877,308
Interests capitalised	318,618	317,062
Amortisation of land use rights	19,795	15,698
	1,374,972	1,210,068

The properties under development are all located in the PRC.

As at 30 June 2010, properties under development of approximately RMB7,690,000 (31 December 2009: RMB205,876,000) were pledged as collateral for the Group's borrowings (note 14).

The capitalisation rate of borrowings for the six months ended 30 June 2010 is 6.09% (six months ended 30 June 2009: 12.21%).

7. Completed properties held for sale

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

As at 30 June 2010, completed properties held for sale of approximately RMB132,334,000 (31 December 2009: RMB170,468,000) were pledged as collateral for the Group's borrowings (note 14).

8. Trade and other receivables and prepayments

	30 June 2010 RMB'000	31 December 2009 RMB'000
Trade receivables	253,577	413,076
– Related parties (<i>note 24(c)</i>)	41,584	15,433
– Third parties	211,993	397,643
Other receivables from:	190,870	69,553
– Related parties (<i>note 24(c)</i>)	27,816	23,844
– Third parties	163,054	45,709
Prepaid business taxes and other taxes	61,544	29,208
Prepayments to a related party for acquisition of properties (<i>note 24(c)</i>)	600,000	600,000
Prepayments for acquisition of land use rights	295,350	674,911
Prepayments for construction fee – third parties	76,670	1,814
	1,478,011	1,788,562

Notes to the Condensed Consolidated Interim Financial Information

8. Trade and other receivables and prepayments (continued)

Trade receivables are mainly derived from sales of properties and rental income. Sales proceeds and rental fee are paid in accordance with the terms of the related sales and purchase agreements and rental contracts. Trade receivables at 30 June 2010 and 31 December 2009 were aged less than one year.

As at 30 June 2010 and 31 December 2009, the fair value of trade and other receivables approximated their carrying amounts.

Trade and other receivables are unsecured and interest free. The Group's trade and other receivables and prepayments are denominated in RMB. No material trade and other receivables were impaired or past due as at 30 June 2010 and 31 December 2009.

9. Financial assets at fair value through profit or loss

	30 June 2010 RMB'000	31 December 2009 RMB'000
Listed equity securities held for trading at Hong Kong – at market value	10,570	11,517
Listed securities held for trading at mainland China – at market value	7,724	–
	18,294	11,517

10. Restricted cash

	30 June 2010 RMB'000	31 December 2009 RMB'000
Guarantee deposit for construction of projects (<i>note (a)</i>)	43,242	37,877
Guarantee deposit for bank acceptance notes (<i>note (b)</i>)	4,714	23,910
Guarantee deposit for letters of credit (<i>note (c)</i>)	649,085	655,147
Others	1,824	2,957
	698,865	719,891

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

(b) As at 30 June 2010, the Group has placed cash deposits of approximately RMB4,714,000 (31 December 2009: 23,910,000) with designated banks as guarantee for the Group to issue bank acceptance notes.

Notes to the Condensed Consolidated Interim Financial Information

10. Restricted cash (continued)

- (c) As at 30 June 2010, the Group has placed cash deposits of approximately RMB649,085,000 (31 December 2009: RMB655,147,000) with designated banks to guarantee issuance of letters of credit to the Group as security for the Group's bank borrowings.

All restricted cash are denominated in RMB. The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government. Restricted cash earns interest at floating rates based on daily bank deposit rates.

11. Cash and cash equivalents

	30 June 2010 RMB'000	31 December 2009 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	1,683,212	1,316,109
– Denominated in HK\$	97,281	448,116
	1,780,493	1,764,225

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

Cash at bank earns interest at floating rates based on daily bank deposit rates.

12. Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary share RMB'000	Share premium RMB'000	Total RMB'000
Six months ended 30 June 2009					
Balances as at 1 January 2009 and 30 June 2009	3,000,000,000	HK\$30,000,000	26,658	1	26,659
Six months ended 30 June 2010					
Balances as at 1 January 2010	4,087,448,000	HK\$40,874,480	36,269	3,136,132	3,172,401
Repurchase of shares of the Company (note (a))	(19,000,000)	(HK\$190,000)	(167)	(35,312)	(35,479)
Balances as at 30 June 2010	4,068,448,000	HK\$40,684,480	36,102	3,100,820	3,136,922

Notes to the Condensed Consolidated Interim Financial Information

12. Share capital and premium (continued)

Note:

- (a) In the six months ended 30 June 2010, the Company acquired 19,000,000 of its own ordinary shares through the Stock Exchange at a consideration of approximately HK\$40,341,000 (equivalent to RMB35,479,000). The shares were cancelled right after the repurchase.

13. Other reserves

	Merger reserve RMB'000 <i>(note (a))</i>	Statutory reserves RMB'000 <i>(note (b))</i>	Share option reserve RMB'000 <i>(note (c))</i>	Total RMB'000
Balance at 1 January 2010	337,203	4,780	5,248	347,231
Employees share option scheme	–	–	18,459	18,459
Balance at 30 June 2010	337,203	4,780	23,707	365,690
Balance at 1 January 2009 and 30 June 2009	337,203	4,780	–	341,983

(a) Merger reserve

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

(b) Statutory reserves

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

(c) Share option reserve

On 16 September 2009, the Company granted share options to directors and selected employees under a share option scheme (the "Pre-IPO Share Option Scheme"), under which the option holders are entitled to acquire aggregate of 40,000,000 shares of the Company at 10% discount to the offer price of HK\$2.75 per share upon the listing date. All the options under the Pre-IPO Share Option Scheme will not be exercisable within the first 12 months after the grant date as of 16 September 2009.

Notes to the Condensed Consolidated Interim Financial Information

13. Other reserves (continued)

(c) Share option reserve (continued)

Particulars of share options as at 30 June 2010 and 31 December 2009 are as follows:

Vesting period	Expiry dates	Exercise price	Number of outstanding shares as at	
			30 June 2010	31 December 2009
1 year from 16 September 2009	15 September 2012	HK\$2.475	7,272,000	7,580,000
2 years from 16 September 2009	15 September 2013	HK\$2.475	7,272,000	7,580,000
3 years from 16 September 2009	15 September 2014	HK\$2.475	7,272,000	7,580,000
4 years from 16 September 2009	15 September 2015	HK\$2.475	7,272,000	7,580,000
5 years from 16 September 2009	15 September 2016	HK\$2.475	7,272,000	7,580,000
			36,360,000	37,900,000

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

	Six months ended 30 June 2010
At 1 January	37,900,000
Granted	–
Forfeited	(1,540,000)
At 30 June	36,360,000

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

The fair value of options granted is HK\$2.16 per option, which was determined using the Binomial Model by an independent valuer. The significant inputs into the model were estimated share price of HK\$4.00 at the date of grant, annual risk free rate of 0.991% – 2.109% per year, expected volatility of 70.65% – 63.54%, option life of 3 – 7 years and expected dividend yield of 1.00% per year.

Notes to the Condensed Consolidated Interim Financial Information

14. Borrowings

	30 June 2010 RMB'000	31 December 2009 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings – secured (<i>note (a)</i>)	2,090,625	1,405,526
Other borrowings – unsecured	114,135	–
Less: amounts due within one year	(480,707)	(379,325)
	1,724,053	1,026,201
Borrowings included in current liabilities:		
Short-term bank borrowings – secured (<i>note (b)</i>)	865,477	766,390
Current portion of long-term borrowings	480,707	379,325
	1,346,184	1,145,715

(a) As at 30 June 2010, the borrowings of RMB2,090,625,000 (31 December 2009: RMB1,405,526,000) were secured by the Group's property and equipment (*note 4*), land use rights (*note 4*), investment properties (*note 5*), properties under development (*note 6*) and completed properties held for sale (*note 7*); the secured borrowings of RMB820,000,000 (31 December 2009: RMB710,000,000) were additionally guaranteed by related parties of the Group (*note 24 (b)(ii)*).

(b) As at 30 June 2010, the borrowings of RMB636,007,000 (31 December 2009: RMB641,920,000) were secured by the letters of credit (*note 10*) and the borrowings of RMB229,470,000 (31 December 2009: RMB124,470,000) were secured by the land use rights (*note 4*) and investment properties (*note 5*).

Movements in borrowings are analysed as follows:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Opening amount as at 1 January	2,171,916	1,111,003
Additions of borrowings	1,285,735	110,000
Repayments of borrowings	(381,501)	(232,838)
Net foreign exchange gains (<i>note 18</i>)	(5,913)	–
Closing amount as at 30 June	3,070,237	988,165

Notes to the Condensed Consolidated Interim Financial Information

14. Borrowings (continued)

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

	30 June 2010 RMB'000	31 December 2009 RMB'000
RMB	2,434,230	1,464,996
HK\$	636,007	706,920
	3,070,237	2,171,916

The Group has the following undrawn borrowing facilities:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Floating rate – expiring within one year	73,930	447,530

15. Trade and other payables

	30 June 2010 RMB'000	31 December 2009 RMB'000
Trade payables – third parties	508,882	456,955
Notes payable – third party	2,151	35,855
Other payables and accruals:	145,081	150,218
– Related parties (<i>note 24(c)</i>)	32,900	32,900
– Third parties	112,181	117,318
Payables for retention fee	129,219	110,827
Payables for acquisition of land use rights	76,227	98,627
Other taxes payable	38,771	49,347
	900,331	901,829

Notes to the Condensed Consolidated Interim Financial Information

15. Trade and other payables (continued)

The ageing analysis of trade payables of the Group at the balance sheet date is as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Within 90 days	124,787	80,063
Over 90 days and within 180 days	113,517	30,238
Over 180 days and within 365 days	30,310	76,880
Over 365 days and within 3 years	240,268	269,774
	508,882	456,955

16. Expenses by nature

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Business taxes and other levies	54,623	66,383
Staff costs (including directors' emoluments)	103,845	47,300
Advertising costs	24,114	10,178
Depreciation	3,862	3,764
Amortisation of land use rights	9,006	7,896
Cost of properties sold (excluding staff costs)	435,745	543,233
Auditors' remuneration	1,720	210
Donations to governmental charity	29,429	3,348

17. Other gains – net

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Foreign exchange (losses)/gains	(1,576)	3,599
Gain from disposal of land use rights	9,471	–
Fair value gains on financial assets at fair value through profit or loss	3,500	–
Losses from disposal of investment properties – net	–	(3,127)
	11,395	472

Notes to the Condensed Consolidated Interim Financial Information

18. Finance (income)/costs

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Interest expenses:		
– Borrowings wholly repayable within five years	58,296	35,892
– Secured bonds and secured notes	–	62,080
Less: interest capitalised	(56,056)	(95,256)
	2,240	2,716
Net foreign exchange gains on financing activities	(5,913)	–
	(3,673)	2,716

19. Income tax expenses

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Current tax		
– PRC corporate income tax	112,403	116,619
– PRC land appreciation tax – provision	21,854	144,147
– PRC land appreciation tax – reversal of provision	(53,048)	–
Deferred income tax		
– PRC corporate income tax	170,997	(6,347)
	252,206	254,419

Overseas income tax

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

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 period, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to the Detailed Implementation Regulations for implementation of the new CIT Law issued on 6 December 2007, a 10% withholding tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding tax.

Notes to the Condensed Consolidated Interim Financial Information

19. Income tax expenses (continued)

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in this condensed consolidated 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.

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.

Certain entities of the Group in Henan Province, Anhui Province and Jiangsu Province were subject to LAT which is calculated based on 0.5% to 3.5% of the sales of properties in accordance with the authorised taxation method obtained from tax authorities before 2009. In the six months ended 30 June 2010, certain project of the Group has cleared the LAT with local tax bureau at rates ranged from 5% to 12%.

20. Earnings per share

(a) Basic

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders and the weighted average shares in issue during the period.

	Six months ended 30 June	
	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	815,250	330,068
Weighted average number of ordinary shares in issue (thousand shares)	4,082,293	3,000,000
Basic earnings per share (RMB cents per share)	19.97 cents	11.00 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. For the six months ended 30 June 2010, as the average market share price of the ordinary shares during the period was lower than the subscription price, the diluted earnings per share was equal to the basic earnings per share.

Notes to the Condensed Consolidated Interim Financial Information

21. Dividends

No interim dividend in respect of six months ended 30 June 2010 was proposed by the Board (six months ended 30 June 2009: nil).

Final dividend of 2009 of RMB6.00 cents per ordinary share, totalling RMB245,247,000 was declared on 11 June 2010 and RMB136,492,000 was subsequently paid in June 2010. The outstanding dividend of RMB108,755,000 as at 30 June 2010 is payable to Skylong Holdings Limited which is wholly and beneficially owned by Mr. Hoi Kin Hong ("Mr. Hoi"), the major shareholder of the Company.

22. Financial guarantee contracts

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

	30 June 2010 RMB'000	31 December 2009 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	1,419,673	1,065,978

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

23. Commitments

(a) Commitments for property development expenditures

	30 June 2010 RMB'000	31 December 2009 RMB'000
Contracted but not provided for		
– Property development activities	2,762,124	999,922
– Acquisition of land use rights	27,100	139,356
Authorised but not contracted		
– Acquisition of land use rights	900,950	–
	3,690,174	1,139,278

Notes to the Condensed Consolidated Interim Financial Information

23. Commitments (continued)

(b) Operating leases commitments

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

	30 June 2010 RMB'000	31 December 2009 RMB'000
– Not later than one year	3,874	4,838
– Later than one year and not later than two years	7,016	7,016
– Later than two years and not later than three years	6,681	6,681
	17,571	18,535

24. Related party transactions

(a) Name and relationship with related parties

Name	Relationship
Xiamen Powerlong Group 寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi
Macau Powerlong Group 澳門寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Ultimately controlled by Mr. Hoi
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Ultimately controlled by Mr. Hoi
Qingdao Kingcity Outlets Business Company Limited 青島康城奧特萊斯購物中心有限公司	Ultimately controlled by Mr. Hoi
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊發展有限公司	Ultimately controlled by Mr. Hoi
Fuzhou Cannes Department Store Company Limited 福州康城百貨有限公司	Ultimately controlled by Mr. Hoi
Zhengzhou Cannes Outlets Commercial Company Limited 鄭州康城奧特萊斯商業有限公司	Ultimately controlled by Mr. Hoi
Zhengzhou Powerlong Food & Beverage Company Limited 鄭州食全食美餐飲管理有限公司	Ultimately controlled by Mr. Hoi
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Ultimately controlled by Mr. Hoi

Notes to the Condensed Consolidated Interim Financial Information

24. Related party transactions (continued)

(b) Transactions with related parties

The Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Rental income (<i>note (i)</i>):		
– Fuzhou Powerlong Amusement Management Company Limited	791	1,238
– Qingdao Kingcity Outlets Business Company Limited	7,420	–
– Qingdao Powerlong Amusement Management Company Limited	7,125	–
– Zhengzhou Powerlong Food & Beverage Company Limited	802	909
– Zhengzhou Cannes Outlets Commercial Company Limited	4,190	–
	20,328	2,147
Property management fee income (<i>note (i)</i>):		
– Qingdao Powerlong Amusement Management Company Limited	2,116	–
– Zhengzhou Cannes Outlets Commercial Company Limited	953	–
– Qingdao Kingcity Outlets Business Company Limited	734	–
– Other related entities ultimately controlled by Mr. Hoi	464	439
	4,267	439
Purchase of property and equipment from related parties (<i>note (i)</i>):		
– Xiamen Powerlong Information Industry Co., Ltd.	632	27
– Fujian Ping An Security Devices and Network Limited.	–	4,466
	632	4,493
Hotel accommodation service fee charged by a related party (<i>note (i)</i>):		
– Macau Powerlong Group	779	406
Office lease expense charged by a related party (<i>note (i)</i>):		
– Xiamen Powerlong Information Industry Co., Ltd.	145	743

- (i) The transactions were charged in accordance with the terms of the underlying agreements.
- (ii) Related parties have provided corporate guarantees for the Group's bank borrowings of RMB820,000,000 at 30 June 2010 (31 December 2009: RMB710,000,000) (*note 14*).
- (iii) In the opinion of the directors of the Company, the related party transactions were conducted in the ordinary course of business.

Notes to the Condensed Consolidated Interim Financial Information

24. Related party transactions (continued)

(c) Balances with related parties

The Group had the following material balances with related parties:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Amounts due from related parties included in trade receivables (<i>note (ii)</i>)		
– Fuzhou Powerlong Amusement Management Company Limited	3,344	2,553
– Zhengzhou Powerlong Food & Beverage Company Limited	2,593	1,791
– Qingdao Kingcity Outlets Business Company Limited	13,128	4,974
– Qingdao Powerlong Amusement Management Company Limited	12,747	3,506
– Zhengzhou Cannes Outlets Commercial Company Limited	5,652	–
– Other related entities ultimately controlled by Mr. Hoi	4,120	2,609
	41,584	15,433
Amounts due from related parties included in other receivables (<i>note (i)</i>)		
– Mr. Hoi	2,886	2,886
– Related entities ultimately controlled by Mr. Hoi (<i>note 24(b)</i>)	24,930	20,958
– Xiamen Powerlong Group	23,837	15,414
– Zhengzhou Cannes Outlets Commercial Company Limited	1,093	–
– Fuzhou Powerlong Amusement Management Company Limited	–	4,001
– Other related entities ultimately controlled by Mr. Hoi	–	1,543
	27,816	23,844
	30 June 2010 RMB'000	31 December 2009 RMB'000
Prepayments for acquisition of properties (<i>note (iii)</i>)		
– Xiamen Powerlong Group	600,000	600,000
Amounts due to related parties included in other payables (<i>note (i)</i>):		
– Mr. Hoi	32,900	32,900
Dividend payable to Skylong Holdings Limited (<i>note 21</i>)	108,755	–

Notes to the Condensed Consolidated Interim Financial Information

24. Related party transactions (continued)

(c) Balances with related parties (continued)

- (i) Amounts due from/to related parties are unsecured, interest-free and repayable on demand, which are cash advances in nature.
- (ii) Amounts due from related parties included in trade receivables are mainly derived from rental income, which are unsecured, interest-free and to be settled according to contract terms.
- (iii) On 5 December 2008, the Group entered into an agreement with Xiamen Powerlong Group to acquire certain properties in Mingfa Centre (the “Mingfa Properties”) from Xiamen Powerlong Group at a consideration of RMB600,000,000. Owing to a delay in the delivery of the properties by the co-development partner to the Xiamen Powerlong Group, completion of the acquisition is expected to be postponed to 31 December 2010. Pursuant to the agreement, the Group is entitled to the rental income derived from the Mingfa Properties during the period from date of entering into the agreement to the date of transfer of properties ownership certificate. The rental income for the six months ended 30 June 2010 of RMB8,423,000 (six months ended 30 June 2009: nil) has been recognised in profit and loss accounts.