



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 2011*



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Company Profile

Powerlong Real Estate Holdings Limited (the “Company” or “Powerlong”) is a leading commercial property developer in China specializing in the development and operation of high-quality, large-scale, multi-functional commercial complexes. Our existing property projects are generally located in prime positions close to the city centers of fast-growing, emerging cities in Fujian Province, Jiangsu Province, Shandong Province, Henan Province, Anhui Province and Tianjin Municipality. Powerlong intends to expand our commercial property development operations predominantly to other second or third-tier cities in China with high growth potential. During the years 2006 -2011, we were recognized as a top brand, among commercial and tourism related real estate brands, by China Real Estate Top 10 Research Group, based on a combination of factors, including our market position, brand recognition and customer satisfaction. We were also named as one of the top 100 real estate enterprises in China in 2006 - 2011, by the same organization based on a range of factors such as total assets, total revenue, net profit and GFA completed and under development.

Powerlong focuses on developing large-scale commercial complexes in cities with rapid growth. Our “Powerlong City Plaza” projects are integrated commercial-residential complexes that typically include large-scale commercial premises that contain supermarkets, department stores, retail shops, cinemas, food courts and other recreational facilities, as well as quality residential properties. Depending on the locations of our projects and market demand, our future commercial complex projects will include high-quality hotels managed by internationally recognized hotel management companies, and large-scale indoor amusement parks as well. Our “Powerlong City Plaza” projects typically have a total gross floor area (GFA) ranging from 200,000 to 500,000 square meters and are among the largest integrated commercial projects in the cities where they are located, meeting the commercial and entertainment needs of local residents and enhancing the living environment of the communities in which our properties are located.

We aim to bring “Powerlong City Plaza” to emerging cities where we work closely with the local governments to meet their future city development plans. “Powerlong City Plazas” add new features to the cities where they are located and improve the functional organization of the cities. We primarily focus on fast-growing emerging cities in China, which enable us to acquire land at relatively low cost and avoid the high levels of competition prevalent in first-tier cities.

One of the highlights of our business model is that we generally develop our properties in multiple phases. At early stage of development, we sell the residential properties and part of the commercial properties to generate cash flow to satisfy the capital needs of the remaining phases of the project. We also strategically retain long-term ownership of our quality commercial properties for recurring rental income and potential capital appreciation. We believe our “Powerlong” business model allows us to expand rapidly with relatively low capital outlays, achieve attractive returns and stable cash flow. We also believe it provides us with diversified revenue sources and lowers the risk of over-reliance on any particular property sector to ensure our continued success.

We will continue to optimize our tenant mix and introduce domestic and international brands as long-term anchor tenants. Our anchor tenants include Parkson TESCO, Carrefour, Wal-Mart, KFC, McDonalds, Xinhua Department Stores, Suning, Gome Electronics, Jinyi Cinemas and Hengdian Cinemas. We believe that such strategic partnerships with well-known brands will allow us to maintain the quality and value of our properties. At the same time, we will be able to introduce them to similar projects in other target markets and further enhance our “Powerlong” brand by having strong relationships with our long-term anchor tenants.

Powerlong intends to continue to adopt our “Powerlong” business model in fast-growing cities in China to meet increased demand for quality commercial properties driven by heightened regional business activities in these cities. We intend to develop large-scale, multi-functional complexes in cities with good growth potential.

Company 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

Ms. Shih Sze Ni

Ms. Liu Xiao Lan

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 Fong

Mr. Au-yeung Po Fung

Registered Office

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Website

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Auditor

PricewaterhouseCoopers

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Principal Place of Business in the PRC

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Principal Share Registrar

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Butterfield House, 68 Fort Street

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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

The Hongkong and Shanghai Banking Corporation

Limited

Legal Advisor

Sidley Austin

Schedule of Principal Properties

The schedule of principal properties as of 30 June 2011 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 (Golden Jiayuan/ Anhai Haoyuan)	73	198	100%	198	–	–
Fuzhou Powerlong City Plaza	73	215	100%	215	–	–
Anxi Powerlong City Plaza	87	320	85%	–	294	26
Xiamen Project	30	79	100%	–	–	79
Jinjiang Powerlong City Plaza	135	811	100%	–	811	–
Jiangsu Province						
Suzhou Taicang Powerlong City Plaza	131	288	100%	214	50	24
Wuxi Yuqi Powerlong Riverside Garden	157	360	100%	128	232	–
Wuxi Powerlong City Plaza	77	284	80%	284	–	–
Suqian Powerlong City Plaza	220	489	100%	122	367	–
Yancheng Powerlong City Plaza	221	497	100%	223	274	–
Changzhou Powerlong City Plaza	270	855	100%	–	261	594
Shandong Province						
Qingdao Powerlong City Plaza	320	707	100%	707	–	–
Tai’an Powerlong City Plaza	238	291	100%	291	–	–
Yantai Haiyang Powerlong City Plaza	668	754	100%	61	223	470
Qingdao Licang Powerlong City Plaza	107	373	100%	137	236	–
Qingdao Jimo Powerlong City Plaza	152	614	100%	–	614	–
Henan Province						
Zhengzhou Powerlong City Plaza	134	252	100%	252	–	–
Luoyang Powerlong City Plaza	356	1,134	100%	367	389	378
Xinxiang Powerlong City Plaza	300	1,282	100%	–	825	457
Tianjin Municipality						
Tianjin Powerlong International Center	30	374	65%	–	374	–
Tianjin North Green Area	73	70	100%	–	–	70
Powerlong Europe Park	529	695	100%	–	–	695
Shanghai Municipality						
Shanghai Powerlong World	30	49	100%	–	–	49
Shanghai Caolu town	71	116	100%	–	–	116
Zhejiang Province						
Hangzhou Powerlong City Plaza	90	256	100%	–	–	256
Anhu Province						
Bengbu Powerlong City Plaza	192	491	100%	491	–	–
Chongqing Municipality						
Chongqing Hechuan Powerlong City Plaza	180	658	100%	–	–	658
Jilin Province						
Changchun Powerlong Center	27	312	100%	–	–	312
	4,971	12,824		3,690	4,950	4,184

Results Highlights

Results Highlights

For the six months ended 30 June 2011

	1H 2011 RMB Million	1H 2010 RMB Million	Change
Revenue	1,950.6	1,042.0	87%
Gross Profit	845.1	528.8	60%
Profit for the period	2,521.1	813.9	210%
Attributable to:			
– Equity owners of the company	2,468.7	815.3	203%
– Non-controlling Interests	52.4	-1.4	3,843%
Earnings per share (RMB per share)			
– Basic	0.62	0.20	210%
– Diluted	0.62	0.20	210%

Revenue Analysis

For the six months ended 30 June 2011

	1H2011 RMB Million	1H2010 RMB Million	Change
Sales of properties	1,744.5	957.0	82%
Rental income of investment properties	101.8	63.6	60%
Income of property management services	40.2	21.4	88%
Other income	64.1	–	N/A
	1,950.6	1,042.0	87%

As at the period/year end

	30-Jun-11 RMB Million	31-Dec-10 RMB Million	Change
Total Assets	30,675.7	24,466.3	25%
Total Liabilities	17,295.6	13,319.7	30%
Total Equity	13,380.2	11,146.6	20%

Management Discussion and Analysis

Market Review and Outlook

During the first half of 2011, the PRC government implemented macro control policy over the real estate sector to curb the overheated property market. Measures including property tax, purchase restrictions, controlled mortgages, controlled prices, interest rate rise and tightened monetary supply were imposed creating great pressure within the real estate sector.

During the first half of 2011, the Company together with its subsidiaries (the “Group”) appropriately adjusted the sales strategy and its pace of development. The Group adopted a competitive pricing strategy and grasped the opportunities to introduce property projects in a timely manner. Total contracted sales area around 345,687 square meters and the contracted sales amounted to approximately RMB2,334.6 million. Yancheng, Suqian, Luoyang and Qingdao Licang which were launched during the six months ended 30 June 2011 contributed 54.8% of the total contracted sales amount. The Group acquired four pieces of land, namely Tianjin Binhai, Tianjin North Green Area, Shanghai Caolu Town and Quanzhou Jinjiang. Land bank expanded by approximately 1,700,000 square meters during the six months ended 30 June 2011, providing sufficient resources for sustainable development in the future. The Group also successfully increased its rental and management fee by 67.0% to RMB142.0 million during the first half of 2011. Four large-scale commercial and residential complexes will be opened in the third or fourth quarters of 2011. Meanwhile, the Group achieved business expansion by means of expanding its hotels, department stores and KTV business, and the Group’s Four Points by Sheraton Qingdao commenced business in January 2011. Furthermore, despite the tightening banking environment, the Group successfully issued three-years RMB denominated and USD settled bonds of RMB750 million and obtained a term loan facility of USD47 million at the beginning of 2011, which enhanced the Group’s overall liquidity.

With the Group’s core philosophy of “Growing with the City”, the Group strives to become an important participant in the PRC’s urbanization process. The Group receives high recognition from the government and industry, and has been awarded Top 10 Leading China Real Estate Company Brands, Top 10 Operators of Comprehensive Urban Complexes, a Leading Brands of China Real Estate Companies – Retail and Leisure Real Estate and Top 100 China Real Estate Enterprises for seven consecutive years. The Company has also been awarded Top 50 in Comprehensive Strength was ranked and Top 10 in profitability among China Real Estate Listed Companies for the year 2011.

For the second half of 2011, the Group anticipates that it will continue to face the uncertainties arising from macro control policies in the PRC real estate market. In the second half of 2011, the Group will focus on its core business and endeavor to continue implementing the strategy of developing “standardized malls”, centralize resources on developing products meeting market demand. The Group will continue to focus on selecting suitable area for development and expanding the land bank area in a rational and sensible 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 that the Group is maintaining a healthy financial status. At the same time, the Group will strive to capture the opportunities brought by commercial properties and take full advantage of the stable cash flow from the commercial properties. This enables the Group to manage the business fluctuation and improve its operating results, so as to bring satisfactory returns to the shareholders of the Company (“Shareholders”).

Business Review

During the six months ended 30 June 2011, the Group conducted its business activities in the following major business segments, namely property development, property investment, property management services and other property development related services. Property development remains the core business and key revenue driver of the Group.

Property Development

During the six months ended 30 June 2011, the Group adhered closely to its completion and delivery schedule. The gross floor area of sold and delivered projects amounted to approximately 251,575 square meters (for the six months ended 30 June 2010: 129,032 square meters), and represented an increase of 95.0% when compared with the corresponding period of year 2010, as detailed in the following table.

Management Discussion and Analysis

Projects completed and projects delivered during the six months ended 30 June 2011

Projects	GFA Completed (Square meters)	GFA Sold & Delivered (Square meters)
Bengbu		
commercial	–	3,896
residential	–	252
Yantai Haiyang		
residential	565	2,615
hotel	38,062	–
Qingdao Licang		
commercial	568	568
residential	106,463	85,436
Luoyang		
commercial	–	11,579
Qingdao Chengyang		
residential	–	326
Tai'an		
commercial	–	1,210
residential	–	551
Wuxi Wangzhuang		
commercial	–	177
residential	–	6,409
Wuxi Yuqi		
commercial	–	810
residential	–	4,327
Suqian		
commercial	21,868	23,670
residential	–	3,822
Yancheng		
residential	126,512	105,927
Total		
commercial	22,436	41,910
residential	233,540	209,665
hotel	38,062	–
	294,038	251,575

Management Discussion and Analysis

Property Sales Performance

During the six months ended 30 June 2011, the Group recorded steady property sales performance. Major sales growth of the Company during the period was attributable to Licang project of Shandong province, Suqian and Yancheng projects of Jiangsu province as detailed in the following table.

Projects	GFA Sold & Delivered (Square meters)	Revenue (RMB'000)	Average selling price (RMB per square meters)
Bengbu			
commercial	3,896	40,134	10,301
residential	252	1,547	6,139
Yantai Haiyang			
residential	2,615	33,119	12,665
Qingdao Licang			
commercial	568	18,578	32,708
residential	85,436	712,125	8,335
Luoyang			
commercial	11,579	85,668	7,399
Qingdao Chengyang			
residential	326	2,423	7,433
Tai'an			
commercial	1,210	8,677	7,171
residential	551	6,151	11,163
Wuxi Wangzhuang			
commercial	177	4,337	24,503
residential	6,409	60,187	9,391
Wuxi Yuqi			
commercial	810	5,399	6,665
residential	4,327	16,134	3,729
Suqian			
commercial	23,670	157,390	6,649
residential	3,822	18,189	4,759
Yancheng			
residential	105,927	574,426	5,423
Total			
commercial	41,910	320,183	7,640
residential	209,665	1,424,301	6,793
	251,575	1,744,484	6,934

Management Discussion and Analysis

During the six months ended 30 June 2011, the total contracted sales area of the Group reached approximately 345,687 square meters (for the six months ended 30 June 2010: 158,828 square meters), while the total contracted sales value amounted to RMB2,334.6 million (for the six months ended 30 June 2010: RMB1,248.5 million). Sales value increased by 87.0% when compared to the corresponding period of 2010.

Project name	Contracted sales area (Square meters)	Contracted sales amount (RMB'000)
Anxi	42,439	244,882
Bengbu	3,877	40,742
Changzhou	771	3,987
Yantai Haiyang	2,615	33,092
Qingdao Jimo	38,025	263,898
Qingdao Licang	19,848	261,904
Luoyang	11,016	83,920
Luoyang Phase II	56,150	369,243
Qingdao Chengyang	425	4,095
Suqian	71,831	438,344
Tai'an	1,210	8,677
Wuxi Wangzhuang	6,796	66,258
Wuxi Yuqi	5,230	22,124
Wuxi Yuqi Phase II	9,013	44,501
Xinxiang	62,489	323,456
Yancheng	13,952	125,454
Total	345,687	2,334,577

Hotel Development

The Group continues to develop its hotel business as its long-term recurring income stream. As at 30 June 2011, the Group operated 3 hotels (of which 2 were open in 2011) in Suzhou, Qingdao and Tai'an, respectively. Aloft Haiyang in Shandong Yantai also commenced operation in July 2011. The hotels served as the important ancillary facilities of Powerlong's complex projects.

Investment Properties

To generate a stable income flow, the Group holds and manages a portfolio of commercial properties for leasing. As at 30 June 2011, the Group had an aggregate GFA of approximately 1,307,586 square meters (31 December 2010: 774,423 square meters) held as investment properties, representing an increase of 68.8% over the end of 2010.

During the six months ended 30 June 2011, the Group recorded a rental income from investment properties of approximately RMB101.8 million (for the six months ended 30 June 2010: RMB63.6 million), representing an increase of 60.1% when compared to the corresponding period of 2010. This was mainly attributable to rental increase of properties at Zhengzhou and Wuxi Wangzhuang.

Management Discussion and Analysis

Land Bank Replenishment

As at 30 June 2011, the Group had a quality land bank amounting to a total GFA of approximately 9.1 million square meters. The land bank will be used for the development of shopping malls with supermarkets, department stores, cinema complexes, food courts and other leisure facilities, as well as residential properties and hotels.

The Group is upholding prudent land bank replenishment strategies and has successfully expanded its land bank area during the six months ended 30 June 2011:

- **Binhai of Tianjin**

The project is located at Binhai tourism area of Tanggu District with a total site area of 528,900 square meters with a GFA of approximately 695,000 square meters and land costs of approximately RMB848.6 million. Initial development includes retail shops, residential units and a hotel.

- **Tianjin North Green Area**

The project is located adjacent to Tianjin Powerlong International Center at Yujiapu Financial District, which occupies a total site area of 73,367 square meters with a GFA of approximately 70,000 square meters and land costs of approximately RMB140.5 million. The project is expected to consist of a large-scale supermarket, electrical appliance store, KTV, food court and retail shops.

- **Shanghai Caolu Town**

The project is located at Caolu town in Shanghai Pudong New Area with a total site area of 71,200 square meters with a GFA of approximately 116,000 square meters and land costs is approximately RMB609.9 million. The project is expected to consist of residential units, a hotel and retail shops.

- **Quanzhou Jinjiang**

The land is located at Qingyang Street of Chencun Area in Quanzhou Jinjiang. This is the Company's second commercial complex project in Quanzhou, which occupies a total site area of 135,402 square meters with GFA of approximately 810,000 square meters and land costs of approximately RMB1,047.0 million. Construction of the project commenced on 1 April 2011. The project is expected to include a shopping mall, furnished apartments, retail shops, residential units and a hotel etc.

Property Management and Related Services

During the six months ended 30 June 2011, the income from property management and related services generated from property management services, after intra-group elimination, amounted to approximately RMB40.2 million (for the six months ended 30 June 2010: RMB21.4 million), representing a substantial increase of 87.9% as compared with the corresponding period of 2010.

Management Discussion and Analysis

Financial Analysis

Revenue

The total revenue for the Group for the six months ended 30 June 2011 was RMB1,950.6 million. During the period under review, the total GFA delivered by the Group reached 251,575 square meters (the corresponding period of 2010: 129,032 square meters). In terms of the unit average selling price and transaction volume, a table of analysis on the sales of properties is provided as follows:

Types of properties sold and delivered:

	GFA (Square Meters)	Average selling price (RMB per Square Meters)
Commercial	41,910	7,640
Residential	209,665	6,793
Total	251,575	6,934

Segment Information

The Group's business is categorised into four operating segments – sales of properties, property investment, property management services and other property development related services. An analysis of the Group's revenue is as follows:

	For the six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Sales of properties	1,744,484	956,981
Rental income of investment properties	101,827	63,608
Income of property management services	40,190	21,448
Other income	64,076	–
Total	1,950,577	1,042,037

Management Discussion and Analysis

Revenue Stream

Sales of property remains the Group's core business activity, representing 89.4% of the Group's total revenue. Rental income, property management services and other property development related services income accounted for 5.2%, 2.1% and 3.3% of the Group's total revenue, respectively.

Cost of Sales

Cost of sales comprises land costs, construction costs, decoration costs, capitalised interest expenses, and business taxes and so on. Cost of sales increased from approximately RMB513.2 million for the six months ended 30 June 2010 to approximately RMB1,105.5 million for the six months ended 30 June 2011, representing an increase of 115.4%. This was mainly attributable to the increase of properties sold and delivered. Average land costs for the six months ended 30 June 2011 was RMB831 per square meter.

Profit Before Income Tax

Profits before income tax for the six months ended 30 June 2011 amounted to RMB3,563.3 million (of which, fair value gains of investment properties amounted to RMB3,021.5 million), representing an increase of 234.2% as compared with the corresponding period in 2010.

Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs for the six months ended 30 June 2011 amounted to RMB71.5 million (for the six months ended 30 June 2010: RMB41.9 million). The increase in selling and marketing costs was mainly attributable to the increased number of sales projects. Administrative expenses increased by 64.4% to approximately RMB272.7 million (for the six months ended 30 June 2010: RMB165.9 million) due to the increase of numbers of projects and staff during the period.

Fair Value Gains of Investment Properties

During the six months ended 30 June 2011, the Group recorded fair value gains of investment properties of approximately RMB3,021.5 million (for the six months ended 30 June 2010: RMB729.9 million), mainly attributable to the fair value gains of certain projects under construction, mainly including: Anxi Powerlong City Plaza, Qingdao Jimo Powerlong City Plaza, Qingdao Licang Powerlong City Plaza, Phase II of Luoyang Powerlong City Plaza, Suqian Powerlong City Plaza, Xinxiang Powerlong City Plaza and Yancheng Powerlong City Plaza.

Income Tax Expenses

Income tax expenses increased from RMB252.2 million for the six months ended 30 June 2010 to RMB1,042.2 million for the six months ended 30 June 2011, representing an increase of 313.2%. The increase was mainly attributable to the increase of fair value gains on investment properties.

Profit Attributable to Equity Owners of the Company

For the six months ended 30 June 2011, the Group achieved a profit attributable to equity holders of RMB2,468.7 million (for the six months ended 30 June 2010: RMB815.3 million), representing an increase of 202.8%. Basic earnings per share was RMB61.55 cents (for the six months ended 30 June 2010: RMB19.97 cents), representing an increase of 208% as compared to the corresponding period of 2010.

For the six months ended 30 June 2011, net profit margin (excluding the profit attributable to fair value gains on investment properties) decreased from 25.6% for the six months ended 30 June 2010 to 13.9% in the first half of 2011. This was mainly due to the decrease of gross profit margin and increase of income tax.

Management Discussion and Analysis

Liquidity and Financial Resources

The long term funding and working capital required by the Group are primarily derived from income generated from the Group's core business operations, bank borrowings and cash proceeds raised from capital markets during 2010 and 2011, which were used as working capital. As at 30 June 2011, the Group had net debt (total borrowings less cash and cash equivalents, including restricted cash) of RMB6,170.1 million and its net gearing ratio (net debt over total equity) stood at 46.1%. As at 30 June 2011, the Group had cash and cash equivalents (including restricted cash) in total amounting to RMB2,672.5 million and total borrowings amounting to RMB8,842.6 million.

Of the total borrowings, RMB2,330.0 million was repayable within one year while RMB6,512.6 million was repayable after one year.

The fund raising transactions of the Group were mainly denominated in US Dollars and Renminbi Yuan.

Material Acquisition and Disposal

For the six months ended 30 June 2011, the Group had no material acquisitions or disposal.

Employees and Emolument Policy

As at 30 June 2011, the Group employed a total of 3,499 employees. The total staff costs of the Group incurred during the period was RMB140.7 million. The Group has adopted a performance-based rewarding system to motivate its staff. The Group has also provided different types of training programs for its staff to improve their skills and expertise.

Interim Dividend

The board of directors of the Company (the "Board") does not recommend the payment of any interim dividend for the six months ended 30 June 2011.

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 (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who will contribute and had contributed 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 2011:

The maximum number of shares which maybe 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 8.8% of the issued capital as at 30 June 2011).

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 of Hong Kong Limited (the "Stock Exchange") 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 2011, 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 Pre-IPO 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 2011:

40,000,000 shares (representing approximately 0.98% 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 2010	Forfeited during the six months ended 30 June 2011	As at 30 June 2011
From 16 September 2010 to 15 September 2012	7,112,000	(240,000)	6,872,000
From 16 September 2010 to 15 September 2013	7,112,000	(240,000)	6,872,000
From 16 September 2010 to 15 September 2014	7,112,000	(240,000)	6,872,000
From 16 September 2010 to 15 September 2015	7,112,000	(240,000)	6,872,000
From 16 September 2010 to 15 September 2016	7,112,000	(240,000)	6,872,000
	35,560,000	(1,200,000)	34,360,000

Share award scheme

A share award scheme was adopted on 2 December 2010 to recognize and motivate the contributions by employees of the Group and to give incentives in order to retain them for the continual operation and development of the Group. As at 30 June 2011, no share had been awarded under the scheme. Details of the rules of the share award scheme are set out in the announcement of the Company dated 2 December 2010.

The scheme shall be valid and effective for a term of 6 years commencing on the date of adoption of the scheme. Pursuant to the scheme, shares will be acquired by the independent trustee at the cost of the Company and be held in trust for selected employees until the end of each vesting period. Vested shares will be transferred to the selected employees at no cost. The number of shares to be awarded under the scheme throughout its duration is limited to 2% of the issued share capital of the Company as at the date of adoption of the scheme.

Disclosure of Interests in Securities

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

As at 30 June 2011, 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 required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the "Model Code") 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 of the Company's issued shares*
Mr. Hoi Kin Hong	Long Position	Interest of a controlled corporation (<i>Note 1</i>)	1,800,000,000	44.24%
	Long Position	Interest of spouse	1,729,000	0.04%
Mr. Hoi Wa Fong	Long Position	Interest of a controlled corporation (<i>Note 2</i>)	600,000,000	14.75%
Ms. Hoi Wa Fan	Long Position	Interest of a controlled corporation (<i>Note 3</i>)	300,000,000	7.37%

Disclosure of Interests

Notes:

1. The 1,800,000,000 shares are being held by Skylong Holdings Limited and Skylong Holdings Limited is wholly and beneficially owned by Hoi Kin Hong.
 2. The 600,000,000 shares are being held by Sky Infinity Holdings Limited and Sky Infinity Holdings Limited is wholly and beneficially owned by Hoi Wa Fong.
 3. The 300,000,000 shares are being held by Walong Holdings Limited and 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 2011.

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

Name of Director	Long/Short position	Capacity	Number of underlying shares in respect of the share options granted	Approximate percentage of the underlying shares over the Company's issued shares* (Upon fully exercise of share options)
Mr. Hoi Kin Hong	Long Position	Beneficial owner	7,000,000	0.1706%
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 the above section headed "Information on Share Option Scheme" and note 15 to the consolidated financial statements.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2011.

(3) Long Position in the Senior Notes

Name of Director	Capacity	Amount of Debentures	Approximate percentage of the issued debentures (%)
Mr. Hoi Wa Fong	Interest of a controlled corporation (Note)	USD4,700,000	2.35%

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

Disclosure of Interests

Save as disclosed above, as at 30 June 2011, none of the Directors, chief executives of the Company or 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 or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Right to Acquire Shares

Saved as disclosed above, at no time during the year under review 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 corporates, and none of the Directors or chief executives or their respective spouses or children under 18 years of age had been granted any right to subscribe for shares or debt securities of the Company nor exercised any such right.

Interests of Substantial Shareholders

As at 30 June 2011, the interests of substantial shareholders in shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows (other than the interests of our Directors as stated in the above paragraph headed "Directors' interests in the shares and underlying shares of the Company"):

Name	Capacity	Number of Shares	Percentage of Shareholding*
Skylong Holdings Limited (Notes 1 and 2)	Beneficial owner	1,800,000,000(L)	44.24%
Mr. Hoi Kin Hong (Notes 1)	Interest of spouse	1,729,000(L)	0.04%
Sky Infinity Holdings Limited (Notes 1 and 3)	Beneficial owner	600,000,000(L)	14.75%
Walong Holdings Limited (Notes 1 and 4)	Beneficial owner	300,000,000(L)	7.37%
Wason Holdings Limited (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 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 2011.

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 2011.

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 2011.

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

For the six months ended 30 June 2011, the Company did not purchase, sell or repurchase any listed securities of the Company or any of its subsidiaries.

Sufficiency of Public Float

Based on information available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float throughout the period ended 30 June 2011.

Audit Committee

The Company has an audit committee ("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 Audit Committee has reviewed the interim results for the six months ended 30 June 2011 with the Company's management.

Publication of Interim Report

The interim report of the Company for the six months ended 30 June 2011 containing all the information required by the Listing Rules is to be despatched to the Shareholders and made available for review on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.powerlong.com in due course.

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

Hong Kong, 25 August 2011

Condensed Consolidated Interim Balance Sheet

		30 June 2011 Unaudited RMB'000	31 December 2010 Restated (Note 2.2(b)) RMB'000	1 January 2010 Restated (Note 2.2(b)) RMB'000
	Note			
ASSETS				
Non-current assets				
Property and equipment	6	1,418,161	904,176	323,917
Land use rights	6	615,089	108,490	61,343
Investment properties	7	13,934,232	10,088,058	6,507,786
Deferred income tax assets		104,933	75,514	30,596
		16,072,415	11,176,238	6,923,642
Current assets				
Properties under development	8	5,884,879	3,507,149	2,500,814
Completed properties held for sale	9	1,390,557	1,359,313	804,028
Trade and other receivables and loans	10	1,181,042	1,141,362	511,837
Prepayments	11	3,400,109	3,246,298	1,276,725
Prepaid income taxes		67,887	12,395	11,639
Financial assets at fair value through profit or loss	12	6,289	21,598	11,517
Restricted cash	13	1,365,943	1,262,045	719,891
Cash and cash equivalents	14	1,306,600	2,739,908	1,764,225
		14,603,306	13,290,068	7,600,676
Total assets		30,675,721	24,466,306	14,524,318
EQUITY				
Equity attributable to owners of the Company				
Share capital and premium	15	3,052,201	3,107,456	3,172,401
Other reserves	16	390,025	378,062	347,231
Retained earnings				
– Proposed dividends	25	–	244,107	245,247
– Unappropriated retained earnings		9,617,852	7,149,289	4,437,751
		13,060,078	10,878,914	8,202,630
Non-controlling interests		320,079	267,664	26,927
Total equity		13,380,157	11,146,578	8,229,557

Condensed Consolidated Interim Balance Sheet

		30 June 2011 Unaudited RMB'000	31 December 2010 Restated (Note 2.2(b)) RMB'000	1 January 2010 Restated (Note 2.2(b)) RMB'000
	Note			
LIABILITIES				
Non-current liabilities				
Borrowings	17	6,512,570	4,267,087	1,026,201
Deferred income tax liabilities		2,372,802	1,602,362	961,679
		8,885,372	5,869,449	1,987,880
Current liabilities				
Borrowings	17	2,330,062	1,954,281	1,145,715
Trade and other payables	18	1,577,219	1,536,007	901,829
Advances from customers		3,003,500	2,453,110	1,231,758
Current income tax liabilities		1,499,411	1,506,881	1,027,579
		8,410,192	7,450,279	4,306,881
Total liabilities		17,295,564	13,319,728	6,294,761
Total equity and liabilities		30,675,721	24,466,306	14,524,318
Net current assets		6,193,114	5,839,789	3,293,795
Total assets less current liabilities		22,265,529	17,016,027	10,217,437

Hoi Kin Hong
Director

Hoi Wa Fong
Director

The notes on pages 28 to 56 are an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Six months ended 30 June	
		2011 Unaudited RMB'000	2010 Unaudited RMB'000
Revenue	5	1,950,577	1,042,037
Cost of sales	19	(1,105,470)	(513,191)
Gross profit		845,107	528,846
Fair value gains on investment properties	7	3,021,514	729,894
Selling and marketing costs	19	(71,525)	(41,860)
Administrative expenses	19	(272,698)	(165,861)
Other gains – net	20	8,471	12,971
Exchange losses – net	21	(8,867)	(1,576)
Operating profit		3,522,002	1,062,414
Finance income – net	22	41,272	3,673
Profit before income tax		3,563,274	1,066,087
Income tax expense	23	(1,042,153)	(252,206)
Profit for the period		2,521,121	813,881
Other comprehensive income		–	–
Total comprehensive income for the period		2,521,121	813,881
Attributable to:			
Equity owners of the Company		2,468,706	815,250
Non-controlling interests		52,415	(1,369)
		2,521,121	813,881
Earnings per share for profit attributable to equity owners of the Company for the period (expressed in RMB cents per share)	24		
– Basic		61.55 cents	19.97 cents
– Diluted		61.55 cents	19.97 cents
		RMB'000	RMB'000
Dividends	25	–	–

The notes on pages 28 to 56 are an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to equity owners of the Company					
	Share capital and premium RMB'000 (note 15)	Other reserves RMB'000 (note 16)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2011 (Unaudited)						
Balance at 1 January 2011	3,107,456	378,062	7,393,396	10,878,914	267,664	11,146,578
Comprehensive income						
– Profit for the period	–	–	2,468,706	2,468,706	52,415	2,521,121
– Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the six months ended 30 June 2011	–	–	2,468,706	2,468,706	52,415	2,521,121
Transactions with equity owners						
– Dividends	–	–	(241,806)	(241,806)	–	(241,806)
– Purchase of shares held for share award scheme	(55,255)	–	–	(55,255)	–	(55,255)
– Employees share option scheme	–	9,519	–	9,519	–	9,519
Total transactions with equity owners	(55,255)	9,519	(241,806)	(287,542)	–	(287,542)
Appropriation to statutory reserves	–	2,444	(2,444)	–	–	–
Balance at 30 June 2011	3,052,201	390,025	9,617,852	13,060,078	320,079	13,380,157

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to equity owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital and premium RMB'000 (note15)	Other reserves RMB'000 (note16)	Retained earnings RMB'000	Total 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/(loss) 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	
Transactions with equity owners							
– Dividends	–	–	(245,247)	(245,247)	–	(245,247)	
– Repurchase of shares of the Company	(35,479)	–	–	(35,479)	–	(35,479)	
– Employees share option scheme	–	18,459	–	18,459	–	18,459	
Total transactions with equity owners	(35,479)	18,459	(245,247)	(262,267)	–	(262,267)	
Capital contribution from non-controlling interests	–	–	–	–	10,500	10,500	
Balance at 30 June 2010	3,136,922	365,690	5,253,001	8,755,613	36,058	8,791,671	

The notes on pages 28 to 56 are an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

	Note	Six months ended 30 June	
		2011 Unaudited RMB'000	2010 Unaudited RMB'000
Net cash used in operating activities		(2,002,985)	(37,685)
Cash flows from investing activities			
Purchase of property and equipment		(132,507)	(116,073)
Additions of investment properties		(1,607,320)	(423,872)
Purchase of land use rights		(181,608)	(206,899)
Other cash (used in)/generated from investing activities		(99,992)	53,548
Net cash used in investing activities		(2,021,427)	(693,296)
Cash flows from financing activities			
Proceeds from borrowings		4,024,559	1,285,735
Repayments of borrowings		(1,426,415)	(381,501)
Decrease in guarantee deposits		264,054	6,062
Distribution of dividends		(241,806)	(136,492)
Other cash used in financing activities		(20,421)	(24,979)
Net cash generated from financing activities		2,599,971	748,825
Net (decrease)/increase in cash and cash equivalents		(1,424,441)	17,844
Cash and cash equivalents at the beginning of the period		2,739,908	1,764,225
Effect of foreign exchange rate changes		(8,867)	(1,576)
Cash and cash equivalents at the end of the period	14	1,306,600	1,780,493

The notes on pages 28 to 56 are an integral part of these unaudited interim consolidated financial statements.

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 services, and other property development related services in the People’s Republic of China (the “PRC”).

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

This condensed consolidated interim financial information (the “Interim Financial Information”) was approved for issue by the board of directors of the Company (the “Board”) on 25 August 2011.

The Interim Financial Information has not been audited.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The Interim Financial Information has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The Interim Financial Information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2010, 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 2010, as described in those annual financial statements.

- (a) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.
- (b) Change in accounting policy for land use rights relating to properties developed for sale.

Land use rights relating to properties developed for sale meet the definition of both leasehold land under HKAS 17 “Leases” and inventories under HKAS 2 “Inventories”. The Group changed its accounting policy for land use rights relating to properties developed for sale since 1 January 2011.

In previous years, upfront payments to obtain land use rights on which properties will be developed for sale were regarded as upfront operating lease payments and were initially recognised as a separate current asset item on the balance sheet. They were subsequently amortised on a straight line basis over the lease period in accordance with HKAS 17. The amortisation during the period of construction of the properties was capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties was recognised in profit or loss. The unamortised upfront payments were recognised as cost of sales when the relevant properties are sold and delivered upon completion of the relevant properties.

Notes to the Condensed Consolidated Interim Financial Information

2. Basis of preparation and accounting policies (continued)

2.2 Accounting policies (continued)

(b) (continued)

Subsequent to the change in accounting policy in 2011, land use rights relating to properties developed for sale are regarded as part of the inventories and are no longer amortised. They are included in properties under development or completed properties held for sale, which are measured at the lower of cost and net realisable value, depending on the development status in accordance with HKAS 2. Management believes that the new classification of land use rights relating to properties developed for sale results in a more relevant presentation of the financial position of the Group, and of its performance for the six months ended 30 June 2011, reflecting the management's intention on the use of the asset. The new accounting policy also results in a presentation consistent with the industry practices.

The change in accounting policy has no material impact to the profits of the Group for the six months ended 30 June 2011 or for prior years. Accordingly, no retrospective adjustment has been made to the consolidated statements of comprehensive income of the Group for prior years. The only retrospective adjustments made were to include the land use rights relating to properties developed for sale into the respective balances of properties under development and completed properties held for sale and the reclassification made to the consolidated balance sheets of the Group as at 1 January 2010 and 31 December 2010 are as follows:

As at 1 January 2010

	As previously reported RMB'000	Reclassification RMB'000	Restated RMB'000
Current assets			
Land use rights	1,616,364	(1,616,364)	–
Properties under development	1,210,068	1,290,746	2,500,814
Completed properties held for sale	478,410	325,618	804,028

As at 31 December 2010

	As previously reported RMB'000	Reclassification RMB'000	Restated RMB'000
Current assets			
Land use rights	1,741,981	(1,741,981)	–
Properties under development	1,924,716	1,582,433	3,507,149
Completed properties held for sale	1,199,765	159,548	1,359,313

Notes to the Condensed Consolidated Interim Financial Information

2. Basis of preparation and accounting policies (continued)

2.2 Accounting policies (continued)

- (c) The following interpretations, amendments to standards and amendments to interpretations are mandatory for the first time for the financial year beginning 1 January 2011:

HKAS 24 (Revised)	Related party disclosures
HKFRSs (Amendments)	Improvements to HKFRSs (2010)
Amendment to HKAS 32	Classification of rights issues
Amendment to HK(IFRIC) – Int 14	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments

The adoption of the above interpretations, amendments to standards and amendments to interpretations did not have any material impact on the Interim Financial Information except for disclosures and have not led to any changes in the accounting policies except disclosed elsewhere.

- (d) The following new standards and amendments to standards have been issued but are not effective for the period and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 9	Financial instruments	1 January 2013
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets	1 July 2011
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	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. Estimates

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010, with the exception of:

- (a) Estimates are required in determining the provision for income taxes (note 2.2(a)).
- (b) Consistent with prior years, after initial recognition, investment properties under construction are carried at fair value when is considered to be reliably measurable. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the factors, mainly but not limited to those set out below:
 - The provisions of the construction contract
 - The stage of completion
 - Whether the project/property is standard (typical for the market) or non-standard
 - The level of reliability of cash inflows after completion
 - The development risk specific to the property
 - Past experience with similar constructions
 - Status of construction permits

Management, after consulting independent qualified valuer, considers that the fair value of certain investment properties under construction as at 30 June 2011 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 30 June 2011 were measured at fair value (2010: measured at cost).

The fair value gain from investment properties under construction is RMB3,021,514 for the six months ended 30 June 2011 (six months ended 30 June 2010: nil) (note 7).

Notes to the Condensed Consolidated Interim Financial Information

4. Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management department since year end or in any risk management policies.

4.2 Liquidity risk

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Trade and other payables due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2011					
Borrowings	2,817,803	1,946,359	5,336,729	498,510	10,599,401
Trade and other payables	1,577,219	–	–	–	1,577,219
At 31 December 2010					
Borrowings	2,294,538	479,794	4,134,273	645,192	7,553,797
Trade and other payables	1,536,007	–	–	–	1,536,007

4.3 Fair value estimation

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 30 June 2011 and 31 December 2010, the Group had no level 2 or level 3 financial instruments, the only level 1 financial instrument represents the financial assets at fair value through profit or loss (note 12). No transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments for the six months ended 30 June 2011.

For the six months ended 30 June 2011, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the six months ended 30 June 2011, there were no reclassifications of financial assets.

Notes to the Condensed Consolidated Interim Financial Information

5. 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 services, 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 2011 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	1,744,484	101,827	46,066	64,076	-	1,956,453
Inter-segment revenue	-	-	(5,876)	-	-	(5,876)
Revenue	1,744,484	101,827	40,190	64,076	-	1,950,577
Segment results	650,461	3,061,666	(15,514)	(95,229)	(3,088)	3,598,296
Interest income on entrusted loans (note 20)						8,668
Unallocated operating costs						(84,962)
Finance income – net						41,272
Profit before income tax						3,563,274
Income tax expense						(1,042,153)
Profit for the period						2,521,121
Capital expenditure	10,206	1,466,816	2,630	399,598	-	1,879,250
Depreciation (note 6)	3,761	-	929	24,181	-	28,871
Amortisation of land use rights recognised as expense (note 6)	-	-	-	4,164	-	4,164
Fair value gains on investment properties (note 7)	-	3,021,514	-	-	-	3,021,514

Notes to the Condensed Consolidated Interim Financial Information

5. Segment information (continued)

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 – net						3,673
Profit before income tax						1,066,087
Income tax expense						(252,206)
Profit for the period						813,881
Capital expenditure	43,775	496,672	566	145,789	–	686,802
Depreciation (note 6)	2,854	–	413	595	–	3,862
Amortisation of land use rights recognised as expense (note 6)	–	–	–	1,005	–	1,005
Fair value gains on investment properties (note 7)	–	729,894	–	–	–	729,894

Notes to the Condensed Consolidated Interim Financial Information

5. Segment information (continued)

Segment assets and liabilities as at 30 June 2011 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	13,915,274	16,262,013	89,516	2,757,620	(2,996,258)	30,028,165
Other assets						647,556
Total assets						30,675,721
Segment liabilities	4,299,789	544,374	120,860	2,302,839	(2,840,369)	4,427,493
Other liabilities						12,868,071
Total liabilities						17,295,564

Segment assets and liabilities as at 31 December 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	13,249,277	10,749,980	115,078	1,724,345	(2,400,340)	23,438,340
Other assets						1,027,966
Total assets						24,466,306
Segment liabilities	3,579,846	369,113	109,679	1,885,538	(2,127,923)	3,816,253
Other liabilities						9,503,475
Total liabilities						13,319,728

Notes to the Condensed Consolidated Interim Financial Information

5. Segment information (continued)

Segment assets are reconciled to total assets as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Segment assets	30,028,165	23,438,340
Other assets		
Prepaid income taxes	67,887	12,395
Deferred income tax assets	104,933	75,514
Unallocated cash and cash equivalents and restricted cash	435,625	897,112
Amounts due from related parties	26,969	17,338
Other corporate assets	12,142	25,607
Total assets	30,675,721	24,466,306

Segment liabilities are reconciled to total liabilities as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Segment liabilities	4,427,493	3,816,253
Other liabilities		
Current income tax liabilities	1,499,411	1,506,881
Deferred income tax liabilities	2,372,802	1,602,362
Current borrowings	2,330,062	1,954,281
Non-current borrowings	6,512,570	4,267,087
Amounts due to related parties	117,634	82,800
Other corporate liabilities	35,592	90,064
Total liabilities	17,295,564	13,319,728

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

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

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.

Capital expenditure comprises additions to land use rights (note 6), investment properties (note 7) and property and equipment (note 6).

Notes to the Condensed Consolidated Interim Financial Information

6. Property and equipment and land use rights

	Property and equipment	Land use rights
	RMB'000	(Restated) RMB'000
Six months ended 30 June 2011		
Opening net book amounts as at 1 January 2011	904,176	108,490
Additions	190,715	221,719
Transfers from investment properties (note 7)	353,112	289,044
Disposals	(971)	–
Depreciation/amortisation charges	(28,871)	(4,164)
	1,418,161	615,089
Six months ended 30 June 2010		
Opening net book amounts as at 1 January 2010	323,917	61,343
Additions	150,968	39,162
Disposals	(1,027)	–
Depreciation/amortisation charges	(3,862)	(1,005)
	469,996	99,500

As at 30 June 2011, properties of RMB999,761,000 (31 December 2010: RMB775,361,000) were pledged as collateral for the Group's borrowings (note 17).

The capitalisation rate of borrowings for the six months ended 30 June 2011 is 8.68% (six months ended 30 June 2010: 6.09%).

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and self-use buildings over fixed periods.

As at 30 June 2011, land use rights of RMB108,646,000 (31 December 2010: RMB93,021,000) were pledged as collateral for the Group's borrowings (note 17).

Notes to the Condensed Consolidated Interim Financial Information

7. Investment properties

	Completed properties RMB'000	Properties under construction RMB'000	Total RMB'000
Six months ended 30 June 2011			
At 1 January 2011	8,984,000	1,104,058	10,088,058
Addition	39,212	1,427,604	1,466,816
Transfers to property and equipment and land use rights (<i>note 6</i>)	(183,958)	(458,198)	(642,156)
Fair value gains	–	3,021,514	3,021,514
At 30 June 2011	8,839,254	5,094,978	13,934,232
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
Transfers from properties under development	–	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

Completed investment properties and certain investment properties under construction of the Group are measured at fair value as at 30 June 2011, which have been assessed by Savills Valuation and Professional Services Limited, an independent and professionally qualified valuer.

In respect of the completed investment properties, the valuations are 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.

In respect of the investment properties under construction, the valuations are based on residual method of valuation which is common in valuing development sites by establishing the market value of the properties on an “as-if completed” basis with appropriate deduction on construction costs, professional fees and interest payments to be incurred as well as developer’s profits.

The capitalisation rate of borrowings for the six months ended 30 June 2011 is 8.68% (six months ended 30 June 2010: 6.09%).

As at 30 June 2011, investment properties of RMB8,504,932,000 (31 December 2010: RMB6,392,529,000) were pledged as collateral for the Group’s borrowings (*note 17*).

The investment properties are all located in the PRC.

Notes to the Condensed Consolidated Interim Financial Information

8. Properties under development

	30 June 2011	31 December 2010 (Restated)
	RMB'000	RMB'000
Properties under development include:		
Construction costs and capitalised expenditures	1,899,026	1,546,516
Interests capitalised	506,380	356,345
Land use rights	3,479,473	1,604,288
	5,884,879	3,507,149

The properties under development are all located in the PRC.

As at 30 June 2011, properties under development of approximately RMB1,970,958,000 (31 December 2010: RMB2,290,653,000) were pledged as collateral for the Group's borrowings (note 17).

The capitalisation rate of borrowings for the six months ended 30 June 2011 is 8.68% (six months ended 30 June 2010: 6.09%).

9. Completed properties held for sale

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

As at 30 June 2011, completed properties held for sale of approximately RMB428,638,000 (31 December 2010: RMB542,192,000) were pledged as collateral for the Group's borrowings (note 17).

10. Trade and other receivables and loans

	30 June 2011	31 December 2010
	RMB'000	RMB'000
Trade receivables (<i>note (a)</i>)	498,919	498,541
– Related parties (<i>note 28(c)</i>)	48,370	40,806
– Third parties	450,549	457,735
Entrusted loans to third parties (<i>note (b)</i>)	270,000	170,000
Other receivables from:	317,465	444,584
– Related parties (<i>note 28(c)</i>)	26,969	17,338
– Third parties (<i>note (c)</i>)	290,496	427,246
Prepaid business taxes and other taxes	94,658	28,237
	1,181,042	1,141,362

Notes to the Condensed Consolidated Interim Financial Information

10. Trade and other receivables and loans (continued)

- (a) Trade receivables are mainly derived from sales of properties and rental income. Sales proceeds and rental fee are paid in accordance with the terms of the related sales and purchase agreements and rental contracts. As at 30 June 2011 and 31 December 2010, the ageing analysis of the trade receivables is as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Within 90 days	342,458	412,865
Over 90 days and within 365 days	156,461	85,676
	498,919	498,541

- (b) The entrusted loans are lent to third parties through a finance institution. The weighted average interest rate as at 30 June 2011 is 8.17% (31 December 2010: 5.70%).

Movements of the entrusted loans are as follows:

	Six months ended 30 June 2011 RMB'000
At 1 January	170,000
Addition of entrusted loans	200,000
Repayment of entrusted loans	(100,000)
At 30 June	270,000

- (c) Amounts mainly represent auction deposits for bidding of land use rights.

As at 30 June 2011 and 31 December 2010, the fair value of trade and other receivables and loans approximated their carrying amounts.

Except for the entrusted loans in note (b), trade and other receivables are interest free. The Group's trade and other receivables and loans are unsecured and denominated in RMB. No material trade and other receivables were impaired or past due as at 30 June 2011 and 31 December 2010.

Notes to the Condensed Consolidated Interim Financial Information

11. Prepayments

	30 June 2011 RMB'000	31 December 2010 RMB'000
Acquisition of properties – a related party (<i>note 28(c)</i>)	600,000	600,000
Acquisition of land use rights (<i>note (a)</i>)	2,703,483	2,500,878
Construction materials – third parties	96,626	145,420
	3,400,109	3,246,298

- (a) Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts. The relevant land use right certificates have not been obtained as at 30 June 2011. The land acquisition costs which are contracted but not provided for are included in commitments (*note 27(a)*).

12. Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss are listed equity securities held by the Group for trading.

13. Restricted cash

	30 June 2011 RMB'000	31 December 2010 RMB'000
Guarantee deposit for construction of projects (<i>note (a)</i>)	889,004	632,121
Guarantee deposit for bank acceptance notes (<i>note (b)</i>)	110,928	2,081
Guarantee deposit for bank borrowings (<i>note (c)</i>)	360,693	624,747
Others	5,318	3,096
	1,365,943	1,262,045

- (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 2011, the Group has placed cash deposits of approximately RMB110,928,000 (31 December 2010: RMB2,081,000) with designated banks as guarantee for the issuance of bank acceptance notes.
- (c) As at 30 June 2011, the Group has placed cash deposits of approximately RMB360,693,000 (31 December 2010: RMB624,747,000) with designated banks as security for the Group's bank borrowings (*note 17*).

Most of the 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.

Notes to the Condensed Consolidated Interim Financial Information

14. Cash and cash equivalents

	30 June 2011 RMB'000	31 December 2010 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	1,268,306	2,522,961
– Denominated in HK\$	2,643	6,695
– Denominated in US\$	35,651	210,252
	1,306,600	2,739,908

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.

15. 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	Shares held for share award scheme RMB'000	Total RMB'000
Six months ended 30 June 2011						
Balances as at 1 January 2011	4,068,448,000	HK\$40,684,480	36,102	3,100,820	(29,466)	3,107,456
Purchased shares held for share award scheme (note (a))	-	-	-	-	(55,255)	(55,255)
Balances as at 30 June 2011	4,068,448,000	HK\$40,684,480	36,102	3,100,820	(84,721)	3,052,201
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	(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

15. Share capital and premium (continued)

(a) Shares held for share award scheme

On 2 December 2010 (the “Adoption Date”), the Board approved and adopted a share award scheme in which a number of selected employees of the Group are entitled to participate (the “Share Award Scheme”). The Group has set up a trust (the “Share Award Scheme Trust”) for the purpose of administering the Share Award Scheme. Under the sole discretion of the Board, the Share Award Scheme Trust will acquire the Company’s shares from the Stock Exchange, with a maximum number determined by the Board, and hold the shares granted to the employees but not vested for the employees until they are vested. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of six years commencing on the Adoption Date.

During the six months ended 30 June 2011, the Share Award Scheme Trust acquired 24,397,000 shares of the Company through the open market (six months ended 30 June 2010: nil) at a total cost (including related transaction costs) of approximately RMB55,255,000. As at 30 June 2011, the Share Award Scheme Trust holds 38,353,000 shares of the Company (31 December 2010:13,956,000 shares).

No expenses or reserves were recognised for the Share Award Scheme as no shares of the Company were granted to the employees for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

During the six months ended 30 June 2011, the Share Award Scheme Trust received cash dividend amounting to RMB2,301,000 which will be used to pay for the fees of trust or acquire the Company’s shares (note 25).

16. Other reserves

	Merger reserve	Statutory reserves	Share option reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(note (a))	(note (b))	(note (c))	
Balance at 1 January 2011	337,203	4,780	36,079	378,062
Appropriation to statutory reserves	–	2,444	–	2,444
Employees share option scheme	–	–	9,519	9,519
Balance at 30 June 2011	337,203	7,224	45,598	390,025
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

(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.

Notes to the Condensed Consolidated Interim Financial Information

16. Other reserves (continued)

(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 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 offset accumulated losses of the subsidiaries or distribute to shareholders 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 of the Company on the Stock Exchange. 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.

Particulars of share options as at 30 June 2011 and 31 December 2010 are as follows:

Vesting period	Expiry dates	Exercise price	Number of outstanding shares as at	
			30 June 2011	31 December 2010
1 year from 16 September 2009	15 September 2012	HK\$2.475	6,872,000	7,112,000
2 years from 16 September 2009	15 September 2013	HK\$2.475	6,872,000	7,112,000
3 years from 16 September 2009	15 September 2014	HK\$2.475	6,872,000	7,112,000
4 years from 16 September 2009	15 September 2015	HK\$2.475	6,872,000	7,112,000
5 years from 16 September 2009	15 September 2016	HK\$2.475	6,872,000	7,112,000
			34,360,000	35,560,000

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

	Six months ended 30 June	
	2011	2010
At 1 January	35,560,000	37,900,000
Forfeited	(1,200,000)	(1,540,000)
At 30 June	34,360,000	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

17. Borrowings

	30 June 2011 RMB'000	31 December 2010 RMB'000
Borrowings included in non-current liabilities:		
Senior notes	2,065,129	1,344,658
– Senior notes due 2015 (“2015 Notes”) (<i>note (a)(i)</i>)	1,315,825	1,344,658
– Senior notes due 2014 (“2014 Notes”) (<i>note (a)(ii)</i>)	749,304	–
Bank borrowings	4,369,508	3,349,845
– secured (<i>note (b)</i>)	4,052,039	3,349,845
– unsecured	317,469	–
Other borrowings	865,640	490,124
– secured (<i>note (c)</i>)	468,347	–
– unsecured	397,293	490,124
Less: amounts due within one year	(787,707)	(917,540)
	6,512,570	4,267,087
Borrowings included in current liabilities:		
Bank borrowings	1,238,855	733,241
– secured (<i>note (b)</i>)	1,183,855	682,771
– unsecured	55,000	50,470
Other borrowings – unsecured	303,500	303,500
Current portion of long-term borrowings	787,707	917,540
	2,330,062	1,954,281

(a) Senior notes

(i) 2015 Notes

On 16 September 2010, the Company issued 13.75%, due on 16 September 2015 senior notes, with an aggregated nominal value of US\$200,000,000 (equivalent to approximately RMB1,343,440,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US\$194,800,000 (equivalent to RMB1,308,511,000). The 2015 Notes is denominated in US\$.

Notes to the Condensed Consolidated Interim Financial Information

17. Borrowings (continued)

(a) Senior notes (continued)

(i) 2015 Notes (continued)

The 2015 Notes recognised in the balance sheet are calculated as follows:

	Six months ended 30 June 2011 RMB'000
At 1 January	1,344,658
Interest expenses and amortisation of issuance costs	94,277
Repayment of interest	(90,308)
Foreign exchange gain	(32,802)
At 30 June	1,315,825

The fair value of the 2015 Notes as at 30 June 2011 is RMB1,297,555,800 (31 December 2010: RMB1,384,144,000). The fair value is calculated using the market price of the 2015 Notes on the balance sheet date.

(ii) 2014 Notes

On 17 March 2011, the Company issued 11.5%, due on 17 March 2014 senior notes, with an aggregated nominal value of RMB750,000,000 at face value. The net proceeds, after deducting the issuance costs, amounted to US\$110,763,000 (equivalent to approximately RMB722,193,000). The 2014 Notes is denominated in RMB.

The 2014 Notes recognised in the balance sheet are calculated as follows:

	Six months ended 30 June 2011 RMB'000
Face value of 2014 Notes issued on 17 March 2011	750,000
Issuance costs	(27,807)
Fair value at the date of issuance	722,193
Interest expenses and amortisation of issuance costs	27,111
Carrying amount as at 30 June 2011	749,304

The fair value of the 2014 Notes as at 30 June 2011 is RMB751,875,000. The fair value is calculated using the market price of the 2014 Notes on the balance sheet date.

Notes to the Condensed Consolidated Interim Financial Information

17. Borrowings (continued)

(b) Bank borrowings – secured

As at 30 June 2011, bank borrowings of RMB5,235,894,000 (31 December 2010: RMB4,032,616,000) were secured by property and equipment (note 6), land use rights (note 6), investment properties (note 7), properties under development (note 8), completed properties held for sale (note 9) and restricted cash (note 13) of the Group; secured bank borrowings of RMB744,100,000 (31 December 2010: RMB160,000,000) were additionally guaranteed by certain related parties (note 28(b)).

(c) Other borrowings – secured

In March 2011, a subsidiary of the Company who is principally engaged in development of a real estate project in Xiamen (“Xiamen Project Company”) entered into a fund arrangement with a financial institution (the “Trustee”). Pursuant to this fund arrangement, the Trustee raised a trust fund totaling RMB450,000,000 and injected the fund to Xiamen Project Company. Xiamen Project Company should repay the principal and the fixed interest of the fund to the Trustee upon the maturity of the fund in September 2012. This fund arrangement is recognised as a borrowing of the Group. 49% shares of Xiamen Project Company are held by the Trustee as security and properties under development of Xiamen Project Company of RMB 779,710,000 are pledged to the Trustee (note 8).

As at 30 June 2011, the carrying amount of the borrowing is RMB468,347,000, which includes principle amount of RMB450,000,000 and interest payable of RMB18,347,000.

Movements in bank borrowings and other borrowings are analysed as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Opening amount as at 1 January	4,876,710	2,171,916
Additions of borrowings	3,339,160	1,285,735
Repayments of borrowings	(1,426,415)	(381,501)
Net foreign exchange gains	(11,952)	(5,913)
Closing amount as at 30 June	6,777,503	3,070,237

Notes to the Condensed Consolidated Interim Financial Information

17. Borrowings (continued)

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

	30 June 2011 RMB'000	31 December 2010 RMB'000
RMB	7,016,443	4,446,139
US\$	1,613,294	1,344,658
HK\$	212,895	430,571
	8,842,632	6,221,368

The Group has the following undrawn borrowing facilities:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Floating rate		
– expiring within 1 year	258,400	1,544,500
– expiring over 1 year	711,400	120,000

18. Trade and other payables

	30 June 2011 RMB'000	31 December 2010 RMB'000
Trade payables	1,065,400	1,036,927
– Related parties (<i>note 28(c)</i>)	36,902	23,493
– Third parties	849,324	1,000,700
– Notes payable – third parties	179,174	12,734
Other payables and accruals:	270,704	236,401
– Related parties (<i>note 28(c)</i>)	117,634	82,800
– Third parties	153,070	153,601
Payables for retention fee	150,278	131,463
Payables for acquisition of land use rights	53,834	53,834
Other taxes payable	37,003	77,382
	1,577,219	1,536,007

Notes to the Condensed Consolidated Interim Financial Information

18. Trade and other payables (continued)

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

	30 June 2011 RMB'000	31 December 2010 RMB'000
Within 90 days	238,788	332,164
Over 90 days and within 180 days	277,980	310,110
Over 180 days and within 365 days	306,335	145,418
Over 365 days and within 3 years	242,297	249,235
	1,065,400	1,036,927

19. 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	
	2011 RMB'000	2010 RMB'000
Business taxes and other levies	100,365	54,623
Staff costs (including directors' emoluments)	140,704	103,845
Advertising costs	34,022	24,114
Depreciation	28,871	3,862
Cost of properties sold (excluding staff costs)	867,108	435,745
Auditor's remuneration	2,700	1,270
Donations to governmental charity	5,500	29,429

20. Other gains – net

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Interest income on entrusted loan (<i>note 10(b)</i>)	8,668	–
Gain from disposal of land use rights included in properties under developments	–	9,471
(Losses)/gains from financial assets at fair value through profit or loss	(197)	3,500
	8,471	12,971

21. Exchange losses – net

Amount mainly represents the gain or loss of translation of financial assets and liabilities, which are denominated in foreign currency, into RMB at the prevailing period-end exchange rate. It does not include the exchange gain or loss of translation of borrowings which are included in the finance income – net (note 22).

Notes to the Condensed Consolidated Interim Financial Information

22. Finance income – net

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Interest expenses:		
– Bank borrowings and other borrowings	(194,634)	(58,296)
– Senior notes	(121,388)	–
Less: interest capitalised	312,540	56,056
	(3,482)	(2,240)
Net foreign exchange gains on financing activities	44,754	5,913
	41,272	3,673

23. Income tax expense

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	138,916	112,403
– PRC land appreciation tax	162,216	21,854
– PRC land appreciation tax return	–	(53,048)
Deferred income tax		
– PRC corporate income tax	741,021	170,997
	1,042,153	252,206

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.

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. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfill requirements under the tax treaty arrangements between the PRC and Hong Kong. Dividends distributed 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

23. Income tax expense (continued)

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the Interim Financial Information as the Group did not have assessable profit in Hong Kong for the period. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

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.

24. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Group and held for the Share Award Scheme (note 15 (a)).

	Six months ended 30 June	
	2011	2010
Profit attributable to equity owners of the Company (RMB'000)	2,468,706	815,250
Weighted average number of ordinary shares in issue (thousand shares)	4,010,730	4,082,293
Basic earnings per share (RMB cents per share)	61.55 cents	19.97 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 two categories of dilutive potential ordinary shares: Pre-IPO Share Option Scheme and Share Award Scheme. A calculation is performed 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 2011, as the average market share price of the ordinary shares during the period was lower than the subscription price and no any shares were granted under the Share Award Scheme, the diluted earnings per share was equal to the basic earnings per share (six months ended 30 June 2010: same).

Notes to the Condensed Consolidated Interim Financial Information

25. Dividends

No interim dividend in respect of six months ended 30 June 2011 was proposed by the Board (six months ended 30 June 2010: nil).

Final cash dividend amounting to RMB244,107,000 (2010: RMB245,247,000) has been approved by Annual General Meeting on 27 May 2011 and subsequently paid in June 2011. The net dividends of RMB241,806,000, after deducting dividend of RMB2,301,000 (six months ended 30 June 2010: nil) paid to the Share Award Scheme Trust (note 15 (a)), is treated as transaction with owners in the condensed consolidated interim statement of changes in equity.

26. Financial guarantee contracts

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

	30 June 2011 RMB'000	31 December 2010 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	2,431,142	1,876,958

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.

27. Commitments

(a) Commitments for property development expenditures

	30 June 2011 RMB'000	31 December 2010 RMB'000
Contracted but not provided for		
– Property development activities	4,821,981	2,766,366
– Acquisition of land use rights	1,572,612	1,809,186
	6,394,593	4,575,552

Notes to the Condensed Consolidated Interim Financial Information

27. Commitments (continued)

(b) Operating leases commitments

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

	30 June 2011 RMB'000	31 December 2010 RMB'000
– Not later than one year	13,067	12,908
– Later than one year and not later than two years	6,977	13,227
– Later than two years and not later than three years	363	727
	20,407	26,862

28. Related party transactions

(a) Name and relationship with related parties

Name	Relationship
The Controlling Shareholders, including Mr. Hoi, Ms. Wang Lai Jan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	Ultimate controlling shareholders of the Company and their close family member, Mr. Hoi and Mr. Hoi Wa Fong are also executive directors of the Company
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 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
Zhengzhou Cannes Outlets Commercial Company Limited 鄭州康城奧特萊斯購物中心有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong Hotel 廈門寶龍大酒店有限公司	Ultimately controlled by Mr. Hoi
Great Merchant Limited 弘商有限責任公司	Ultimately controlled by Mr. Hoi

Notes to the Condensed Consolidated Interim Financial Information

28. Related party transactions (continued)

(b) Transactions with related parties

(i) During the six months ended 30 June 2011, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Rental income:		
– Fuzhou Powerlong Amusement Management Company Limited	1,167	791
– Qingdao Kingcity Outlets Business Company Limited	–	7,420
– Qingdao Powerlong Amusement Management Company Limited	6,750	7,125
– Zhengzhou Powerlong Food & Beverage Company Limited	–	802
– Zhengzhou Cannes Outlets Commercial Company Limited	–	4,190
	7,917	20,328
Property management fee income:		
– 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	902	464
	902	4,267
Purchase of property and equipment from related parties:		
– Xiamen Powerlong Information Industry Co., Ltd.	883	632
– Fujian Ping An Security Devices and Network Limited	28,720	–
	29,603	632
Hotel accommodation service fee charged by a related party:		
– Macau Powerlong Group	404	779
Office lease expense charged by a related party:		
– Xiamen Powerlong Information Industry Co., Ltd.	743	145

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 RMB744,100,000 at 30 June 2011 (31 December 2010: RMB160,000,000) (note 17(b)).

(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

28. Related party transactions (continued)

(c) Balances with related parties

As at 30 June 2011, the Group had the following material balances with related parties:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Amounts due from related parties included in trade receivables (<i>note (i)</i>):		
– Fuzhou Powerlong Amusement Management Company Limited	4,141	2,974
– Zhengzhou Powerlong Food & Beverage Company Limited	3,135	3,488
– Zhengzhou Cannes Outlets Commercial Company Limited	13,786	13,786
– Qingdao Kingcity Outlets Business Company Limited	2,678	2,678
– Qingdao Powerlong Amusement Management Company Limited	24,591	17,841
– Other related entities ultimately controlled by Mr. Hoi	39	39
	48,370	40,806
Amounts due from related parties included in other receivables (<i>note (ii)</i>):		
– Mr. Hoi	–	4,376
– Related entities ultimately controlled by Mr. Hoi	26,969	12,962
– Xiamen Powerlong Group	21,618	6,857
– Fuzhou Cannes Department Store Company Limited	–	2,132
– Zhengzhou Cannes Outlets Commercial Company Limited	4,581	3,537
– Other related entities ultimately controlled by Mr. Hoi	770	436
	26,969	17,338
Prepayments for acquisition of properties (<i>note (iii)</i>):		
– Xiamen Powerlong Group	600,000	600,000
Amounts due to related parties included in trade payables (<i>note (i)</i>):		
– Fujian Ping An Security Devices and Network Limited	36,210	23,377
– Other related entities ultimately controlled by Mr. Hoi	692	116
	36,902	23,493
Amounts due to related parties included in other payables (<i>note (ii)</i>):		
– Great Merchant Limited	84,734	–
– Mr. Hoi	32,900	32,900
– Xiamen Powerlong Hotel	–	25,000
– Fujian Ping An Security Devices and Network Limited	–	9,900
– Xiamen Powerlong Information Industry Co., Ltd.	–	15,000
	117,634	82,800

Notes to the Condensed Consolidated Interim Financial Information

28. Related party transactions (continued)

(c) Balances with related parties (continued)

	30 June 2011 RMB'000	31 December 2010 RMB'000
Senior notes held by a related party (<i>note (iv)</i>) – Mr. Hoi Wa Fong	33,013	31,599

- (i) Amounts due from/to related parties included in trade receivables/payables are mainly derived from rental income and purchase of construction materials, which are unsecured, interest-free and to be settled according to contract terms.
- (ii) Amounts due from/to related parties included in other receivables/payables are unsecured, interest-free and receivable/repayable on demand, which are cash advances in nature.
- (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 delayed. The Company and the Xiamen Powerlong Group have agreed to postpone the date for completion of the acquisition to 31 December 2011. 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 2011 of RMB8,423,000 (six months ended 30 June 2010: same) has been recognised in profit and loss.
- (iv) Mr. Hoi Wa Fong purchased certain of the 2015 Notes (note 17) issued by the Company through open market in 2010. The carrying amount of the 2015 Notes held by Mr. Hoi Wa Fong is RMB33,013,000 as of 30 June 2011 (31 December 2010: RMB31,599,000).