



寶龍地產控股有限公司 Powerlong Real Estate Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1238

INTERIM REPORT

2013



Artist's impression of Shanghai Fengxian Powerlong City Plaza

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Company Profile



Powerlong Real Estate Holdings Limited (HK.1238) (the “Company”, together with its subsidiaries collectively as the “Group”) is dedicated to developing and operating high quality, large-scale and multi-functional commercial real estate projects. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 14 October 2009. The Group is committed to improving the living standard of the citizens and driving the urbanization progress in China.

The Group developed and owned 35 real estate projects as at 30 June 2013. Powerlong City Plaza which comprises of shopping malls, restaurants, leisure and other recreational facilities has created a unique business model drawing extensive attention and recognition from the government and the public. Each project does not only promote the regional economic development, but also improves the retail facilities of the cities and creates job opportunities. The upgrade of people’s living standard is a key driver for city quality improvement which the Group has been and will be actively engaged in.

The successful development of the Group is attributable to the innovative vision from the chairman of the Company, Mr. Hoi Kin Hong. Mr. Hoi instilled his insights and visions at the beginning of the corporate development and drove the evolvement of Powerlong. The Group will continue to uphold the belief of “Credibility, Courtesy, Innovation, Enthusiasm” and build up an efficient and excellent team to create values for the society, customers, shareholders and its staff.

Company Information

DIRECTORS

Executive Directors

Mr. Hoi Kin Hong (*Chairman of the Board of Directors*)
Mr. Hoi Wa Fong (*Chief Executive Officer*)
Mr. Xiao Qing Ping (*Vice Chief Executive Officer*)
Ms. Shih Sze Ni (*Executive Director of Commercial Group Management*)

Non-executive Directors

Ms. Hoi Wa Fan
Ms. Liu Xiao Lan

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Xiao Ying Lin

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong
Ms. Xiao Ying Lin

REGISTERED OFFICE

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Ugland House
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KY1-1104
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PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Sheddon Road
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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 (In alphabetical order)

Agricultural Bank of China Co., Ltd.
Bank of Beijing
Bank of China Limited
Bank of Communication Ltd.
China CITIC Bank Corporation Limited
China Construction Bank Corporation
China Merchants Bank Co., Ltd.
China Minsheng Banking Corp. Ltd.
Industrial and Commercial Bank of China Limited
The Bank of East Asia
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

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

LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com

Management Discussion and Analysis

MARKET REVIEW AND OUTLOOK

In the first half of 2013, the central government of China continued to adhere to its tightening policies for curbing the property market. Under the “New Five Measures of the State Council” and the related implementation rules issued at the beginning of the year, local governments were expressly required to strictly perform their duties of exercising control over property prices, to continue to implement differential credit and purchase restriction policies, and to further impose taxation on personal gains from property transactions, to curb speculative purchase of properties.

On the basis of consistent long-term operation principle of “Sound Operations, Strive for Excellence”, the Group determined the operation principle of “Enhancing Efficiency, Establishing Brand Name, Team Building” for the year 2013. Thanks to the collective effort made by all staff, the Group had basically completed all the objectives in the first half of the year. To sum up the performance for the first half of the year, the total revenue of the Group increased by 24.1% as compared to the corresponding period in 2012 to RMB3,472.1 million, of which, income of sales of property increased by 28.6% to RMB3,038.9 million. The total rental income and property management fee income of the Group increased by 36.5% as compared to the corresponding period in 2012 to RMB328.9 million during the period under review.

In addition to the Group’s improved financial results, brand name and image of the Group were also improved. During the first half of 2013, the Group was awarded with various honors, for example, the “37th among the 2013 Top 100 China Real Estate Developers (2013年度中國房地產百強企業第37位)”, the “Star of 2013 Top 100 China Real Estate Developers (2013年中國房地產百強之星)”, the “China Real Estate Developer Social Responsibility Award of 2012-2013 (2012-2013中國房地產年度社會責任感企業)”, the “Outstanding Commercial Property Developers in China 2013 (2013中國商業地產優秀企業)”, the “Top 50 China Real Estate Developers (中國房地產企業五十強)”, the “Top 10 China Real Estate Developers Listed in Hong Kong in terms of Combined Strengths 2013 (2013大陸在港上市房地產公司綜合實力十強)” and the “Top 10 China Real Estate Developers Listed in Hong Kong in terms of Financial Stability 2013 (2013中國大陸在港上市房地產公司財務穩健性十強)”. The Four Points by Sheraton Qingdao was awarded “The Best Service MICE Hotel (最佳卓越服務會議酒店)” and the Shanghai Caolu project was awarded the “Star Property of China Commercial Real Estate 2013 (2013中國商業地產星樓盤獎)”. These awards serve as important recognitions of the Group’s performance.

In the second half of 2013, the Group will focus on (i) maintaining the same sales target and launching new projects for sale in an orderly manner; (ii) ensuring the smooth openings of Jinjiang Powerlong City Plaza, Shanghai Caolu Powerlong City Plaza and Aloft Yancheng; (iii) continuing to take innovative measures to enhance enterprise competitiveness in the following aspects: research and development of new product lines, establishment of asset management system, establishment of e-commerce platform, and establishment of Powerlong Business School (寶龍商學院). Leveraging on the collective effort made by the Group as a whole, the management is dedicated to bring fruitful returns to the shareholders of the Company.

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 June 2013, the Group conducted its business activities in the following major business segments, namely (i) property development, (ii) property investment, (iii) property management services and (iv) other property development related services, among which, property development remains the core business and key revenue driver of the Group.

Property Development

For the six months ended 30 June 2013, the revenue of sold and delivered projects amounted to approximately RMB3,038.9 million (for the six months ended 30 June 2012: RMB2,362.8 million), and represented an increase of 28.6% when compared with the amount for the corresponding period in 2012.

Set forth below further details regarding the projects sold and delivered during the first half of 2013 under review:

	Six months ended 30 June 2013		
	GFA Sold & Delivered (square meters)	Revenue (RMB'000)	Average selling price (RMB/ square meters)
Zhengzhou			
Commercial	24	154	6,417
Tai'an			
Commercial	1,554	13,722	8,830
Residential	551	7,200	13,067
Bengbu			
Commercial	137	2,388	17,431
Luoyang			
Commercial	332	4,219	12,708
Residential	3,080	15,539	5,045
Wuxi Wangzhuang			
Commercial	669	3,548	5,303
Wuxi Yuqi			
Commercial	288	1,065	3,698
Residential	6,813	30,136	4,423
Suqian			
Residential	63,509	303,123	4,773
Qingdao Licang			
Commercial	55	828	15,055
Yantai Haiyang			
Commercial	35	205	5,857

Management Discussion and Analysis

	Six months ended 30 June 2013		
	GFA Sold & Delivered (square meters)	Revenue (RMB'000)	Average selling price (RMB/ square meters)
Xinxiang			
Commercial	4,705	53,580	11,388
Residential	31,876	135,079	4,238
Yancheng			
Commercial	530	4,409	8,319
Residential	136	860	6,324
Changzhou			
Commercial	289	5,608	19,405
Residential	5,180	29,417	5,679
Jimo			
Commercial	7,574	97,613	12,888
Residential	79,312	379,284	4,782
Anxi			
Commercial	5,157	51,813	10,047
Residential	9,719	51,411	5,290
Chongqing			
Commercial	14,324	207,517	14,487
Residential	119,310	505,890	4,240
Xiamen			
Commercial	5,139	231,428	45,034
Jinjiang			
Commercial	4,424	73,852	16,693
Residential	84,692	562,404	6,641
Shanghai Caolu			
Commercial	7,615	230,676	30,292
Sub-total:			
Commercial	52,851	982,625	18,592
Residential	404,178	2,020,343	4,999
Plus car parks:	13,948	35,948	
Total:	470,977	3,038,916	

Management Discussion and Analysis

Contracted Sales Performance

For the six months ended 30 June 2013, the Group recorded contracted sales of approximately RMB2,941.7 million (for the six months ended 30 June 2012: RMB3,059.6 million), representing a decrease of 3.9% compared to the corresponding period in 2012. The total contracted sales area of the Group reached approximately 366,288 square meters (for the six months ended 30 June 2012: 358,881 square meters), representing an increase of 2.1% compared to the corresponding period in 2012. In the period under review, in particular, the key contributing projects included those in Jinjiang, Xiamen, Qingdao Jimo, Luoyang, Shanghai Hongqiao, Shanghai Caolu, etc.. The contracted sales performance was basically in line with the pace of the Group's new launches of properties for sale.

Set forth below are further details regarding the contracted sales projects during the period under review:

	Six months ended 30 June 2013		
	Sales area (square meters)	Revenue (RMB'000)	Average selling price (RMB/ square meters)
Anxi			
Commercial	4,973	50,494	10,154
Residential	11,268	55,029	4,884
Bengbu			
Commercial	250	5,627	22,508
Changzhou			
Commercial	6,469	48,781	7,541
Residential	8,707	34,136	3,921
Yantai Haiyang			
Commercial	191	863	4,518
Hangzhou			
Commercial	852	24,352	28,582
Residential	9,783	122,484	12,520
Chongqing Hechuan			
Residential	44,448	187,072	4,209
Qingdao Jimo			
Commercial	16,908	125,559	7,426
Residential	41,168	195,462	4,748
Jinjiang			
Commercial	6,347	66,811	10,526
Residential	56,678	399,419	7,047
Qingdao Licang			
Commercial	147	4,124	28,054
Residential	138	948	6,870

Management Discussion and Analysis

Six months ended 30 June 2013			
	Sales area	Revenue	Average selling price
	(square meters)	(RMB'000)	(RMB/ square meters)
Luoyang			
Commercial	2,643	40,945	15,492
Residential	54,076	283,890	5,250
Qingdao Chengyang			
Residential	51	299	5,863
Shanghai Caolu			
Commercial	8,387	266,372	31,760
Shanghai Hongqiao			
Residential	28,493	383,822	13,471
Suqian			
Commercial	554	2,579	4,655
Residential	825	3,038	3,682
Suzhou Taicang			
Commercial	1,551	9,338	6,021
Residential	126	900	7,143
Tai'an			
Commercial	1,554	14,529	9,349
Residential	551	7,200	13,067
Tianjin Yujiapu			
Commercial	1,657	34,145	20,607
Wuxi Wangzhuang			
Commercial	95	1,348	14,189
Residential	1,111	7,207	6,487
Wuxi Yuqi			
Commercial	288	1,065	3,698
Residential	7,584	33,005	4,352
Xiamen			
Residential	11,625	336,796	28,972
Xinxiang			
Commercial	2,347	30,335	12,925
Residential	32,335	139,578	4,317

Management Discussion and Analysis

	Six months ended 30 June 2013		
	Sales area	Revenue	Average selling price
	(square meters)	(RMB'000)	(RMB/ square meters)
Yancheng			
Commercial	616	5,103	8,284
Residential	136	860	6,324
Zhenjiang			
Commercial	1,356	18,184	13,410
Sub-total:			
Commercial	57,185	750,554	13,125
Residential	309,103	2,191,145	7,089
Total	366,288	2,941,699	8,031

Property Investment and Commercial Operations

To generate a stable income, the Group holds and manages an investment portfolio of commercial properties for leasing. As at 30 June 2013, the Group had an aggregate GFA of approximately 1.7 million square meters held as investment properties measured at fair value, which remained the same as compared with that as at 31 December 2012.

As of 30 June 2013, the Group operated a total of 13 Powerlong City Plazas.

For the six months ended 30 June 2013, the Group recorded a rental income from investment properties of approximately RMB197.9 million (for the six months ended 30 June 2012: RMB159.8 million), representing an increase of 23.8% when compared to the amount for the corresponding period in 2012.

For the six months ended 30 June 2013, the Group's income from property management services, after intra-group elimination, amounted to approximately RMB131.0 million (for the six months ended 30 June 2012: RMB81.3 million), representing an increase of 61.1% as compared with the amount for the corresponding period in 2012.

For the six months ended 30 June 2013, the rental income and property management fee income amounted to RMB328.9 million (for the six months ended 30 June 2012: RMB241.1 million), representing an increase of 36.5% as compared to the corresponding period in 2012. This was mainly attributable to the steady growth of rental income and the increasingly more mature operation of shopping malls.

Hotel Operations

The Group continues to develop its hotel business as its long-term recurring income stream. As at 30 June 2013, the Group operated three graded hotels and two budget hotels namely, Four Points by Sheraton Qingdao, Four Points by Sheraton Tai'an, Four Points by Sheraton Taicang, Aloft Haiyang and Days Inn Powerlong Qingdao. In addition, Aloft Yancheng is planned to commence operation in the second half of the year 2013. These hotels continue to serve as the important ancillary facilities of the Group's complex projects.

Management Discussion and Analysis

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own development pipeline for the forthcoming three years.

As at 30 June 2013, the Group had a quality land bank amounting to a total GFA of approximately 7.8 million square meters, of which approximately 3.1 million square meters were under development and construction, and approximately 4.7 million square meters were held for future development. The land bank will be used for the development of large-scale commercial properties with supermarkets, department stores, cinema complexes, food courts, other leisure facilities, quality residential properties, furnished apartments and hotels.

During the period under review, the Group upheld cautious and stringent standards on land investment decision. Land bank newly added during the first half of 2013 is as follows:

Penglai, Yantai, Shandong

The project is located at north of Beiguan Road and west of Jungong Street in Penglai City, Shandong Province. It occupies a site area of 60,792 square meters, with a planned GFA of approximately 87,000 square meters. Land costs amounted to approximately RMB182.4 million. This land parcel, together with the surrounding land parcels acquired by the Group previously, occupied a total land area of 164,470 square meters and the total planned above-ground gross floor area was 261,000 square meters. Upon completion, the project will be developed into a modern complex commercial street which comprises various types of products, including shopping malls, a five-star hotel, boutique commercial walk and boutique residential buildings. The project will provide formidable driving force and penetration power for the promotion of the city image of Penglai.

Shaohai, Jiaozhou, Shandong

The project is located at Shao Hai Xin Cheng, Jiaozhou, Shandong Province. It occupies a site area of 128,467 square meters, with a planned GFA of approximately 340,000 square meters. Land costs amounted to approximately RMB129.4 million. The project is expected to be developed into a large-scale cultural and tourism complex, offering Dagu River historic and cultural street, artistic hotel, art street, high-end residential area, museum, tourist centre and RV Park.

Sanlihe, Jiaozhou, Shandong

The project is located at Sanlihe Road, Jiaozhou City, Shandong Province. It occupies a site area of 78,620 square meters, with a planned GFA of approximately 111,000 square meters. Land costs amounted to approximately RMB139.2 million. The project is expected to be developed into a city complex comprising of shopping malls, commercial streets, furnished apartments, SOHO offices and high-end residential buildings.

Jiading, Shanghai

The project is located at the centre of Jiading New Town, Shanghai City, adjacent to the central green belt of the new town to its north. It is a major project recently developed at the centre of Jiading New Town. It has a site area of 40,905 square meters and a planned GFA of approximately 203,000 square meters. Land costs amounted to approximately RMB271.0 million. The land is expected to be developed into a modern commercial office complex which serves the comprehensive functions of shopping, dining, leisure, entertainment and business.

Fengxian, Shanghai

The project is located at Nanqiao New Town, Fengxian, Shanghai City. It occupies a site area of 40,688 square meters, with a planned GFA of approximately 179,000 square meters. Land costs amounted to approximately RMB460.3 million. The land is expected to comprise of large shopping mall, high-rise office buildings and commercial streets. The project is positioned to be established as a regional mid-to-high-end commercial complex which features popular brands, special restaurants, leisure and entertainment, targeting residents of Nanqiao District, Fengxian.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2013, the Group recorded a total income of RMB3,472.1 million, representing an increase of 24.1% when compared to approximately RMB2,797.8 million for the corresponding period in 2012. This was mainly attributable to the increase in the amount of property sold and delivered as well as the increase in rental income and property management fee income.

The following major business segments, namely property sales, property investment, property management and other property development related services were the key revenue drivers of the Group:

	For the six months ended 30 June	
	2013 RMB million	2012 RMB million
Sales of property	3,038.9	2,362.8
Rental income of investment properties	197.9	159.8
Income of property management services	131.0	81.3
Other income	104.3	193.9
Total	3,472.1	2,797.8

Cost of Sales

Cost of sales mainly represents the cost directly generated from the development of the Group's properties. It comprises cost of land use rights, construction costs, decoration costs, capitalized interest expenses, business taxes and so on. Cost of sales of the Group increased from approximately RMB1,655.8 million for the six months ended 30 June 2012 to approximately RMB2,415.2 million for the six months ended 30 June 2013, representing an increase of approximately 45.9%. This was mainly attributable to the increase in area of properties sold and delivered.

Gross Profit

Gross profit before provision of land appreciation tax decreased by approximately RMB85.1 million to approximately RMB1,056.9 million for the six months ended 30 June 2013 as compared with the corresponding period in 2012, representing a decrease of 7.5%.

Gross profit margin decreased to 30.4% in the first half of 2013 from 40.8% for the corresponding period in 2012. The decrease in gross profit margin is mainly attributable to the change in the regional distribution and format of the property projects sold and delivered.

Fair Value Gains of Investment Properties

For the six months ended 30 June 2013, the Group recorded fair value gains of investment properties of approximately RMB242.0 million (30 June 2012: RMB1,122.6 million).

The decrease in the fair value gains of investment properties was mainly attributable to the area decrease of newly-added investment properties.

Management Discussion and Analysis

Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs of the Group for the six months ended 30 June 2013 amounted to RMB77.1 million (for the six months ended 30 June 2012: RMB91.9 million). The decrease in selling and marketing costs was mainly attributable to the Company's increased control over selling expenses. Administrative expenses was approximately RMB270.4 million (for the six months ended 30 June 2012: RMB268.5 million). Administrative expenses slightly increased by 0.7% as compared to the corresponding period in 2012.

Income Tax Expenses

Income tax expenses decreased from RMB634.0 million for the six months ended 30 June 2012 to RMB356.5 million for the six months ended 30 June 2013, representing a decrease of 43.8%. This was mainly attributed to the decrease in fair value gains of investment properties and the decrease in gross profit.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2013, the Group achieved a profit attributable to owners of the Company of RMB719.3 million (for the six months ended 30 June 2012: RMB1,221.0 million), representing a decrease of 41.1% as compared to the amount for the corresponding period in 2012. Basic earnings per share was RMB17.939 cents (for the six months ended 30 June 2012: RMB30.449 cents). The decrease in the profit attributable to owners of the Company and basic earnings per share was mainly attributed to the decrease in the fair value gains of investment properties for that period.

For the six months ended 30 June 2013, core profit (excluding the profit attributable to fair value gains on investment properties) amounted to approximately RMB543.3 million (for the six months ended 30 June 2012: RMB394.4 million), representing an increase of 37.8%. Core net profit margin (excluding the profit attributable to fair value gains on investment properties) increased from 14.1% for the six months ended 30 June 2012 to 15.6% in the first half of 2013.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

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 the cash proceeds raised from issue of senior notes, which were used as working capital and investment in development projects.

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB4,362.0 million in total as at 30 June 2013 (31 December 2012: approximately RMB2,010.2 million). Cash and cash equivalents and restricted cash over current borrowings rose from 0.6 to 1.1 since end of 2012. Liquidity was significantly optimized.

Borrowings

Total borrowings as at 30 June 2013 were RMB14,605.6 million. It comprises bank and other borrowings and finance lease liabilities of approximately RMB9,382.6 million and senior notes of approximately RMB5,223.0 million.

Out of the total borrowings, RMB3,927.6 million was repayable within one year, while approximately RMB10,678.0 million was repayable later than one year.

Management Discussion and Analysis

Two senior notes were issued during the period under review. On 25 January 2013, the Company issued senior notes denominated in US dollar at 98.608% discount in an aggregate amount of USD250,000,000, with a nominal interest rate of 11.25% per annum and maturity date of 25 January 2018. Further, the Company has an option to redeem the senior notes prior to the maturity date in accordance with underlying terms of the senior notes indenture. For further details on the issuance of these senior notes, please refer to the Company's announcement dated 21 January 2013. On 27 May 2013, the Company issued senior notes denominated in RMB in an aggregate amount of RMB800,000,000, with a nominal interest rate of 9.5% per annum and maturity date of 27 May 2016. Further, the Company has an option to redeem the senior notes prior to the maturity date in accordance with underlying terms of the senior notes indenture. For further details on the issuance of these senior notes, please refer to the Company's announcement dated 21 May 2013.

As at 30 June 2013, the Group had net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of 60.6% (31 December 2012: 54.8%).

Credit Policy

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

Pledge of Assets

As at 30 June 2013, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of RMB20,491 million to secure borrowings of the Group. The total secured borrowings as at 30 June 2013 amounted to RMB9,141.6 million.

Financial Guarantees

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	4,803,048	3,723,131

Capital Commitment

(1) Commitments for property development expenditures

	30 June 2013 RMB'000	31 December 2012 RMB'000
– Property development activities	2,505,517	2,291,304
– Acquisition of land use rights	323,993	407,211
	2,829,510	2,698,515

Management Discussion and Analysis

(2) Operating Leases Commitments

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
Not later than one year	12,112	11,227
Later than one year and not later than two years	11,265	11,227
Later than two years and not later than three years	5,360	10,719
	28,737	33,173

Material Acquisition and Disposal

During the six months ended 30 June 2013, the Group did not have any material acquisition or disposal.

Employees and Emolument Policy

As at 30 June 2013, the Group employed a total of 5,362 employees (30 June 2012: 5,133 employees). The total staff costs of the Group incurred during the period under review was RMB203.8 million. The Group adopted a performance-based rewarding system to motivate its staff. The Group also provided different types of training programmes 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 2013 (2012: Nil).

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 2013:

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 400,000,000 shares (representing approximately 9.88% of the issued capital as at 30 June 2013).

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 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 Exchange 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 2013, 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 2013:

The maximum number of shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme shall not in aggregate exceed 40,000,000 shares (representing approximately 0.99% of the issued share capital).

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

Disclosure of Interests

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.

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

Exercise Period	Number of Outstanding Share Options		
	As at 31 December 2012	Exercised/ lapsed/ cancelled during the six months ended 30 June 2013	As at 30 June 2013
From 16 September 2010 to 15 September 2012	–	–	–
From 16 September 2011 to 15 September 2013	5,544,000	(60,000)	5,484,000
From 16 September 2012 to 15 September 2014	5,544,000	(60,000)	5,484,000
From 16 September 2013 to 15 September 2015	5,544,000	(60,000)	5,484,000
From 16 September 2014 to 15 September 2016	5,544,000	(60,000)	5,484,000
	<u>22,176,000</u>	<u>(240,000)</u>	<u>21,936,000</u>

Disclosure of Interests

SHARE AWARD SCHEME

A share award scheme (the "Scheme") was adopted by the Board 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. 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.

On 6 June 2013, a committee established by the Board (the "Executive Committee") comprising members of the remuneration committee, the chairman of the Board and an independent non-executive director of the Company and delegated with the power and authority by the Board to administer the Scheme pursuant to the rules under the Scheme, resolved to grant an aggregate of 7,502,000 shares (the "Awarded Shares") to 67 Eligible Employees pursuant to the rules under the Scheme, including (i) Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping and Ms. Shih Sze Ni, the executive directors of the Company, and (ii) 63 Awardees who are Eligible Employees and are independent of the Company and its connected persons (as defined in the Listing Rules) (together, "Awardees") pursuant to the Scheme. Details of the grant are as follows:

Name of Awardees	No. of Awarded Shares	Vesting Date	Vesting Conditions
Mr. Hoi Kin Hong	324,000	(i) 50% of the Awarded Shares shall vest in the respective Eligible Employees on 1 July 2016; and	Subject to the terms of the Scheme Rules and the fulfillment of such additional performance requirements as specified by the Board/ Executive Committee.
Mr. Hoi Wa Fong	324,000		
Mr. Xiao Qing Ping	444,000	(ii) the remaining 50% of the Awarded Shares shall vest in the respective Eligible Employees on 1 July 2017.	
Ms. Shih Sze Ni	230,000		
Remaining 63 Eligible Awardees	6,180,000		

Disclosure of Interests

DISCLOSURE OF INTERESTS IN SECURITIES

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

As at 30 June 2013, the interests of each director of the Company (the "Director") or 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"), Chapter 571 of the Laws of Hong Kong) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or 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 (Note 1)	1,805,637,000	44.61%
	Long Position	Beneficial owner	27,479,000	0.68%
	Long Position	Beneficial owner (Note 2)	324,000	0.01%
Mr. Hoi Wa Fong	Long Position	Interest of spouse	1,729,000	0.04%
	Long Position	Interest of a controlled corporation (Note 3)	605,400,000	14.96%
	Long Position	Beneficial owner (Note 4)	324,000	0.01%
Ms. Hoi Wa Fan	Long Position	Interest of a controlled corporation (Note 5)	300,000,000	7.41%
Mr. Xiao Qing Ping	Long Position	Beneficial owner (Note 6)	444,000	0.01%
Ms. Shih Sze Ni	Long Position	Beneficial owner (Note 7)	230,000	0.01%

Notes:

1. The 1,805,637,000 shares are being held by Skylong Holdings Limited and Skylong Holdings Limited is wholly and beneficially owned by Mr. Hoi Kin Hong.
2. These are 324,000 Awarded Shares granted to Mr. Hoi Kin Hong on 6 June 2013 under the Share Award Scheme.
3. The 605,400,000 shares are being held by Sky Infinity Holdings Limited and Sky Infinity Holdings Limited is wholly and beneficially owned by Mr. Hoi Wa Fong.
4. These are 324,000 Awarded Shares granted to Mr. Hoi Wa Fong on 6 June 2013 under the Share Award Scheme.
5. The 300,000,000 shares are being held by Walong Holdings Limited and Walong Holdings Limited is wholly and beneficially owned by Ms. Hoi Wa Fan.
6. These are 444,000 Awarded Shares granted to Mr. Xiao Qing Ping on 6 June 2013 under the Share Award Scheme.
7. These are 230,000 Awarded Shares granted to Ms. Shih Sze Ni on 6 June 2013 under the Share Award Scheme.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2013.

Disclosure of Interests

(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	5,600,000	0.1383%
Mr. Hoi Wa Fong	Long Position	Beneficial owner	1,760,000	0.0435%
Mr. Xiao Qing Ping	Long Position	Beneficial owner	1,440,000	0.0356%
Ms. Shih Sze Ni	Long Position	Beneficial owner	960,000	0.0237%
Ms. Liu Xiao Lan	Long Position	Beneficial owner	960,000	0.0237%

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 18 to the condensed consolidated interim financial information.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2013.

(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)	USD5,600,000	2.80%

Note: The USD5,600,000 senior notes are being held by Sky Infinity Holdings Limited and Sky Infinity Holdings Limited is wholly and beneficially owned by Mr. Hoi Wa Fong.

Save as disclosed above, as at 30 June 2013, 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 period 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.

Disclosure of Interests

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, to the best of the Director's knowledge, the interests of substantial shareholders in shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were 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 the 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	1,805,637,000 (L)	44.61%
Mr. Hoi Kin Hong (Notes 1 and 3)	Beneficial owner	27,479,000 (L)	0.68%
	Beneficial owner	324,000 (L)	0.01%
	Interest of spouse	1,729,000 (L)	0.04%
Sky Infinity Holdings Limited (Notes 1 and 4)	Beneficial owner	605,400,000 (L)	14.96%
Mr. Hoi Wa Fong (Notes 1, 5 and 6)	Beneficial owner	324,000 (L)	0.01%
	Interest of spouse	230,000 (L)	0.01%
Walong Holdings Limited (Notes 1 and 7)	Beneficial owner	300,000,000 (L)	7.41%
Wason Holdings Limited (Notes 1 and 8)	Beneficial owner	300,000,000 (L)	7.41%

Notes:

1. The letter "L" denotes the person's long position in such securities.
2. Skylong Holdings Limited is wholly and beneficially owned by Mr. Hoi Kin Hong.
3. These are 324,000 Awarded Shares granted to Mr. Hoi Kin Hong on 6 June 2013 under the Share Award Scheme.
4. Sky Infinity Holdings Limited is wholly and beneficially owned by Mr. Hoi Wa Fong.
5. These are 324,000 Awarded Shares granted to Mr. Hoi Wa Fong on 6 June 2013 under the Share Award Scheme.
6. These are 230,000 Awarded Shares granted to Ms. Shih Sze Ni on 6 June 2013 under the Share Award Scheme.
7. Walong Holdings Limited is wholly and beneficially owned by Ms. Hoi Wa Fan.
8. Wason Holdings Limited is beneficially owned as to 70% by Ms. Che Lok Teng, as to 10% by each of Ms. Hoi Wa Lam (許華琳), Ms. Hoi Wa Lam (許華嵐) and Ms. 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 2013.

DISCLOSURE UNDER RULES 13.17 AND 13.18 OF THE LISTING RULES

On 8 September 2011, the Company issued HK\$1,000 million aggregate principal amount of senior notes due September 2014 pursuant to a subscription agreement dated 30 August 2011 entered into among the Company, the Subsidiary Guarantors (as defined therein), the Parent Guarantors (as defined therein), the Subscriber (as defined therein) and The Hongkong and Shanghai Banking Corporation Limited, as placement agent. Pursuant to which, Skylong Holdings Limited and Walong Holdings Limited, being two of the Parent Guarantors (as defined therein) have entered into share charge deeds, pursuant to which have charged in favor of The Hongkong and Shanghai Banking Corporation Limited, as agent for and on behalf of the holders of the senior notes, shares of the Company as security for such senior notes due and guaranteed the due and punctual payment of all amounts payable under the senior notes. For further details, please refer to the announcement of the Company dated 8 September 2011.

Save as disclosed above, as at 30 June 2013, the Company did not have other disclosure obligations under Rules 13.17 and 13.18 of the Listing Rules.

Corporate Governance Report

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence to the Company and the Company's accountability. The Company has complied with the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2013, save for the deviation of A.6.7 of the CG Code as below.

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, the independent non-executive directors and the non-executive directors of the Company should attend the general meetings of the Company. However, due to other business commitment, independent non-executive Director, Ms. Nie Mei Sheng, did not attend the annual general meeting of the Company held on 20 May 2013.

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

Neither of the Company or its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

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 to all Directors regarding any non-compliance with the Model Code and all Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2013.

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 2013.

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 Dr. Ngai Wai Fung, Mr. Mei Jian Ping and Ms. Nie Mei Sheng.

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2013 with the Company's management.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2013 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.hkexnews.hk and the website of the Company at www.powerlong.com in due course.

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

Hong Kong, 22 August 2013

Condensed Consolidated Interim Balance Sheet

		30 June 2013 Unaudited RMB'000	31 December 2012 Audited RMB'000
	Note		
ASSETS			
Non-current assets			
Property and equipment	6	1,596,888	1,578,966
Land use rights	6	581,534	543,527
Investment properties	7	19,043,861	18,147,844
Interests in a joint venture	14	1,032,396	1,012,423
Interests in an associate		36,882	–
Deferred income tax assets		161,937	167,094
Loans	10	–	270,000
		22,453,498	21,719,854
Current assets			
Properties under development	8	11,408,377	10,789,478
Completed properties held for sale	9	3,063,512	2,649,985
Loans	10	270,000	–
Trade and other receivables	11	1,793,366	1,452,635
Prepayments	12	906,790	1,371,281
Prepaid taxes		195,121	195,964
Available-for-sale financial assets	13	16,829	16,462
Financial assets at fair value through profit or loss		2,750	1,750
Restricted cash	15	410,166	557,979
Cash and cash equivalents	16	3,951,846	1,452,217
		22,018,757	18,487,751
Total assets		44,472,255	40,207,605
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	17	3,035,471	3,035,471
Other reserves	18	485,497	488,132
Retained earnings			
– Proposed dividends	27	–	323,841
– Unappropriated retained earnings		12,918,779	12,191,620
		16,439,747	16,039,064
Non-controlling interests		461,371	460,376
Total equity		16,901,118	16,499,440

Condensed Consolidated Interim Balance Sheet

		30 June 2013 Unaudited RMB'000	31 December 2012 Audited RMB'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	19	10,677,927	7,731,776
Derivative financial instruments	19	16,898	–
Deferred income tax liabilities		3,123,069	3,009,963
		13,817,894	10,741,739
Current liabilities			
Trade and other payables	20	4,258,769	3,910,015
Advances from customers		3,449,871	3,633,826
Current income tax liabilities		2,116,975	2,100,335
Borrowings	19	3,927,628	3,322,250
		13,753,243	12,966,426
Total liabilities		27,571,137	23,708,165
Total equity and liabilities		44,472,255	40,207,605
Net current assets		8,265,514	5,521,325
Total assets less current liabilities		30,719,012	27,241,179

Hoi Kin Hong
Director

Hoi Wa Fong
Director

The notes on pages 31 to 64 form an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Six months ended 30 June	
		2013 Unaudited RMB'000	2012 Unaudited RMB'000
Revenue	5	3,472,093	2,797,781
Cost of sales	21	(2,415,183)	(1,655,779)
Gross profit		1,056,910	1,142,002
Fair value gains on investment properties – net	7	242,003	1,122,612
Selling and marketing costs	21	(77,083)	(91,896)
Administrative expenses	21	(270,357)	(268,496)
Other gains/(losses) – net	22	45,957	(27,902)
Exchange (losses)/gains – net	23	(3,046)	624
Operating profit		994,384	1,876,944
Finance income/(costs) – net	24	59,341	(27,030)
Share of post-tax profit of a joint venture	14	24,175	13,315
Share of post-tax loss of an associate		(118)	–
Profit before income tax		1,077,782	1,863,229
Income tax expense	25	(356,458)	(634,012)
Profit for the period		721,324	1,229,217
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation gains on property and equipment and land use rights transferred to investment properties	6	–	80,161
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in value of available-for-sale financial assets	13	367	(145)
Total other comprehensive income for the period, net of tax		367	80,016
Total comprehensive income for the period		721,691	1,309,233
Profit attributable to:			
Owners of the Company		719,311	1,221,003
Non-controlling interests		2,013	8,214
		721,324	1,229,217
Total comprehensive income attributable to:			
Owners of the Company		719,678	1,296,039
Non-controlling interests		2,013	13,194
		721,691	1,309,233
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	26		
– Basic		17.939	30.449
– Diluted		17.936	30.449
Dividends	27	–	–

The notes on pages 31 to 64 form an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital and premium RMB'000 <i>(note 17)</i>	Other reserves RMB'000 <i>(note 18)</i>	Retained earnings RMB'000	Total RMB'000		

Six months ended
30 June 2013 (Unaudited)

Balance at 1 January 2013	3,035,471	488,132	12,515,461	16,039,064	460,376	16,499,440
Comprehensive income						
– Profit for the period	–	–	719,311	719,311	2,013	721,324
– Other comprehensive income for the period	–	367	–	367	–	367
Total comprehensive income for the period	–	367	719,311	719,678	2,013	721,691
Transactions with owners						
– Dividends	–	–	(320,773)	(320,773)	–	(320,773)
– Transfer	–	(4,780)	4,780	–	–	–
– Acquisition of additional interests of a subsidiary	–	(982)	–	(982)	(1,018)	(2,000)
– Pre – IPO Share Option Scheme	–	2,579	–	2,579	–	2,579
– Share Award Scheme	–	181	–	181	–	181
Total transactions with owners	–	(3,002)	(315,993)	(318,995)	(1,018)	(320,013)
Balance at 30 June 2013	3,035,471	485,497	12,918,779	16,439,747	461,371	16,901,118

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to owners of the Company			Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital and premium RMB'000 (note 17)	Other reserves RMB'000 (note 18)	Retained earnings RMB'000			
Six months ended 30 June 2012 (Unaudited)						
Balance at 1 January 2012	3,037,979	400,150	10,562,310	14,000,439	404,891	14,405,330
Comprehensive income						
– Profit for the period	–	–	1,221,003	1,221,003	8,214	1,229,217
– Other comprehensive income for the period	–	75,036	–	75,036	4,980	80,016
Total comprehensive income for the period	–	75,036	1,221,003	1,296,039	13,194	1,309,233
Transactions with owners						
– Dividends	–	–	(240,580)	(240,580)	–	(240,580)
– Repurchase of shares of the Company	(2,508)	–	–	(2,508)	–	(2,508)
– Pre – IPO Share Option Scheme	–	5,492	–	5,492	–	5,492
Total transactions with owners	(2,508)	5,492	(240,580)	(237,596)	–	(237,596)
Balance at 30 June 2012	3,035,471	480,678	11,542,733	15,058,882	418,085	15,476,967

The notes on pages 31 to 64 form an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
Note	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	124,210	67,090
PRC corporate income tax paid	(107,205)	(198,822)
PRC land appreciation tax paid	(113,012)	(159,438)
Interest paid	(539,155)	(519,448)
Cash used in operating activities – net	(635,162)	(810,618)
Cash flows from investing activities		
Purchase of property and equipment	(60,371)	(46,523)
Payments of construction fee of investment properties	(743,838)	(228,928)
Proceeds from disposal of property and equipment	754	1,086
Progressive proceeds from disposal of investment properties	106,371	–
Collection of entrusted loans	–	270,000
Entrusted loans to third parties	–	(270,000)
Capital contribution to an associate	(37,000)	–
Progressive proceeds from disposal of a subsidiary	42,135	64,482
Acquisition of additional interests in a subsidiary	(2,000)	–
Other cash generated from investing activities – net	8,198	35,448
Cash used in investing activities – net	(685,751)	(174,435)
Cash flows from financing activities		
Proceeds from borrowings	6,121,142	3,195,912
Repayments of borrowings	(2,585,618)	(1,516,049)
Repurchase of senior notes	(6,756)	–
Decrease/(increase) in guarantee deposits	135,668	(233,837)
Cash advances from related parties	315,490	109,405
Repayments of cash advances from related parties	(156,338)	(169,753)
Other cash used in financing activities – net	–	(2,508)
Cash generated from financing activities – net	3,823,588	1,383,170
Net increase in cash and cash equivalents	2,502,675	398,117
Cash and cash equivalents at beginning of the period	1,452,217	1,411,182
Effect of foreign exchange rate changes	(3,046)	624
Cash and cash equivalents at end of the period	3,951,846	1,809,923

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The notes on pages 31 to 64 form an integral part of this unaudited condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

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

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

This condensed consolidated interim financial information for the six months ended 30 June 2013 ("Interim Financial Information") was approved for issue on 22 August 2013.

The Interim Financial Information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with HKAS 34 "Interim Financial Reporting". The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012 as described in those annual financial statements.

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

HKAS 1 (Amendment)	Presentation of financial statements
HKFRS 10	Consolidated financial statements
HKAS 27 (Revised 2011)	Separate financial statements
HKFRS 11	Joint arrangements
HKAS 28 (Revised 2011)	Associates and joint ventures
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurements
HKAS 19 (Amendment)	Employee benefits
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine
HKFRS (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRS 1 (Amendment)	First time adoption on government loans

The adoption of the above new and amended standards and interpretations did not have any material impact on the Interim Financial Information except for disclosure.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

- (b) The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year ending 31 December 2013 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities	1 January 2014
HK(IFRIC) – Int 21	Levies	1 January 2014
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
HKFRS 7 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015

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 in.

- (c) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

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 annual financial statements for the year ended 31 December 2012, with the exception of changes in estimates that are required in determining the provision for income taxes.

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 do 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 for the year ended 31 December 2012.

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

Notes to the Condensed Consolidated Interim Financial Information

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank loans and issuance of senior notes. The current economic conditions continue to create uncertainty particularly over (a) the level of demand of the Group's products; and (b) the availability of financial resources for the foreseeable future.

Management seeks to effectively manage future cash flows and reduce exposure to unexpected adverse changes in economic conditions through a number of alternative plans, including adopting more flexible approach to pricing for property sales, adjusting development time table to ensure that the Group has available resources to finance projects of the Group, implementing cost control measures, seeking co-developers to jointly develop certain projects, generating additional cash inflows through disposal of certain investment properties at commercially acceptable prices, and renegotiating payment terms with counterparties in certain contractual land acquisition arrangements. The Group will base on its assessment of the relevant future costs and benefits, pursue such plans as are appropriate. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

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 2013					
Borrowings	5,004,901	4,490,244	7,127,168	1,723,173	18,345,486
Trade and other payables	4,108,781	–	–	–	4,108,781
Derivative financial instruments:	(7,460)	(6,489)	30,847	–	16,898
At 31 December 2012					
Borrowings	4,200,071	4,483,763	3,751,233	632,909	13,067,976
Trade and other payables	3,910,015	–	–	–	3,910,015

Interest on borrowings is calculated on borrowings held as at 30 June 2013 and 31 December 2012. Floating-rate interest is estimated using the current interest rate as at 30 June 2013 and 31 December 2012 respectively. 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 (note 28).

Notes to the Condensed Consolidated Interim Financial Information

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation

The different levels of fair value estimation 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).

As at 30 June 2013, the Group consider fair value of completed investment properties did not change significantly as compared with 31 December 2012, no fair value adjustments was derived for those completed investment properties. Fair value of certain investment properties under construction, which are determined could be assessed reliably, was determined by Savills Valuation and Professional Services Limited, an independent and professionally qualified valuer ("Savills"). As at 31 December 2012, the fair values of the both completed investment properties and investment properties under construction, which are determined could be assessed reliably, were determined by Savills.

No transfers between levels of the fair value hierarchy used in measuring the fair value of assets and liabilities for the six months ended 30 June 2013.

For the six months ended 30 June 2013, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's assets and liabilities.

For the six months ended 30 June 2013, there were no significant reclassifications of assets and liabilities.

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION

The executive directors of the Company (the "Executive Directors"), 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 Executive Directors consider most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

The segment results and other segment items included in the profit for the six months ended 30 June 2013 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	3,038,916	197,876	140,564	104,261	-	3,481,617
Inter-segment revenue	-	-	(9,524)	-	-	(9,524)
Revenue	3,038,916	197,876	131,040	104,261	-	3,472,093
Segment results	770,587	313,030	15,046	(81,495)	(2,633)	1,014,535
Other gains – net (note 22)						45,957
Share of post-tax profit of a joint venture (note 14)						24,175
Share of post-tax loss of an associate						(118)
Unallocated operating costs						(66,108)
Finance income – net (note 24)						59,341
Profit before income tax						1,077,782
Income tax expense (note 25)						(356,458)
Profit for the period						721,324
Capital expenditure	8,421	708,285	498	102,806	-	820,010
Depreciation (note 6)	17,281	-	1,146	30,273	-	48,700
Amortisation of land use rights recognised as expenses (note 6)	-	-	-	6,342	-	6,342
Fair value gains on investment properties – net (note 7)	-	242,003	-	-	-	242,003

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 2012 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	2,362,835	159,763	86,033	193,909	–	2,802,540
Inter-segment revenue	–	–	(4,759)	–	–	(4,759)
Revenue	2,362,835	159,763	81,274	193,909	–	2,797,781
Segment results	862,291	1,229,286	(6,736)	(98,116)	(3,541)	1,983,184
Other losses – net (note 22)						(27,902)
Share of post-tax profit of a joint venture (note 14)						13,315
Unallocated operating costs						(78,338)
Finance costs – net (note 24)						(27,030)
Profit before income tax						1,863,229
Income tax expense (note 25)						(634,012)
Profit for the period						1,229,217
Capital expenditure	9,744	328,640	544	111,497	–	450,425
Depreciation (note 6)	6,580	–	1,358	42,363	–	50,301
Amortisation of land use rights recognised as expenses (note 6)	–	–	–	2,955	–	2,955
Fair value gains on investment properties – net (note 7)	–	1,122,612	–	–	–	1,122,612

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 30 June 2013 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	22,218,730	20,225,369	216,840	3,095,876	(2,785,849)	42,970,966
Other assets						1,501,289
Total assets						44,472,255
Segment liabilities	5,128,868	727,209	247,939	3,316,855	(2,785,849)	6,635,022
Other liabilities						20,936,115
Total liabilities						27,571,137

Segment assets and liabilities as at 31 December 2012 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	21,534,492	18,087,065	232,470	2,325,537	(2,684,709)	39,494,855
Other assets						712,750
Total assets						40,207,605
Segment liabilities	5,676,278	1,424,920	217,595	2,307,631	(2,684,709)	6,941,715
Other liabilities						16,766,450
Total liabilities						23,708,165

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

Segment assets are reconciled to total assets as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Segment assets	42,970,966	39,494,855
Other assets		
– Prepaid taxes	195,121	195,964
– Deferred income tax assets	161,937	167,094
– Unallocated cash and cash equivalents and restricted cash	1,028,732	297,944
– Amounts due from related parties	28,865	25,369
– Unallocated property and equipment	8,304	9,232
– Other corporate assets	78,330	17,147
Total assets	44,472,255	40,207,605

Segment liabilities are reconciled to total liabilities as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Segment liabilities	6,635,022	6,941,715
Other liabilities		
– Current income tax liabilities	2,116,975	2,100,335
– Deferred income tax liabilities	3,123,069	3,009,963
– Current borrowings	3,927,628	3,322,250
– Non-current borrowings	10,677,927	7,731,776
– Amounts due to related parties	690,577	531,425
– Dividends payable	320,773	–
– Derivative financial instruments	16,898	–
– Other corporate liabilities	62,268	70,701
Total liabilities	27,571,137	23,708,165

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

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

The amounts provided to the Executive Directors 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.

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

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

Segment liabilities consist of operating liabilities.

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

6 PROPERTY AND EQUIPMENT AND LAND USE RIGHTS

	Property and equipment RMB'000	Land use rights RMB'000
Six months ended 30 June 2013		
Opening net book amounts as at 1 January 2013	1,578,966	543,527
Additions	67,376	44,349
Disposals	(754)	–
Depreciation/amortisation charges	(48,700)	(6,342)
Closing net book amounts as at 30 June 2013	1,596,888	581,534
Six months ended 30 June 2012		
Opening net book amounts as at 1 January 2012	1,676,394	648,722
Additions	50,782	71,003
Transfers from investment properties (note 7)	25,668	59,756
Revaluation reserves recognised in other comprehensive income	10,240	96,641
Transfers to investment properties (note 7)	(117,140)	(122,599)
Disposals	(1,086)	–
Depreciation/amortisation charges	(50,301)	(2,955)
Disposal of a subsidiary	(9,915)	(202,890)
Closing net book amounts as at 30 June 2012	1,584,642	547,678

As at 30 June 2013, properties with net book amounts totalling RMB856,474,000 (31 December 2012: RMB1,075,211,000) and land use rights of RMB53,539,000 (31 December 2012: RMB104,426,000) were pledged as collateral for the Group's borrowings respectively (note 19).

Certain equipments of the Group with the net book amount of RMB86,033,000 (31 December 2012: RMB86,537,000) where the Group is a lessee under non-cancellable finance lease agreement. The lease terms are 3 years (note 19(d)).

The capitalisation rate of borrowings for the six months ended 30 June 2013 was 9.54% (six months ended 30 June 2012: 12.47%).

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

Notes to the Condensed Consolidated Interim Financial Information

7 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Six months ended 30 June 2013			
Opening amount as at 1 January 2013	16,196,318	1,951,526	18,147,844
Additions	33,782	674,503	708,285
Transfers	54,271	(54,271)	–
Disposals	(54,271)	–	(54,271)
Fair value gains – net	–	242,003	242,003
Closing amount as at 30 June 2013	16,230,100	2,813,761	19,043,861
Six months ended 30 June 2012			
Opening amount as at 1 January 2012	14,017,695	1,007,664	15,025,359
Additions	105,456	223,184	328,640
Transfers to property and equipment and land use rights (note 6)	(85,424)	–	(85,424)
Transfers from property and equipment and land use rights (note 6)	239,739	–	239,739
Fair value gains – net	52,523	1,070,089	1,122,612
Closing amount as at 30 June 2012	14,329,989	2,300,937	16,630,926

Investment properties as at 30 June 2013 are held in the PRC on leases between 10 to 50 years (31 December 2012: same).

The capitalisation rate of borrowings for the six months ended 30 June 2013 was 9.54% (six months ended 30 June 2012: 12.47%).

As at 30 June 2013, investment properties of RMB13,289,343,000 (31 December 2012: RMB10,532,320,000) were pledged as collateral for the Group's borrowings (note 19).

Certain equipments affiliated with the investment properties of the Group of RMB132,538,000 (31 December 2012: RMB132,538,000) where the Group is a lessee under non-cancellable finance lease agreement. The lease terms are 3 years (note 19(d)).

Notes to the Condensed Consolidated Interim Financial Information

8 PROPERTIES UNDER DEVELOPMENT

	30 June 2013 RMB'000	31 December 2012 RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	2,914,213	2,162,668
– Interests capitalised	1,754,074	1,478,520
– Land use rights	6,740,090	7,148,290
	11,408,377	10,789,478
Land use rights:		
Outside Hong Kong, held on leases of		
– Over 50 years	4,252,594	4,263,070
– Between 10 to 50 years	2,487,496	2,885,220
	6,740,090	7,148,290

The properties under development are all located in the PRC and expected to be completed within an operating cycle.

As at 30 June 2013, properties under development of approximately RMB4,582,667,000 (31 December 2012: RMB5,507,786,000) were pledged as collateral for the Group's borrowings (note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2013 was 9.54% (six months ended 30 June 2012: 12.47%).

Notes to the Condensed Consolidated Interim Financial Information

9 COMPLETED PROPERTIES HELD FOR SALE

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

As at 30 June 2013, completed properties held for sale of approximately RMB1,398,272,000 (31 December 2012: RMB1,458,928,000) were pledged as collateral for the Group's borrowings (note 19).

10 LOANS

	30 June 2013 RMB'000	31 December 2012 RMB'000
Entrusted loans to third parties:		
– Non-current	–	270,000
– Current	270,000	–
	270,000	270,000

The entrusted loans are lent to third parties through a finance institution. The effective interest rate as at 30 June 2013 is 7.93% (31 December 2012: 7.93%). The loans of RMB200,000,000 and RMB70,000,000 as of 30 June 2013 will mature in February 2014 and May 2014, respectively.

The fair value of the loans approximates their carrying amounts.

The maximum exposure to credit risk at the reporting date is the carrying value of the loans.

11 TRADE AND OTHER RECEIVABLES

	30 June 2013 RMB'000	31 December 2012 RMB'000
Trade receivables (note (a))	1,148,786	987,888
– Related parties (note 30(c))	67,595	78,082
– Third parties	1,081,191	909,806
Less: provision for impairment of trade receivables (note (a))	(16,432)	(19,192)
Trade receivables – net	1,132,354	968,696
Deposits for acquisition of land use rights	181,217	15,000
Other receivables from:	479,795	468,939
– Related parties (note 30(c))	28,865	25,369
– Third parties	450,930	443,570
Total trade and other receivables	1,793,366	1,452,635

Notes to the Condensed Consolidated Interim Financial Information

11 TRADE AND OTHER RECEIVABLES (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 2013 and 31 December 2012, the ageing analysis of the trade receivables of the Group based on invoice date is as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Within 90 days	612,208	744,959
Over 90 days	536,578	242,929
	1,148,786	987,888

As at 30 June 2013, trade receivables of RMB63,281,000 (31 December 2012: RMB73,904,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty. The overdue amounts can be recovered as the Group is entitled to take over legal title and possession of underlying properties for re-sales. The ageing analysis of these trade receivables based on invoice date is as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Over 90 days	63,281	73,904

As of 30 June 2013, trade receivables of RMB47,232,000 were impaired (31 December 2012: RMB55,190,000) and provision of RMB16,432,000 (31 December 2012: RMB19,192,000) were provided. The individually impaired receivables mainly relate to certain lessees of the Group's investment properties, which are in unexpectedly difficult economic situations.

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

	Six months ended 30 June 2013 RMB'000
At 1 January	19,192
Provision for receivables impairment	3,680
Receivables written off during the period as uncollectible	(6,440)
At 30 June	16,432

Notes to the Condensed Consolidated Interim Financial Information

11 TRADE AND OTHER RECEIVABLES (continued)

- (b) As at 30 June 2013 and 31 December 2012, the fair value of trade and other receivables approximated their carrying amounts.
- (c) Trade and other receivables are interest free. The Group's trade and other receivables are denominated in RMB. Except for those disclosed in note 11(a), no material trade and other receivables were impaired or past due as at 30 June 2013 and 31 December 2012.
- (d) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

12 PREPAYMENTS

	30 June 2013 RMB'000	31 December 2012 RMB'000
Acquisition of land use rights (note (a))	613,685	1,352,736
Construction materials – third parties	293,105	18,545
	906,790	1,371,281

- (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 rights certificates have not been obtained as at 30 June 2013. The land acquisition costs which are contracted but not provided for are included in commitments (note 29(a)).

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Unlisted private trust fund:		
Opening amount as at 1 January	16,462	–
Additions	–	16,304
Revaluation gains/(losses) (note 18)	367	(145)
Closing amount as at 30 June	16,829	16,159

Notes to the Condensed Consolidated Interim Financial Information

14 INTERESTS IN AND AMOUNTS DUE TO A JOINT VENTURE

	30 June 2013 RMB'000	31 December 2012 RMB'000
Non-current portions		
Interests in a joint venture (note (a))	1,032,396	1,012,423
Current portions		
Amounts due to a joint venture (note 30(c))	555,245	239,755

The joint venture is a private company and there is no quoted market price available for their shares. Amounts due to a joint venture are unsecured, interest-free and repayable on demand.

(a) Interests in a joint venture

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Share of net assets:		
Opening amount as at 1 January	1,012,423	887,131
Share of post-tax profit and elimination of unrealised profits	19,973	13,315
Closing amount as at 30 June	1,032,396	900,446

The summarised financial information in respect of the Group's interests in a joint venture which are accounted for using the equity method is set out below:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Total assets	3,079,099	2,678,939
Total liabilities	1,502,327	1,122,863
Net assets	1,576,772	1,556,076
Less: equity contributed by the joint venture partner of the Group	(544,376)	(543,653)
Net assets attributable to the Group	1,032,396	1,012,423

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Company's share of those amounts) adjusted for differences in accounting policies between the Group and the joint venture.

The Group's share of results of the joint venture for the six months ended 30 June 2013 is RMB24,175,000 (six months ended 30 June 2012: RMB13,315,000), which mainly attributable to post-tax fair value gains from investment properties of the joint venture of RMB27,634,000 (six months ended 30 June 2012: RMB16,158,000).

Notes to the Condensed Consolidated Interim Financial Information

14 INTERESTS IN AND AMOUNTS DUE TO A JOINT VENTURE (continued)**(a) Interests in a joint venture (continued)**

The Group's proportionate interest in the joint venture's commitments and financial guarantee contracts are as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Proportionate interest of commitments	350,944	336,536
Proportionate interest of financial guarantee contracts	23,602	13,273

There are no other contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the joint venture itself as of 30 June 2013 and 31 December 2012.

15 RESTRICTED CASH

	30 June 2013 RMB'000	31 December 2012 RMB'000
Guarantee deposits for construction projects (note (a))	98,975	85,934
Guarantee deposits for bank acceptance notes (note (b))	211,401	227,827
Guarantee deposits for bank borrowings (note (c))	92,134	227,802
Others	7,656	16,416
	410,166	557,979
Denominated in		
– RMB	405,852	553,588
– Hong Kong dollar ("HK\$")	4,314	4,391
	410,166	557,979

- (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 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 2013, the Group placed cash deposits of approximately RMB211,401,000 (31 December 2012: RMB227,827,000) with designated banks as guarantee for the issuance of bank acceptance notes.
- (c) As at 30 June 2013, the Group has placed cash deposits of approximately RMB92,134,000 (31 December 2012: RMB227,802,000) with designated banks as security for bank borrowings (note 19).
- (d) 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.

Notes to the Condensed Consolidated Interim Financial Information

16 CASH AND CASH EQUIVALENTS

	30 June 2013 RMB'000	31 December 2012 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	2,831,610	1,300,092
– Denominated in HK\$	428,134	146,385
– Denominated in US dollar (“US\$”)	692,102	5,740
	3,951,846	1,452,217

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.

17 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary share RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000 <i>(note (a))</i>	Total RMB'000
Authorised:						
At 1 January 2012 and 2013, 30 June 2012 and 2013	30,000,000,000	300,000,000				
Issued and fully paid:						
At 1 January 2013 and 30 June 2013	4,048,013,000	40,480,130	35,936	3,084,256	(84,721)	3,035,471
At 1 January 2012	4,051,079,000	40,510,790	35,961	3,086,739	(84,721)	3,037,979
Repurchase of shares of the Company	(3,066,000)	(30,660)	(25)	(2,483)	–	(2,508)
At 30 June 2012	4,048,013,000	40,480,130	35,936	3,084,256	(84,721)	3,035,471

- (a) On 2 December 2010 (the “Adoption Date”), the board of directors of the Company (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.

Employees are not entitled to dividends on any awarded shares that are not yet transferred to them.

The Board will implement the Share Award Scheme in accordance with the terms of the Share Award Scheme rules including providing necessary funds to the Share Award Scheme Trust for the purchase of shares up to 2% of the issued share capital of the Company as of the Adoption Date.

As at 30 June 2013, the total unvested shares held by the Share Award Scheme Trust is 38,353,000 (31 December 2012: same) (note 18 (d)).

Notes to the Condensed Consolidated Interim Financial Information

18 OTHER RESERVES

	Merger reserve RMB'000 <i>(note (a))</i>	Statutory reserves RMB'000 <i>(note (b))</i>	Share-based compensation reserves RMB'000	Revaluation reserves RMB'000 <i>(note 6,13)</i>	Transaction with non- controlling interests RMB'000	Total RMB'000
At 1 January 2013	337,203	9,411	63,237	78,281	-	488,132
Transfer	-	(4,780)	-	-	-	(4,780)
Acquisition of additional interests of a subsidiary	-	-	-	-	(982)	(982)
Pre-IPO Share Option Scheme <i>(note (c))</i>	-	-	2,579	-	-	2,579
Share Award Scheme <i>(note (d))</i>	-	-	181	-	-	181
Revaluation	-	-	-	367	-	367
At 30 June 2013	337,203	4,631	65,997	78,648	(982)	485,497
At 1 January 2012	337,203	9,290	53,657	-	-	400,150
Pre-IPO Share Option Scheme <i>(note (c))</i>	-	-	5,492	-	-	5,492
Revaluation – net of tax	-	-	-	75,036	-	75,036
At 30 June 2012	337,203	9,290	59,149	75,036	-	480,678

(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 in 2007 for preparation of listing of the Company on the Stock Exchange.

(b) Statutory reserves

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

During the six months ended 30 June 2013, the statutory reserve of a subsidiary amounting to RMB4,780,000 was released to retained earnings when the subsidiary had been wound up.

Notes to the Condensed Consolidated Interim Financial Information

18 OTHER RESERVES (continued)**(c) Pre-IPO Share Option Scheme**

On 16 September 2009, the Company granted share options to the certain employees of the Group under a share option scheme (the "Pre-IPO Share Option Scheme"), under which the option holders are entitled to acquire aggregate of 40,000,000 shares of the Company at 10% discount to the offer price of HK\$2.75 per share upon the listing date.

Particulars of share options as at 30 June 2013 and 31 December 2012 are as follows:

Vesting period	Expiry dates	Exercise price	Number of outstanding shares as at	
			30 June 2013	31 December 2012
2 years from 16 September 2009	15 September 2013	HK\$2.475	5,484,000	5,544,000
3 years from 16 September 2009	15 September 2014	HK\$2.475	5,484,000	5,544,000
4 years from 16 September 2009	15 September 2015	HK\$2.475	5,484,000	5,544,000
5 years from 16 September 2009	15 September 2016	HK\$2.475	5,484,000	5,544,000
			21,936,000	22,176,000

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
At 1 January	22,176,000	31,660,000
Forfeited	(240,000)	(1,700,000)
At 30 June	21,936,000	29,960,000

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

The fair value of options granted was HK\$2.16 per option, which was determined using the Binomial Model by an independent valuer.

Notes to the Condensed Consolidated Interim Financial Information

18 OTHER RESERVES (continued)

(d) Share Award Scheme

Movements in the number of shares held for the Share Award Scheme for the six months ended 30 June 2013 are as follows:

	Shares held for the Share Award Scheme	Awarded shares held by the Share Award Scheme Trust
At 1 January 2013	38,353,000	–
Granted to employees	(7,502,000)	7,502,000
Forfeited	74,000	(74,000)
	<hr/>	<hr/>
At 30 June 2013	30,925,000	7,428,000
	<hr/>	<hr/>
At 1 January 2012 and 30 June 2012	38,353,000	–

For the shares granted under the Share Award Scheme, the fair value of the employee services received in exchange for the grant of the awarded shares is recognised as an expense and credited to equity over the period in which the vesting conditions are fulfilled. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

The fair value of the awarded shares was calculated based on market prices of the Company's shares as at the respective grant dates. The expected dividends during the vesting periods have been taken into account when assessing the fair value of the awarded shares.

The fair value of the awarded shares and their vesting period are as follows:

Dates of grant	Total value of shares at grant dates RMB'000	No. of share granted	Market price at grant dates RMB/share	Vesting period
6 June 2013	4,717	3,714,000	1.27	3 years
6 June 2013	4,717	3,714,000	1.27	4 years
	<hr/>	<hr/>		
	9,434	7,428,000		

The total expense recognised for employee services received in respect of the Share Award Scheme for the six months ended 30 June 2013 was RMB181,000 (six months ended 30 June 2012: nil).

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS

	30 June 2013 RMB'000	31 December 2012 RMB'000
Borrowings included in non-current liabilities:		
Senior notes (<i>notes (a)</i>)	5,222,967	2,882,764
– senior notes due January 2018 (“2018 Notes”)	1,577,169	–
– senior notes due May 2016 (“2016 Notes”)	795,105	–
– senior notes due September 2015 (“2015 Notes”)	1,261,660	1,287,259
– senior notes due March 2014 (“2014 Notes (I)”)	767,804	762,824
– senior notes due September 2014 (“2014 Notes (II)”)	821,229	832,681
Bank borrowings	7,043,927	5,025,145
– secured (<i>note (b)</i>)	7,043,927	4,767,750
– unsecured	–	257,395
Other borrowings – secured (<i>note (c)</i>)	1,100,000	1,580,000
Finance lease liabilities – secured (<i>note (d)</i>)	138,317	169,743
Less: amounts due within one year	(2,827,284)	(1,925,876)
	10,677,927	7,731,776
Borrowings included in current liabilities:		
Bank borrowings	929,521	1,155,580
– secured (<i>note (b)</i>)	688,521	970,580
– unsecured	241,000	185,000
Other borrowings	170,823	240,794
– secured (<i>note (c)</i>)	170,823	185,127
– unsecured	–	55,667
Current portion of long-term borrowings	2,827,284	1,925,876
	3,927,628	3,322,250
Total borrowings	14,605,555	11,054,026

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS (continued)

(a) Senior notes

(i) 2018 Notes

On 25 January 2013, the Company issued 11.25%, 5 years senior notes, with an aggregated nominal value of US\$250,000,000 at 98.608% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US\$241,670,000 (equivalent to approximately RMB1,524,717,000). The 2018 Notes is denominated in the US\$.

The 2018 Notes recognised in the balance sheet are calculated as follows:

	Six months ended 30 June 2013 RMB'000
Fair value at the date of issuance	1,524,717
Interest expenses and amortisation of issuance costs	78,437
Foreign exchange gains	(25,985)
At 30 June	1,577,169

(ii) 2016 Notes and derivative financial instruments

On 27 May 2013, the Company issued 9.50%, 3 years senior notes, with an aggregated nominal value of RMB800,000,000 at face value ("RMB Notional Amounts"). The net proceeds, after deducting the issuance costs, amounted to RMB787,522,000. The 2016 Notes is denominated in RMB.

The 2016 Notes recognised in the balance sheet are calculated as follows:

	Six months ended 30 June 2013 RMB'000
Fair value at the date of issuance	787,522
Interest expenses and amortisation of issuance costs	7,583
At 30 June	795,105

On the issuance date of 2016 Notes, the Company entered into cross currency swap ("CCS") with a bank. According to the CCS, the Company exchanged RMB800,000,000 with the bank for equivalent US\$130,399,000 ("US\$ Notional Amounts"). The Company need to pay interest at 8.4% per annum based on the US\$ Notional Amounts at each interest payment date of 2016 Notes. On maturity of 2016 Notes, the Company need to deliver the US\$ Notional Amounts to the bank in exchange with the RMB Notional Amounts.

The fair value of the derivative financial instruments as at 30 June 2013 is a liability of RMB16,898,000.

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS (continued)**(a) Senior notes (continued)**

(iii) 2015 Notes

On 16 September 2010, the Company issued 13.75%, 5 years senior notes, with an aggregated nominal value of US\$200,000,000 at face value. The net proceeds, after deducting the issuance costs, amounted to US\$194,800,000 (equivalent to approximately RMB1,308,511,000). The 2015 Notes is denominated in US\$.

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
At 1 January	1,287,259	1,284,301
Interest expenses and amortisation of issuance costs	94,648	94,753
Repayment of interest	(86,284)	(92,362)
Repurchase	(6,327)	–
Foreign exchange (gains)/losses	(27,636)	4,753
At 30 June	1,261,660	1,291,445

(iv) 2014 Notes (I)

On 17 March 2011, the Company issued 11.5%, 3 years senior notes, with an aggregated nominal value of RMB750,000,000 at face value. The net proceeds, after deducting the issuance costs, amounted to RMB722,193,000. The 2014 Notes (I) is denominated in RMB.

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
At 1 January	762,824	753,686
Interest expenses and amortisation of issuance costs	48,105	47,174
Repayment of interest	(43,125)	(43,125)
At 30 June	767,804	757,735

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS (continued)**(a) Senior notes (continued)****(v) 2014 Notes (II)**

On 8 September 2011, the Company issued 13.8%, 3 years senior notes, with an aggregated nominal value of HK\$1,000,000,000 at face value to a financial institution. The net proceeds, after deducting the issuance costs, amounted to HK\$973,124,000 (equivalent to approximately RMB797,680,000). The 2014 Notes (II) is denominated in HK\$.

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
At 1 January	832,681	825,836
Interest expenses and amortisation of issuance costs	59,371	59,338
Repayment of interest	(55,806)	(56,560)
Foreign exchange (gains)/losses	(15,017)	4,569
At 30 June	821,229	833,183

Certain related parties have provided guarantees for 2014 Notes (II) (note 30(b)(ii)).

(b) Bank borrowings – secured

As at 30 June 2013, the borrowings of RMB7,732,448,000 (31 December 2012: RMB5,738,330,000) 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 15); the secured borrowings of RMB1,177,500,000 (31 December 2012: RMB679,800,000) were additionally guaranteed by certain related parties (note 30(b)(ii)).

(c) Other borrowings – secured

As at 30 June 2013, borrowings from other non-bank financial institutions of RMB1,270,823,000 (31 December 2012: RMB1,765,127,000) were secured by property and equipment (note 6), land use rights (note 6), investment properties (note 7), properties under development (note 8) and completed properties held for sale (note 9).

(d) Finance lease liabilities – secured

During the year ended 31 December 2012, the Group has entered into a financial lease agreement with an independent third party for certain machinery and equipment installed in the Group's property and equipment and investment properties. The lease period is three years and the Group has an option to take up the machinery and equipment at the end of the lease period at nil consideration. This transaction was treated as a finance lease and thus, the machinery and equipment has not been derecognised, the present value of total lease payments was recognised as borrowings – finance lease liabilities of the Group and the finance charges of the finance lease are calculated under the effective interest method and recognised as finance costs of the Group.

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS (continued)**(d) Finance lease liabilities – secured (continued)**

The present value of finance lease liabilities is as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
No later than 1 year	63,075	64,065
Later than 1 year and not later than 3 years	75,242	105,678
	138,317	169,743

(e) Movements of bank borrowings, other borrowings and finance lease liabilities are analysed as follows:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Opening amounts as at 1 January	8,171,262	6,492,032
Additions of borrowings	3,808,903	3,231,642
Repayments of borrowings	(2,585,618)	(1,516,049)
Net foreign exchange (gains)/losses	(11,959)	1,858
Closing amounts as at 30 June	9,382,588	8,209,483

(f) As at 30 June 2013, the Group has the following undrawn borrowing facilities:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Floating rate:		
– expiring within 1 year	190,000	265,940
– expiring beyond 1 year	435,672	80,572
Fixed rate:		
– expiring within 1 year	–	32,712
	625,672	379,224

Notes to the Condensed Consolidated Interim Financial Information

20 TRADE AND OTHER PAYABLES

	30 June 2013 RMB'000	31 December 2012 RMB'000
Trade payables	2,138,080	2,040,328
– Related parties (note 30(c))	18,551	19,097
– Third parties	1,768,179	1,631,871
– Notes payable – third parties	351,350	389,360
Other payables and accruals	1,288,194	1,375,241
– Related parties (note 30(c))	690,577	531,425
– Third parties	597,617	843,816
Payables for retention fee	194,900	169,959
Payables for acquisition of land use rights	166,834	166,834
Other taxes payable	149,988	157,653
Dividends payable to owners of the Company	320,773	–
	4,258,769	3,910,015

As at 30 June 2013, the ageing analysis of trade payables of the Group based on invoice date is as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Within 90 days	659,766	827,822
Over 90 days and within 180 days	657,016	483,972
Over 180 days and within 365 days	294,079	226,616
Over 365 days and within 3 years	527,219	501,918
	2,138,080	2,040,328

21 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	
	2013 RMB'000	2012 RMB'000
Cost of properties sold (excluding staff costs)	1,942,580	1,200,183
Business taxes and other levies	208,385	159,568
Staff costs (including directors' emoluments)	203,773	174,440
Cost of hotel operations	73,286	67,613
Depreciation (note 6)	48,700	50,301
Advertising costs	45,687	56,422
Cost of property management services	34,065	27,711
Office lease payments	7,274	4,638
Amortisation of land use rights (note 6)	6,342	2,955
Donations to governmental charity	5,236	1,800
Auditor's remuneration	2,000	2,500

Notes to the Condensed Consolidated Interim Financial Information

22 OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Gain on disposal of investment properties	51,403	–
Interest income on entrusted loans (note 10)	10,762	10,520
Investment income from available-for-sale financial assets	932	–
Fair value loss on derivative financial instruments (note 19(a)(ii))	(16,898)	–
Loss from repurchase of 2015 Notes	(429)	–
Loss from disposal of a subsidiary	–	(38,451)
Others	187	29
	45,957	(27,902)

23 EXCHANGE (LOSSES)/GAINS – 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/(costs) – net (note 24).

24 FINANCE INCOME/(COSTS) – NET

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Interest expenses:		
– Bank borrowings, other borrowings and finance lease liabilities	(397,326)	(363,130)
– Senior notes	(288,144)	(201,265)
Less: interest capitalised	664,214	548,545
	(21,256)	(15,850)
Net foreign exchange gains/(losses) on financing activities	80,597	(11,180)
	59,341	(27,030)

Notes to the Condensed Consolidated Interim Financial Information

25 INCOME TAX EXPENSE

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Current income tax:		
– PRC corporate income tax	126,389	190,514
– PRC land appreciation tax	111,806	196,825
Deferred income tax:		
– PRC corporate income tax	118,263	246,673
	356,458	634,012

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.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), which is effective from 1 January 2008. Under the CIT Law, the corporate income tax rate applicable to the group entities located in Mainland China is 25%.

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

PRC land appreciation tax ("LAT")

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

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

Overseas income tax

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

Hong Kong profits tax

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

Notes to the Condensed Consolidated Interim Financial Information

26 EARNINGS PER SHARE**(a) Basic**

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

	Six months ended 30 June	
	2013	2012
Profit attributable to owners of the Company (RMB'000)	719,311	1,221,003
Weighted average number of ordinary shares in issue (thousand shares)	4,009,660	4,009,928
Basic earnings per share (RMB cents per share)	17.939	30.449

(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 done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options under the two schemes. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the two schemes.

	Six months ended 30 June	
	2013	2012
Profit attributable to owners of the Company (RMB'000)	719,311	1,221,003
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	4,010,528	4,009,928
– Weighted average number of ordinary shares for basic earnings per share (thousand shares)	4,009,660	4,009,928
– Adjustment for share options and awarded shares (thousand shares)	868	–
Diluted earnings per share (RMB cents per share)	17.936	30.449

27 DIVIDENDS

No interim dividend in respect of six months ended 30 June 2013 was proposed by the Board (six months ended 30 June 2012: nil).

2012 final cash dividend amounting to RMB323,841,000 (2011: RMB242,881,000) has been approved by Annual General Meeting on 20 May 2013 and not yet paid up to 30 June 2013. The net dividends of RMB320,773,000, after deducting dividend of RMB3,068,000 payable to the Share Award Scheme Trust (six months ended 30 June 2012: dividend of RMB2,301,000) (note 18 (d)), is treated as transaction with owners in the condensed consolidated interim statement of changes in equity for the six months ended 30 June 2013.

Notes to the Condensed Consolidated Interim Financial Information

28 FINANCIAL GUARANTEE CONTRACTS

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	4,803,048	3,723,131

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 guarantees is not significant.

29 COMMITMENTS**(a) Commitments for property development expenditures**

	30 June 2013 RMB'000	31 December 2012 RMB'000
Contracted but not provided for		
– Property development activities	2,505,517	2,291,304
– Acquisition of land use rights	323,993	407,211
	2,829,510	2,698,515

(b) Operating leases commitments

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
– Not later than one year	12,112	11,227
– Later than one year and not later than two years	11,265	11,227
– Later than two years and not later than three years	5,360	10,719
	28,737	33,173

Notes to the Condensed Consolidated Interim Financial Information

30 RELATED-PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Group (incorporated in Cayman Islands)
The Controlling Shareholders, including Mr. Hoi Kin Hong ("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
Sky Infinity Holdings Limited	Shareholder of the Company and fully owned subsidiary of Mr. Hoi Wa Fong
Walong Holdings Limited	Shareholder of the Company and fully owned subsidiary of Ms. Hoi Wa Fan
Powerlong Group Development Co., Ltd. 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 Bao Zhan New World Industry Co., Ltd. 青島寶展世新實業有限公司	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
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 鄭州康城奧特萊斯商業有限公司	Ultimately controlled by Mr. Hoi
Great Merchant Limited 弘商有限責任公司	Ultimately controlled by Mr. Hoi
Tianjin Powerlong Jinjun Real Estate Co., Ltd ("Tianjin Powerlong") 天津寶龍金駿房地產開發有限公司	Jointly controlled by the Group

Notes to the Condensed Consolidated Interim Financial Information

30 RELATED-PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

- (i) During the six months ended 30 June 2013, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Rental income:		
– Fuzhou Powerlong Amusement Management Company Limited	1,154	1,154
– Qingdao Powerlong Amusement Management Company Limited	–	6,750
	1,154	7,904
Property management fee income:		
– Related entities ultimately controlled by Mr. Hoi	399	542
Purchase of office equipment and security intelligentisation system services from related parties:		
– Fujian Ping An Security Devices and Network Limited	12,711	25,915
– Xiamen Powerlong Information Industry Co., Ltd.	486	421
	13,197	26,336
Hotel accommodation service fee charged by a related party:		
– Macau Powerlong Group	672	146
Office lease expense charged by a related party:		
– Xiamen Powerlong Information Industry Co., Ltd.	743	743
Sales of construction materials to a related party:		
– Tianjin Powerlong	1,634	–
Consultation services provided to a related party:		
– Tianjin Powerlong	7,286	–

The above transactions were charged in accordance with the terms of the underlying agreements.

- (ii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB1,177,500,000 and senior notes of RMB821,229,000 at 30 June 2013 (31 December 2012: bank borrowings of RMB679,800,000 and senior notes of RMB832,681,000) (note 19).
- (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

30 RELATED-PARTY TRANSACTIONS (continued)**(c) Balances with related parties**

As at 30 June 2013, the Group had the following material balances with related parties:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Amounts due from related parties included in trade receivables (note (i)):		
– Qingdao Powerlong Amusement Management Company Limited	40,243	40,243
– Zhengzhou Cannes Outlets Commercial Company Limited	15,713	15,713
– Tianjin Powerlong	8,726	13,102
– Qingdao Bao Zhan New World Industry Co. Ltd.	2,678	2,678
– Fuzhou Powerlong Amusement Management Company Limited	196	3,172
– Other related entities ultimately controlled by Mr. Hoi	39	3,174
	67,595	78,082
Amounts due from related parties included in other receivables (note (ii)):		
– Powerlong Group Development Co., Ltd.	24,511	21,376
– Qingdao Powerlong Amusement Management Company Limited	1,941	1,461
– Zhengzhou Cannes Outlets Commercial Company Limited	723	1,161
– Other related entities ultimately controlled by Mr. Hoi	1,690	1,371
	28,865	25,369
Amounts due to related parties included in trade payables (note (i)):		
– Fujian Ping An Security Devices and Network Limited	16,736	17,386
– Other related entities ultimately controlled by Mr. Hoi	1,815	1,711
	18,551	19,097
Amounts due to related parties included in other payables (note (ii)):		
– Tianjin Powerlong (note 14)	555,245	239,755
– Great Merchant Limited	102,432	258,770
– Mr. Hoi	32,900	32,900
	690,577	531,425

Notes to the Condensed Consolidated Interim Financial Information

30 RELATED-PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

	30 June 2013 RMB'000	31 December 2012 RMB'000
Dividends payable to (note 20):		
– Skylong Holdings Limited	144,451	–
– Sky Infinity Holdings Limited	48,432	–
– Walong Holdings Limited	24,000	–
– Mr. Hoi	2,198	–
– Spouse of Mr. Hoi	138	–
	219,219	–
Senior notes held by a related party (note (iii)):		
– Sky Infinity Holdings Limited	35,504	36,687

- (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 repayable on demand, which are cash advances in nature.
- (iii) Sky Infinity Holdings Limited has purchased certain 2015 Notes issued by the Company through open market. The carrying amount of the 2015 Notes held by Sky Infinity Holdings Limited was RMB35,504,000 as at 30 June 2013 (31 December 2012: RMB36,687,000).