



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

2014 INTERIM REPORT



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Company Profile

Powerlong Real Estate Holdings Limited (HK.1238) (the “Company”) and its subsidiaries (collectively as the “Group”) are 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 had 47 real estate projects as at 30 June 2014. 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 it also improves the retail facilities of the cities and creates job opportunities. The upgrade of people’s living standard is a key driver for the city’s quality improvement.

The successful development of the Group is attributable to the innovative vision from the chairman of the Company, Mr. Hoi Kin Hong. Mr. Hoi Kin Hong instilled his insights and visions at the beginning of the corporate development and drove the evolvement. 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 our staff.



Corporate 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*)
 Mr. Guo Jun (*Vice Chief Executive Officer*)
 (appointed on 1 April 2014)

Non-executive Director

Ms. Hoi Wa Fan

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

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HONG KONG SHARE REGISTRAR

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PRINCIPAL BANKERS

Agricultural Bank of China Limited
 Bank of China Limited
 Bank of Communications Co., Ltd.
 China CITIC Bank Corporation Limited
 China Construction Bank Corporation
 China Merchants Bank Co., Ltd.
 Industrial and Commercial Bank of China Limited
 Industrial Bank Co., Ltd.
 The Bank of East Asia
 The Hong Kong and Shanghai Banking
 Corporation Limited

AUDITOR

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HONG KONG LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com

Management Discussion and Analysis

REVIEW AND OUTLOOK

Looking back to the first half of 2014, the domestic real estate market experienced a slowdown as comparing to the last year. Both transaction volume and price of the commodity properties in China experienced a decrease. Market disparity among cities became more significant. Under this generally weak macroeconomic environment, the central government of China gradually shifted its focus from short-term tightening measures to the formulation of the housing system and long-term tightening measures. Meanwhile, there were frequent adjustments to the tightening policies on the real estate market, increasing the uncertainties in the future real estate market.

To sum up the performance for the first half of the year, the revenue of the Group increased by 27.4% as compared to the corresponding period in 2013 to RMB4,423 million, of which, the revenue from projects sold and delivered increased by 24.1% to RMB3,771 million. The rental income from investment properties and the income from property management services of the Group for the six months ended 30 June 2014 increased by 32.5% as compared to the corresponding period in 2013 to RMB436 million.

In the second half of 2014, the Group will continue to adhere to the strategy established at the beginning of the year and pursue its strategy by insisting on the objective of "intensive development in Shanghai and pursue focus on Yangtze River Delta, Shandong and Fujian regions". The Group will strive to achieve the following goals: (1) realizing the annual sales target; (2) improving the integrated qualities of the products to promote the impact of the Powerlong brand; (3) enhancing efficiency in execution and regulation of management; and (4) continue to be innovative in order to strengthen the core business competitive edge of the Group.

BUSINESS REVIEW

For the six months ended 30 June 2014, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) property management services; and (iv) other property development related services. During the period under review, property development remained the key revenue driver of the Group.

Property Development

For the six months ended 30 June 2014, the contracted sales of the Group reached approximately RMB3,689 million (for the six months ended 30 June 2013: RMB2,942 million), representing an increase of approximately 25.4% as compared to the corresponding period in 2013. For the six months ended 30 June 2014, the contracted sales area of the Group amounted to approximately 430,887 square meters (for the six months ended 30 June 2013: 366,288 square meters), representing an increase of approximately 17.6% as compared to the corresponding period in 2013.

During the period under review, the key contributing projects are located in Shanghai, Xiamen, Luoyang, Tianjin, Xinxiang and Jimo.

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

Six months ended 30 June 2014

Distribution	Sales area sq.m.	Sales amount RMB'000	Average selling price RMB/sq.m.
Commercial	106,179	1,429,091	13,459
Residential	324,708	2,259,971	6,960
Total	430,887	3,689,062	8,562

Management Discussion and Analysis

Investment Properties and Property Management Services

To generate a stable and recurring income, the Group also retained and operated certain commercial properties, mainly shopping malls, for leasing. As at 30 June 2014, the Group had an aggregate gross floor area ("GFA") of approximately 1.8 million square meters (31 December 2013: 1.7 million square meters) held as investment properties, representing an increase of approximately 5.9% as compared with that in as at 31 December 2013.

Hotel Development

The Group continued to develop its hotel business as its long-term recurring income stream. As at 30 June 2014, the Group operated three star-rated hotels, namely, Four Points by Sheraton Qingdao, Four Points by Sheraton Tai'an and Four Points by Sheraton Taicang, and three mid-end hotels, namely, Aloft Haiyang Hotel, Days Inn Powerlong Qingdao and Aloft Yancheng Hotel.

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 to five years. The Group positioned Shanghai as a core development region for the Group, while also actively seeking opportunities for land acquisition in Jiangsu Province, Zhejiang Province, Fujian Province and Shandong Province.

As at 30 June 2014, the Group had a land bank with a total GFA of approximately 12.1 million square meters, of which approximately 5.6 million square meters were properties under development, approximately 5.0 million square meters were properties held for future development and approximately 1.5 million square meters were malls in operation. The land bank will be used for the development of large-scale commercial and residential properties with supermarkets, department stores, cinema complexes, food courts and 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. The Group acquired six parcel lands, which are located in Shanghai municipality, Jiangsu Province, Fujian Province and Shandong Province.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises of property sales, rental income from investment properties, income from property management services and other income from property development related services. For the six months ended 30 June 2014, the Group recorded a total revenue of RMB4,423 million (for the six months ended 30 June 2013: RMB3,472 million), representing an increase of approximately 27.4% as compared to the corresponding period in 2013. This was mainly attributable to the increase in property sales, rental income from investment properties and income from property management services.

Property Sales

During the period under review, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. The revenue from projects sold and delivered during the six months ended 30 June 2014 amounted to approximately RMB3,771 million (for the six months ended 30 June 2013: RMB3,039 million), representing an increase of approximately 24.1% as compared to the corresponding period in 2013. This was mainly attributable to sales proportion increased in first and second tier cities as compared to the corresponding period last year.

Management Discussion and Analysis

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

Six months ended 30 June 2014

		GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB'000)	Average selling price (RMB/sq.m.)
Shanghai Hongqiao Powerlong City	Residential	62,392	940,200	15,069
Shanghai Caolu Powerlong City Plaza	Commercial	5,343	112,781	21,108
Suzhou Taicang Powerlong City Plaza	Commercial	585	4,295	7,342
Luoyang Powerlong City Plaza	Commercial	253	3,086	12,198
	Residential	124	393	3,169
Zhenjiang Powerlong City Plaza	Commercial	1,750	24,593	14,053
Wuxi Powerlong City Plaza	Commercial	190	1,200	6,316
Wuxi Yuqi Powerlong Riverside Garden	Residential	829	3,229	3,895
Suqian Powerlong City Plaza	Commercial	144	913	6,340
	Residential	248	768	3,097
Hangzhou Xiasha Powerlong City Plaza	Commercial	13,722	369,321	26,915
	Residential	561	14,795	26,373
Xinxiang Powerlong City Plaza	Commercial	35,134	183,087	5,211
	Residential	1,035	2,873	2,776
Changzhou Powerlong City Plaza	Commercial	15,522	111,549	7,187
	Residential	220	1,321	6,005
Yantai Haiyang Powerlong City	Commercial	137	710	5,182
Qingdao Licang Powerlong City Plaza	Commercial	70	1,565	22,357
	Residential	261	1,934	7,410
Qingdao Jimo Powerlong City Plaza	Commercial	55,688	353,933	6,356
	Residential	14,599	78,742	5,394
Quanzhou Anxi Powerlong City Plaza	Residential	1,298	4,221	3,252
Xiamen Powerlong Lakeside Mansions	Commercial	2,061	88,856	43,113
	Residential	19,279	578,246	29,994

Management Discussion and Analysis

Six months ended 30 June 2014

		GFA sold & delivered	Amount sold & delivered	Average selling price
		(sq.m.)	(RMB'000)	(RMB/sq.m.)
Jinjiang Powerlong City Plaza	Commercial	18,533	140,130	7,561
	Residential	78,310	567,016	7,241
Chongqing Hechuan Powerlong City Plaza	Commercial	6,201	108,614	17,516
	Residential	14,217	68,838	4,842
Other projects	Commercial	203	3,383	16,665
	Residential	69	387	5,609
Total:		348,978	3,770,979	10,806
		Commercial	155,536	9,696
		Residential	193,442	11,698

Rental Income from Investment Properties and Income from Property Management Services

For the six months ended 30 June 2014, the Group recorded a rental income from investment properties of approximately RMB212 million (for the six months ended 30 June 2013: RMB198 million), representing an increase of approximately 7.1% as compared to the amount in the corresponding period in 2013.

For the six months ended 30 June 2014, the income of property management services fee generated by the Group from providing property management services, after intra-group elimination, amounted to approximately RMB223 million (for the six months ended 30 June 2013: RMB131 million), representing an increase of approximately 70.2% as compared to the amount in the corresponding period in 2013.

For the six months ended 30 June 2014, the rental income from investment properties of the areas and income from property management services amounted to RMB436 million (for the six months ended 30 June 2013: RMB329 million), representing an increase of approximately 32.5% as compared to the amount in the corresponding period in 2013. In addition to the increasing areas of properties held and commercial and residential properties managed by the Group, rental income generated from malls operated by the Company increased due to the continuous enhancement of quality in operation of malls, thereby attracting more new tenants.

Income from Other Property Development Related Services

Income from other property development related services mainly comprises of income from hotel operation, income from department stores retail sales and revenue from amusement businesses, construction and decoration services. For the six months ended 30 June 2014, the Group's other income amounted to RMB216 million (for the six months ended 30 June 2013: RMB104 million), representing an increase of 107.7% as compared to the amount in the corresponding period in 2013, mainly due to the increase in income from ancillary services.

Management Discussion and Analysis

Cost of Sales

Cost of sales of the Group 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 and business taxes. Cost of sales for the six months ended 30 June 2014 increased by approximately 29.6% to approximately RMB3,131 million (for the six months ended 30 June 2013: RMB2,415 million) as compared with that in the corresponding period in 2013, mainly due to the increase in total costs as a result of the increase in unit development costs of properties sold and delivered during the period under review.

Gross Profit and Margin

For the six months ended 30 June 2014, the Group recorded gross profit of RMB1,292 million (for the six months ended 30 June 2013: RMB1,057 million). Gross profit margin dropped from 30.4% in the corresponding period in 2013 to 29.2% for the six months ended 30 June 2014, mainly due to the increase in the proportion of property delivered with a lower gross profit and the increase in the selling price falling behind the increase in the cost of sales.

Fair Value Gains of Investment Properties

For the six months ended 30 June 2014, the Group recorded revaluation gains of approximately RMB214 million (for the six months ended 30 June 2013: RMB242 million), representing a decrease of 11.6% over the amount in the corresponding period in 2013. The revaluation gains were mainly due to the increase of investment properties under construction.

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2014, selling and marketing costs and administrative expenses amounted to approximately RMB484 million (for the six months ended 30 June 2013: RMB347 million), representing an increase of approximately 39.5% compared with that in the corresponding period in 2013, which was mainly attributable to the Group's business expansion which in turn expand the scale of projects sold and managed. Despite so, the Group will continue to maintain a stringent control over all expenses.

Share of Profit of Investments Accounted for Using the Equity Method

For the six months ended 30 June 2014, share of post-tax profit of joint ventures amounted to RMB52 million, representing an increase of approximately 116.7% as compared to RMB24 million in the corresponding period in 2013. The increase was mainly due to the increase in revenue from properties sold and delivered of Tianjin Yujiapu Powerlong International Center.

Income Tax Expense

Income tax expenses amounted to RMB261 million (for the six months ended 30 June 2013: RMB356 million) for the six months ended 30 June 2014, dropped by approximately 26.7% as compared with the corresponding period in 2013, primarily due to the decrease in profit before tax.

Management Discussion and Analysis

Profit Attributable to Owners of the Company

For the six months ended 30 June 2014, the Group recorded a profit attributable to owners of the Company of RMB759 million (for the six months ended 30 June 2013: RMB719 million), representing an increase of 5.6% over the corresponding period in 2013.

For the six months ended 30 June 2014, basic earnings per share was RMB19.170 cents (for the six months ended 30 June 2013: RMB17.939 cents), representing an increase of approximately 6.9% over the corresponding period in 2013.

Core profits (excluding the profit attributable to fair value gains on investment properties) for the six months ended 30 June 2014 reached approximately RMB556 million (for the six months ended 30 June 2013: RMB543 million), increased slightly by 2.3% as compared with that in the corresponding period in 2013.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds raised from 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 RMB4,790 million in total as at 30 June 2014 (31 December 2013: RMB4,813 million).

Borrowings

Total borrowings as at 30 June 2014 was RMB18,085 million. It comprises bank and other borrowings and borrowings under sale and lease back agreement of approximately RMB13,643 million and senior notes of approximately RMB4,442 million.

Out of the total borrowings, RMB4,762 million was repayable within one year, while approximately RMB13,323 million was repayable after one year.

As at 30 June 2014, the Group had net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of 69.7% (31 December 2013: 65.8%).

Total interest charges for the six months ended 30 June 2014 amounted to RMB757 million, representing an increase of approximately 10.5% as compared to RMB685 million in the corresponding period in 2013, mainly due to an increase in total loans.

Credit Policy

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

Management Discussion and Analysis

Pledge of Assets

As at 30 June 2014, 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 RMB25,467 million to secure borrowings of the Group (31 December 2013: RMB23,695 million). The total secured borrowings as at 30 June 2014 amounted to RMB13,542 million (31 December 2013: RMB11,191 million).

Financial Guarantees

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	5,599,531	4,711,027
Guarantees for borrowings of joint ventures	1,270,730	993,880
	6,870,261	5,704,907

Commitment

(1) Commitments for property development expenditures

	30 June 2014 RMB'000	31 December 2013 RMB'000
Contracted but not provided for		
– Property development activities	5,634,972	4,471,549
– Acquisition of land use rights	1,106,506	3,031,035
	6,741,478	7,502,584

Management Discussion and Analysis

(2) Operating leases commitments

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Not later than one year	6,531	11,957
Later than one year and not later than two years	13,377	10,719
Later than two years and not later than three years	1,622	–
	21,530	22,676

Material Acquisition and Disposal

During the six months ended 30 June 2014, the Group did not have any material acquisition or disposal.

Employees and Emolument Policy

As at 30 June 2014, the Group employed a total of 5,976 employees (for the six months ended 30 June 2013: 5,362 employees). The total staff costs of the Group incurred during the period under review was approximately RMB267 million (six months ended 30 June 2013: RMB204 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 does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: 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 2014:

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 10.01% of the issued capital as at 30 June 2014).

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 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, for this respect, such Eligible Participant and his associates (as defined in the Listing Rules) shall abstain from voting at the meeting.

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

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 repaid:

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 2014, 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 any of its subsidiaries; 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 2014:

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 1.00% of the issued share capital as at 30 June 2014).

Disclosure of Interests

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

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 repaid:

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 2013	Exercised/ lapsed/ cancelled during the six months ended 30 June 2014	As at 30 June 2014
From 16 September 2012 to 15 September 2014	5,156,000	(608,000)	4,548,000
From 16 September 2013 to 15 September 2015	5,156,000	(608,000)	4,548,000
From 16 September 2014 to 15 September 2016	5,156,000	(608,000)	4,548,000
	15,468,000	(1,824,000)	13,644,000

SHARE AWARD SCHEME

A share award scheme was adopted by the Board on 2 December 2010 (the "Share Award Scheme") to recognize and motivate the contributions made to the Group by its employees and to give incentives in order to retain them for the continuous operation and development of the Group.

The Share Award Scheme shall be valid and effective for a term of 6 years commencing on the date of adoption. Pursuant to the Share Award 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 nil consideration. The total number of shares to be awarded under the Share Award Scheme shall not in aggregate more than 2% of the issued share capital of the Company as at the date of adoption. Details of the rules of the Share Award Scheme are set out in the announcement of the Company dated 2 December 2010.

Disclosure of Interests

On 29 May 2014, 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 Scheme Rules, resolved to grant an aggregate of 8,958,000 Shares (the "Awarded Shares") to 84 Eligible Employees pursuant to the Scheme Rules, including (i) Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni and Mr. Guo Jun the executive directors of the Company (the "Directors"), and (ii) 79 Eligible Employees who are independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")) (together, "Awardees") pursuant to the Scheme. The granting of the Awarded Shares to the Directors forms part of their remuneration package. Details of the grant are as follows:

Name of Awardees	No. of Awarded Shares	Vesting Date	Vesting Conditions
Mr. Hoi Kin Hong (Note 1)	662,000	(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 (Note 2)	462,000		
Mr. Xiao Qing Ping (Note 3)	367,700		
Ms. Shih Sze Ni (Note 4)	273,400		
Mr. Guo Jun (Note 5)	612,000		
Remaining 79 Awardees who are Eligible Employees and are not connected persons (as defined in the Listing Rules) of the Company	6,580,900	(ii) the remaining 50% of the Awarded Shares shall vest in the respective Eligible Employees on 1 July 2017.	

Notes:

- 662,000 and 324,000 Awarded Shares granted to Mr. Hoi Kin Hong on 29 May 2014 and 6 June 2013, respectively, under the Share Award Scheme.
- 462,000 and 324,000 Awarded Shares granted to Mr. Hoi Wa Fong on 29 May 2014 and 6 June 2013, respectively, under the Share Award Scheme.
- 367,700 and 444,000 Awarded Shares granted to Mr. Xiao Qing Ping on 29 May 2014 and 6 June 2013, respectively, under the Share Award Scheme.
- 273,400 and 230,000 Awarded Shares granted to Ms. Shih Sze Ni on 29 May 2014 and 6 June 2013, respectively, under the Share Award Scheme.
- 612,000 and 444,000 Awarded Shares granted to Mr. Guo Jun on 29 May 2014 and 6 June 2013, respectively, under the Share Award Scheme.

Disclosure of Interests

DISCLOSURE OF INTERESTS IN SECURITIES

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

As at 30 June 2014, the interests of each Director and chief executive of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) 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 Issuers 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	45.17%
	Long Position	Beneficial owner	27,479,000	0.69%
	Long Position	Beneficial owner (Note 2)	986,000	0.02%
	Long Position	Interest of spouse	2,800,000	0.07%
Mr. Hoi Wa Fong	Long Position	Interest of a controlled corporation (Note 3)	605,400,000	15.15%
	Long Position	Beneficial owner	8,202,000	0.21%
	Long Position	Beneficial owner (Note 4)	786,000	0.02%
	Long Position	Interest of spouse	503,400	0.01%
Ms. Hoi Wa Fan	Long Position	Interest of a controlled corporation (Note 5)	300,000,000	7.51%
Mr. Xiao Qing Ping	Long Position	Beneficial owner (Note 6)	811,700	0.02%
Ms. Shih Sze Ni	Long Position	Beneficial owner (Note 7)	503,400	0.01%
	Long Position	Interest of spouse	614,388,000	15.37%
Mr. Guo Jun	Long Position	Beneficial owner (Note 8)	1,056,000	0.03%

Notes:

- The 1,805,637,000 shares are held by Skylong Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Kin Hong.
- These represent the 986,000 Awarded Shares granted to Mr. Hoi Kin Hong under the Share Award Scheme.
- The 605,400,000 shares are held by Sky Infinity Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Wa Fong.
- These represent the 786,000 Awarded Shares granted to Mr. Hoi Wa Fong under the Share Award Scheme.
- The 300,000,000 shares are held by Walong Holdings Limited, which is wholly and beneficially owned by Ms. Hoi Wa Fan.
- These represent the 811,700 Awarded Shares granted to Mr. Xiao Qing Ping under the Share Award Scheme.
- These represent the 503,400 Awarded Shares granted to Ms. Shih Sze Ni under the Share Award Scheme.
- These represent the 1,056,000 Awarded Shares granted to Mr. Guo Jun under the Share Award Scheme.

* The percentage represents the number of ordinary shares interested in divided by the number of the Company's issued shares as at 30 June 2014.

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* (Assuming the share options are exercised in full)
Mr. Hoi Kin Hong	Long Position	Beneficial owner	4,200,000	0.1051%
Mr. Hoi Wa Fong	Long Position	Beneficial owner	1,320,000	0.0330%
	Long Position	Interest of spouse	720,000	0.0180%
Mr. Xiao Qing Ping	Long Position	Beneficial owner	1,080,000	0.0270%
Ms. Shih Sze Ni	Long Position	Beneficial owner	720,000	0.0180%
	Long Position	Interest of spouse	1,320,000	0.0330%

Note: Details of the above share options as required by the Listing Rules have been disclosed in the above section headed "Share Option Schemes" and note 17 to the condensed consolidated interim financial information.

* The percentage represents the number of underlying shares interested in divided by the number of the Company's issued shares as at 30 June 2014.

Directors' Interests in Debentures

(1) 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, which is wholly and beneficially owned by Mr. Hoi Wa Fong.

Saved as disclosed above, as at 30 June 2014, none of the Directors, chief executives of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Saved as disclosed above, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and 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 2014, the interests of substantial shareholders in shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Percentage of Shareholding*
Skylong Holdings Limited (Notes 1 and 2)	Beneficial owner	1,805,637,000 (L)	45.17%
Mr. Hoi Kin Hong (Notes 1, 3 and 9)	Beneficial owner	27,479,000 (L)	0.69%
	Beneficial owner	986,000 (L)	0.02%
	Beneficial owner	4,200,000 (L)	0.11%
	Interest of spouse	2,800,000 (L)	0.07%
Sky Infinity Holdings Limited (Notes 1 and 4)	Beneficial owner	605,400,000 (L)	15.15%
Mr. Hoi Wa Fong (Notes 1, 5, 6 and 9)	Beneficial owner	786,000 (L)	0.02%
	Beneficial owner	8,202,000 (L)	0.21%
	Beneficial owner	1,320,000 (L)	0.03%
	Interest of spouse	1,223,400 (L)	0.03%
Walong Holdings Limited (Notes 1 and 7)	Beneficial owner	300,000,000 (L)	7.51%
Wason Holdings Limited (Notes 1 and 8)	Beneficial owner	300,000,000 (L)	7.51%

Notes:

- The letter "L" denotes the person's long position in such securities.
- Skylong Holdings Limited is wholly and beneficially owned by Mr. Hoi Kin Hong.
- These represent the 986,000 Awarded Shares granted to Mr. Hoi Kin Hong under the Share Award Scheme.
- Sky Infinity Holdings Limited is wholly and beneficially owned by Mr. Hoi Wa Fong.
- These represent the 786,000 Awarded Shares granted to Mr. Hoi Wa Fong under the Share Award Scheme.
- These represent the 503,400 Awarded Shares granted to Ms. Shih Sze Ni under the Share Award Scheme.
- Walong Holdings Limited is wholly and beneficially owned by Ms. Hoi Wa Fan.
- 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, respectively.
- Details of the above share options as required by the Listing Rules have been disclosed in the above section headed "Share Option Schemes" and note 17 to the condensed consolidated interim financial information.

* The percentage represents the number of ordinary shares interested in divided by the number of the Company's issued shares as at 30 June 2014.

DISCLOSURES PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES

On 8 September 2011, the Company issued senior notes due in September 2014 with an aggregate principal amount of HK\$1,000 million (the "HKD Notes") pursuant to an indenture dated 8 September 2011, as supplemented (the "Indenture") entered into among the Company, the Subsidiary Guarantors (as defined therein), the Parent Guarantors (as defined therein) and Citicorp International Limited, as trustee. Pursuant to the Indenture, Skylong Holdings Limited, Sky Infinity Holdings Limited and Walong Holdings Limited, the Parent Guarantors (as defined in the Indenture) entered into share charges, pursuant to which they charged, in favor of The Hongkong and Shanghai Banking Corporation Limited, as agent for and on behalf of the holders of the notes, shares of the Company as security for the HKD Notes. For further details, please refer to the announcement of the Company dated 8 September 2011.

Save as disclosed above, as at 30 June 2014, 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 for enhancing investor confidence and the Company's accountability. Throughout the six months ended 30 June 2014, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") as set forth in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

During the period under review, the Company had repurchased from the market a total of 50,710,000 shares of the Company at price per share ranging from HK\$1.12 to HK\$1.30 for an aggregate consideration of HK\$61,503,874. 50,000,000 and 710,000 repurchased shares were subsequently cancelled on 21 May 2014 and 26 June 2014, respectively. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share. Details of the repurchases of the listed securities were as follows:

Month of repurchase	Number of listed securities repurchased	Highest price per share	Lowest price per share	Aggregate purchase price
(a) Repurchase of Shares March 2014 to May 2014	50,710,000	HK\$1.30	HK\$1.12	HK\$61,503,874

Further, during the period under review, the Company has also repurchased 11.25% senior notes due 2018 and 9.50% senior notes due 2016 which are listed in the Stock Exchange in an aggregate amount of US\$2,382,481 and RMB5,000,000 for the principal amount of US\$2,315,000 and RMB5,000,000, respectively, in January.

Save as herein disclosed, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

Corporate Governance Report

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 of the Company have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2014.

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 2014.

AUDIT COMMITTEE

The Company has established an audit committee ("**Audit Committee**") 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 and set out the written terms of reference for the committee. The Audit Committee comprises three members who are the independent non-executive Directors of the Company, namely Mr. Ngai Wai Fung, Mr. Mei Jian Ping and Ms. Nie Mei Sheng.

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2014 with the Company's management.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2014 containing all the information required by the Listing Rules is to be dispatched to the shareholders of the Company and made available for review on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.powerlong.com in due course.

By Order of the Board

Powerlong Real Estate Holdings Limited

Hoi Kin Hong

Chairman

Hong Kong, 26 August 2014

Condensed Consolidated Interim Balance Sheet

	Note	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	1,785,158	1,694,201
Land use rights	6	829,160	569,862
Investment properties	7	21,019,850	19,590,330
Investments accounted for using the equity method	13	1,943,226	1,148,972
Deferred income tax assets		273,860	203,065
Derivative financial instruments		–	11,406
		25,851,254	23,217,836
Current assets			
Properties under development	8	13,819,328	11,371,010
Completed properties held for sale	9	4,930,393	3,521,049
Trade and other receivables	10	2,103,007	1,989,387
Prepayments	11	1,567,115	3,304,061
Prepaid taxes		281,280	241,216
Available-for-sale financial assets	12	17,067	30,801
Financial assets at fair value through profit or loss		1,500	14,600
Restricted cash	14	422,392	378,508
Cash and cash equivalents	15	4,367,637	4,434,449
		27,509,719	25,285,081
Total assets		53,360,973	48,502,917
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	16	2,979,698	3,035,471
Other reserves	17	517,083	512,464
Retained earnings		14,348,033	13,589,210
		17,844,814	17,137,145
Perpetual Capital Instruments	18	700,972	–
Non-controlling interests		539,125	508,988
Total equity		19,084,911	17,646,133

Condensed Consolidated Interim Balance Sheet

	Note	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	13,323,097	11,854,736
Deferred income tax liabilities		3,198,214	3,187,587
Derivative financial instruments		16,930	–
		16,538,241	15,042,323
Current liabilities			
Trade and other payables	20	6,920,483	4,869,464
Advances from customers		3,998,725	4,186,307
Current income tax liabilities		2,057,100	2,183,267
Borrowings	19	4,761,513	4,575,423
		17,737,821	15,814,461
Total liabilities		34,276,062	30,856,784
Total equity and liabilities		53,360,973	48,502,917
Net current assets		9,771,898	9,470,620
Total assets less current liabilities		35,623,152	32,688,456

Hoi Kin Hong
Director

Hoi Wa Fong
Director

The notes on pages 29 to 68 form an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

		Six months ended 30 June	
		2014 Unaudited RMB'000	2013 Unaudited RMB'000
	Note		
Revenue	5	4,422,701	3,472,093
Cost of sales	21	(3,130,748)	(2,415,183)
Gross profit		1,291,953	1,056,910
Fair value gains on investment properties – net	7	214,256	242,003
Selling and marketing costs	21	(151,340)	(77,083)
Administrative expenses	21	(333,126)	(270,357)
Other (losses)/gains – net	22	(29,357)	45,957
Exchange gains/(losses) – net	23	6,075	(3,046)
Operating profit		998,461	994,384
Finance (costs)/income – net	24	(73,581)	59,341
Share of profit of investments accounted for using the equity method	13	52,375	24,057
Profit before income tax		977,255	1,077,782
Income tax expense	25	(260,823)	(356,458)
Profit for the period		716,432	721,324
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in value of available-for-sale financial assets	12	766	367
Total other comprehensive income for the period, net of tax		766	367
Total comprehensive income for the period		717,198	721,691
Profit attributable to:			
Owners of the Company		758,823	719,311
Holder of Perpetual Capital Instruments		972	–
Non-controlling interests		(43,363)	2,013
		716,432	721,324
Total comprehensive income attributable to:			
Owners of the Company		759,589	719,678
Holder of Perpetual Capital Instruments		972	–
Non-controlling interests		(43,363)	2,013
		717,198	721,691
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	26		
– Basic		19.170	17.939
– Diluted		19.158	17.936

		Six months ended 30 June	
		2014 Unaudited RMB'000	2013 Unaudited RMB'000
	Note		
Dividends	27	–	–

The notes on pages 29 to 68 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						Total equity RMB'000
	Share capital and premium RMB'000 (Note 16)	Other reserves RMB'000 (Note 17)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000	Non- controlling interests RMB'000	

Six months ended 30 June 2014 (Unaudited)

Balance at 1 January 2014	3,035,471	512,464	13,589,210	17,137,145	-	508,988	17,646,133
Comprehensive income							
– Profit/(loss) for the period	-	-	758,823	758,823	972	(43,363)	716,432
– Other comprehensive income for the period	-	766	-	766	-	-	766
Total comprehensive income for the period	-	766	758,823	759,589	972	(43,363)	717,198
Transactions with owners							
– Capital contribution from non-controlling interests	-	-	-	-	-	73,500	73,500
– Pre-IPO Share Option Scheme	-	1,136	-	1,136	-	-	1,136
– Share Award Scheme	-	2,717	-	2,717	-	-	2,717
– Repurchase of shares of the Company	(48,960)	-	-	(48,960)	-	-	(48,960)
– Purchase of shares held for Share Award Scheme	(6,813)	-	-	(6,813)	-	-	(6,813)
– Issuance of Perpetual Capital Instruments	-	-	-	-	700,000	-	700,000
Total transactions with owners	(55,773)	3,853	-	(51,920)	700,000	73,500	721,580
Balance at 30 June 2014	2,979,698	517,083	14,348,033	17,844,814	700,972	539,125	19,084,911

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to owners of the Company				Perpetual Capital Instruments RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital and premium RMB'000 (Note 16)	Other reserves RMB'000 (Note 17)	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

The notes on pages 29 to 68 form an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

		Six months ended 30 June	
		2014	2013
		Unaudited	Unaudited
		RMB'000	RMB'000
	Note		
Cash flows from operating activities			
Cash generated from operations		231,385	124,210
PRC corporate income tax paid		(284,509)	(107,205)
PRC land appreciation tax paid		(186,313)	(113,012)
Interest paid		(777,377)	(539,155)
Cash used in operating activities – net		(1,016,814)	(635,162)
Cash flows from investing activities			
Payments for addition of property and equipment		(92,222)	(60,371)
Payments for addition of land use rights		(200,615)	–
Payments for addition of investment properties		(713,233)	(743,838)
Proceeds from disposal of equipment		785	754
Progressive proceeds from disposal of subsidiaries		3,780	42,135
Capital injection to joint ventures		(752,492)	–
Disposal of available-for-sale financial assets		14,500	–
Proceeds from disposal of investment properties		–	106,371
Acquisition of additional interests in a subsidiary		–	(2,000)
Capital contribution to an associate		–	(37,000)
Other cash (used in)/generated from investing activities – net		(68,267)	8,198
Cash used in investing activities – net		(1,807,764)	(685,751)
Cash flows from financing activities			
Capital injection by non-controlling interests		73,500	–
Proceeds from borrowings		3,143,867	6,121,142
Repayments of borrowings		(1,489,271)	(2,585,618)
Repurchase of senior notes		(20,378)	(6,756)
Decrease of guarantee deposits		79,760	135,668
Cash advances from related parties		318,888	315,490
Repayments of cash advances from related parties		–	(156,338)
Net proceeds from issuance of Perpetual Capital Instruments		700,000	–
Repurchase of shares of the Company		(48,960)	–
Cash generated from financing activities – net		2,757,406	3,823,588
Net (decrease)/increase in cash and cash equivalents		(67,172)	2,502,675
Cash and cash equivalents at beginning of the period		4,434,449	1,452,217
Effect of foreign exchange rate changes		360	(3,046)
Cash and cash equivalents at end of the period	15	4,367,637	3,951,846

The notes on pages 29 to 68 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 2014 ("Interim Financial Information") was approved for issue by the board of directors (the "Board") of the Company on 26 August 2014.

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 2013, 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 2013 as described in those annual financial statements.

(a) Perpetual capital instruments

Perpetual capital instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

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

Amendments to HKAS32	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011)	Consolidation for investment entities
Amendment to HKAS 36	Impairment of assets on recoverable amount disclosures
Amendment to HKAS 39	Financial instruments: Recognition and measurement – Novation of derivatives
HK(IFRIC) – Int 21	Levies

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)

- (c) The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendment to HKAS 19 (revised 2011)	Defined Benefit Plans: Employee Contributions	1 January 2016
Annual improvements 2012	Annual improvements 2010-2012 cycle	
Annual improvements 2013	Annual improvements 2011-2013 cycle	
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	To be determined

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.

- (d) 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 2013, 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 as at 31 December 2013.

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 2014					
Borrowings (Note (a))	5,761,705	7,962,253	4,697,153	2,580,782	21,001,893
Trade and other payables (Note (b))	6,725,573	–	–	–	6,725,573
Derivative financial instruments	–	16,930	–	–	16,930
Guarantees for borrowings of joint ventures	110,177	1,351,282	–	–	1,461,459
Financial guarantee contracts (Note (c))	5,559,531	–	–	–	5,559,531
	18,196,986	9,330,465	4,697,153	2,580,782	34,805,386
At 31 December 2013					
Borrowings (Note (a))	5,895,079	6,463,430	5,129,330	2,803,932	20,291,771
Trade and other payables (Note (b))	4,653,628	–	–	–	4,653,628
Guarantees for borrowings of joint ventures	76,329	76,329	1,032,471	–	1,185,129
Financial guarantee contracts (Note (c))	4,711,027	–	–	–	4,711,027
	15,336,063	6,539,759	6,161,801	2,803,932	30,841,555

Notes:

- Interest on borrowings is calculated on principal of borrowings held as at 30 June 2014 and 31 December 2013, respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2014 and 31 December 2013, respectively.
- It represents payables excluding salaries payable and other taxes payable.
- 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).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2014 and 31 December 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2014				
Assets				
Available-for-sale financial assets (Note 12)	–	–	17,067	17,067
Financial assets at fair value through profit or loss	1,500	–	–	1,500
Total	1,500	–	17,067	18,567
Liabilities				
Derivative financial instruments	–	16,930	–	16,930
At 31 December 2013				
Assets				
Available-for-sale financial assets (Note 12)	–	14,500	16,301	30,801
Financial assets at fair value through profit or loss	14,600	–	–	14,600
Derivative financial instruments (Note 19 (a)(ii))	–	11,406	–	11,406
Total	14,600	25,906	16,301	56,807

There were no transfers between levels during the period.

There were no other changes in valuation techniques during the period.

Notes to the Condensed Consolidated Interim Financial Information

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

(a) Financial instruments in level 1

The fair value of the Group's financial assets at fair value through profit or loss as at 30 June 2014 and 31 December 2013, which are listed securities in Hong Kong, is based on their quoted market prices at the balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These financial assets at fair value through profit or loss are included in level 1. The quoted market price used for financial assets held by the Group is the current bid price.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(c) Financial instruments in level 3

The fair value of financial instrument included in level 3 is disclosed in Note 12.

5 SEGMENT INFORMATION

The executive directors, as the chief operating decision-makers ("CODM") of the Group review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management services and other property development related services. As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

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 2014 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	3,770,979	212,233	238,454	216,112	-	4,437,778
Inter-segment revenue	-	-	(15,077)	-	-	(15,077)
Revenue	3,770,979	212,233	223,377	216,112	-	4,422,701
Segment results	778,869	345,822	5,988	(19,131)	(1,926)	1,109,622
Other losses – net (Note 22)						(29,357)
Share of profit of investments accounted for using the equity method (Note 13)						52,375
Unallocated operating costs						(81,804)
Finance costs – net (Note 24)						(73,581)
Profit before income tax						977,255
Income tax expense (Note 25)						(260,823)
Profit for the period						716,432
Capital expenditure	16,430	1,215,264	1,210	404,898	-	1,637,802
Depreciation (Note 6)	11,888	-	2,234	49,070	-	63,192
Amortisation of land use rights recognised as expenses (Note 6)	-	-	-	8,306	-	8,306
Fair value gains on investment properties – net (Note 7)	-	214,256	-	-	-	214,256

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 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 21)						45,957
Share of profit of investments accounted for using the equity method (Note 13)						24,057
Unallocated operating costs						(66,108)
Finance income – net (Note 23)						59,341
Profit before income tax						1,077,782
Income tax expense (Note 24)						(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)

Segment assets and liabilities as at 30 June 2014 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	32,412,761	22,145,135	262,490	2,267,383	(4,615,089)	52,472,680
Other assets						888,293
Total assets						53,360,973
Segment liabilities	12,375,205	701,725	338,493	512,589	(4,615,089)	9,312,923
Other liabilities						24,963,139
Total liabilities						34,276,062
Interest in joint ventures	1,906,848	-	-	-	-	1,906,848
Interest in an associate	36,378	-	-	-	-	36,378

Segment assets and liabilities as at 31 December 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	26,338,637	20,587,250	398,482	2,990,797	(2,881,188)	47,433,978
Other assets						1,068,939
Total assets						48,502,917
Segment liabilities	7,815,385	389,283	366,803	2,092,924	(2,881,188)	7,783,207
Other liabilities						23,073,577
Total liabilities						30,856,784
Interest in a joint venture	1,112,150	-	-	-	-	1,112,150
Interest in an associate	36,822	-	-	-	-	36,822

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

Segment assets are reconciled to total assets as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Segment assets	52,472,680	47,433,978
Other assets		
– Prepaid taxes	281,280	241,216
– Deferred income tax assets	273,860	203,065
– Unallocated cash and cash equivalents and restricted cash	145,904	570,208
– Amounts due from related parties (Note 30(c))	93,636	23,347
– Unallocated property and equipment	6,743	8,049
– Other corporate assets	86,870	23,054
Total assets	53,360,973	48,502,917

Segment liabilities are reconciled to total liabilities as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Segment liabilities	9,312,923	7,783,207
Other liabilities		
– Current income tax liabilities	2,057,100	2,183,267
– Deferred income tax liabilities	3,198,214	3,187,587
– Current borrowings	4,761,513	4,575,423
– Non-current borrowings	13,323,097	11,854,736
– Amounts due to related parties (Note 30(c))	1,486,239	1,167,351
– Other corporate liabilities	136,976	105,213
Total liabilities	34,276,062	30,856,784

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

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

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

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

Segment liabilities consist of operating liabilities.

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

Notes to the Condensed Consolidated Interim Financial Information

6 PROPERTY AND EQUIPMENT AND LAND USE RIGHTS

	Property and equipment RMB'000	Land use rights RMB'000
Six months ended 30 June 2014		
Opening net book amounts as at 1 January 2014	1,694,201	569,862
Additions	154,934	267,604
Disposals	(785)	–
Depreciation/amortisation charges	(63,192)	(8,306)
Closing net book amounts as at 30 June 2014	1,785,158	829,160
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

As at 30 June 2014, properties with net book amounts totalling RMB846,770,000 (31 December 2013: RMB820,180,000) and land use rights of RMB344,282,000 (31 December 2013: RMB164,599,000) were pledged as collateral for the Group's borrowings respectively (Note 19).

The net book amounts of certain equipment of the Group where the Group is a lessee under non-cancellable finance lease agreement was RMB81,250,000 (31 December 2013: RMB81,808,000). The lease terms are 3 years (Note 19(d)).

The capitalisation rate of borrowings for the six months ended 30 June 2014 was 8.82% (six months ended 30 June 2013: 9.54%).

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 2014			
Opening amount as at 1 January 2014	18,433,700	1,156,630	19,590,330
Additions	67,792	1,147,472	1,215,264
Fair value (losses)/gains – net	(243,294)	457,550	214,256
Closing amount as at 30 June 2014	18,258,198	2,761,652	21,019,850
Total gains or losses for the period included in profit or loss, under 'fair value gains on investment properties – net'	(243,294)	457,550	214,256
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the period	(243,294)	457,550	214,256
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

Investment properties as at 30 June 2014 are held in the PRC on leases between 10 to 50 years (31 December 2013: same).

The capitalisation rate of borrowings for the six months ended 30 June 2014 was 8.82% (six months ended 30 June 2013: 9.54%).

As at 30 June 2014, investment properties of RMB17,347,829,000 (31 December 2013: RMB16,753,735,000) were pledged as collateral for the Group's borrowings (Note 19).

The net book amount of certain investment properties, which are equipment affiliated with shopping malls of the Group and where the Group was a lessee under non-cancellable sale and lease back agreement, was RMB132,538,000 as at 30 June 2014 (31 December 2013: RMB132,538,000). The lease terms are 3 years (Note 19(d)).

Notes to the Condensed Consolidated Interim Financial Information

7 INVESTMENT PROPERTIES (continued)

(i) Fair value hierarchy

An independent valuation of the Group's certain completed investment properties and investment properties under construction was performed by the valuer, Savills Valuation and Professional Services Limited, to determine the fair value of the investment properties as at 30 June 2014. The revaluation gains or losses are included in 'Fair value gains on investment properties – net' in the statement of comprehensive income.

As at 30 June 2014, as certain of significant inputs used in the determination of fair value of investment properties are derived from unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers in or out of fair value hierarchy levels during the period.

(ii) Valuation processes of the Group

The Group's certain investment properties were valued at 30 June 2014 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

Fair values of completed properties are generally derived using the term and reversion method. This method is based on the tenancy schedules as at the respective valuation dates by adopting term rate and the reversionary income potential by adopting appropriate capitalisation rates for the remaining land use rights term, which are derived from analysis prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

Notes to the Condensed Consolidated Interim Financial Information

8 PROPERTIES UNDER DEVELOPMENT

	30 June 2014 RMB'000	31 December 2013 RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	3,548,381	2,863,981
– Interests capitalised	2,046,688	2,097,592
– Land use rights	8,224,259	6,409,437
	13,819,328	11,371,010
Land use rights:		
Outside Hong Kong, held on leases of		
– Over 50 years	2,962,762	3,622,157
– Between 10 to 50 years	5,261,497	2,787,280
	8,224,259	6,409,437

The properties under development are all located in the PRC and expected to be completed within an operating cycle, most of which are expected to be completed within 12 months.

As at 30 June 2014, properties under development of approximately RMB5,166,820,000 (31 December 2013: RMB4,493,367,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2014 was 8.82% (six months ended 30 June 2013: 9.54%).

9 COMPLETED PROPERTIES HELD FOR SALE

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

As at 30 June 2014, completed properties held for sale of approximately RMB1,724,358,000 (31 December 2013: RMB1,132,059,000) were pledged as collateral for the Group's borrowings (Note 19).

Notes to the Condensed Consolidated Interim Financial Information

10 TRADE AND OTHER RECEIVABLES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade receivables (Note (a))	1,488,547	1,113,914
– Related parties (Note 30(c))	68,384	53,116
– Third parties	1,420,163	1,060,798
Less: provision for impairment of trade receivables (Note (a))	(16,919)	(11,735)
Trade receivables – net	1,471,628	1,102,179
Deposits for acquisition of land use rights	41,600	376,518
Other receivables from:	589,779	510,690
– Related parties (Note 30(c))	93,636	23,347
– Third parties	496,143	487,343
	2,103,007	1,989,387

- (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 2014 and 31 December 2013, the ageing analysis of the trade receivables of the Group based on invoice date is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Not due	347,355	342,009
Within 90 days	865,185	377,421
Over 90 days	276,007	394,484
	1,488,547	1,113,914

As at 30 June 2014, trade receivables of RMB88,182,000 (31 December 2013: RMB70,823,000) 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.

	30 June 2014 RMB'000	31 December 2013 RMB'000
Over 90 days	88,182	70,823

As of 30 June 2014, trade receivables of RMB23,439,000 were impaired (31 December 2013: RMB15,531,000) and provision of RMB16,919,000 (31 December 2013: RMB11,735,000) were provided. The individually impaired receivables mainly relate to certain lessees of the Group's investment properties, which are in unexpectedly difficult economic situations.

Notes to the Condensed Consolidated Interim Financial Information

10 TRADE AND OTHER RECEIVABLES (continued)

(a) (continued)

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
At 1 January	11,735	19,192
Provision for receivables impairment	5,402	3,680
Receivables written off during the period as uncollectible	(218)	(6,440)
At 30 June	16,919	16,432

(b) As at 30 June 2014 and 31 December 2013, 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 10(a), no material trade and other receivables were impaired or past due as at 30 June 2014 and 31 December 2013.

(d) The maximum exposure to credit risk at the reporting date was the carrying value of each class of receivables mentioned after deducting any impairment allowance, and guarantees provided to third parties.

11 PREPAYMENTS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Acquisition of land use rights (Note (a))	1,472,767	3,249,109
Construction materials – third parties	94,348	54,952
	1,567,115	3,304,061

(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 2014. The land acquisition costs which are contracted but not provided for are included in commitments (Note 29(a)).

Notes to the Condensed Consolidated Interim Financial Information

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Unlisted securities:		
Opening amount as at 1 January	30,801	16,462
Revaluation gains (Note 17)	766	367
Disposal	(14,500)	–
Closing amount as at 30 June	17,067	16,829
	30 June 2014 RMB'000	31 December 2013 RMB'000
Unlisted securities:		
– Unlisted private trust denominated in Hong Kong dollars (“HK\$”)	17,067	16,301
– Wealth management product (“WMP”) denominated in RMB	–	14,500
	17,067	30,801

The fair value of unlisted private trust is based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the private trust.

The maximum exposure to credit risk at the reporting date is the carrying value of the unlisted private trust and WMP classified as available-for-sale financial assets. There are no commitment and contingent liabilities relating to the Group's interests in the available-for-sale financial assets.

These financial assets are not past due or impaired as of 30 June 2014 and 2013.

Notes to the Condensed Consolidated Interim Financial Information

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the condensed consolidated interim balance sheet are as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Joint ventures	1,906,848	1,112,150
Associate	36,378	36,822
	1,943,226	1,148,972

The amounts recognised in the condensed consolidated interim statement of comprehensive income are as follows:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Joint ventures (Note (a))	52,819	24,175
Associate (Note (b))	(444)	(118)
	52,375	24,057

(a) Joint ventures

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
At 1 January	1,112,150	1,012,423
Addition	752,492	–
Share of profit	52,819	24,175
Elimination of unrealised profits	(10,613)	(4,202)
At 30 June	1,906,848	1,032,396

Notes to the Condensed Consolidated Interim Financial Information

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(a) Joint ventures (continued)

(i) Commitments and contingent liabilities in respect of the joint ventures

	30 June 2014 RMB'000	31 December 2013 RMB'000
Proportionate interest of commitments	286,316	368,776
Proportionate interest of financial guarantee contracts	38,230	38,230

There are no other contingent liabilities relating to the Group's interest in the joint venture, and no other contingent liabilities of the joint venture itself.

(ii) The Group's share of the results in joint ventures and their aggregated assets and liabilities are shown below:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Total assets	5,844,304	4,080,832
Total liabilities	(3,050,793)	(2,420,936)
Net assets	2,793,511	1,659,896
Less: equity contributed by the joint venture partners of the Group	(867,194)	(538,890)
Less: elimination of unrealised profits	(19,469)	(8,856)
Interests in joint ventures	1,906,848	1,112,150

(b) The associate of the Group as at 30 June 2014, which, in the opinion of the directors, is not material to the Group.

Notes to the Condensed Consolidated Interim Financial Information

14 RESTRICTED CASH

	30 June 2014 RMB'000	31 December 2013 RMB'000
Guarantee deposits for construction projects (Note (a))	128,399	99,284
Guarantee deposits for bank acceptance notes (Note (b))	247,710	152,215
Guarantee deposits for bank borrowings (Note (c))	37,173	116,933
Others	9,110	10,076
	422,392	378,508
Denominated in		
– RMB	422,157	371,461
– HK\$	235	7,047
	422,392	378,508

- (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 2014, the Group placed cash deposits of approximately RMB247,710,000 (31 December 2013: RMB152,215,000) with designated banks as guarantee for the issuance of bank acceptance notes.
- (c) As at 30 June 2014, the Group has placed cash deposits of approximately RMB37,173,000 (31 December 2013: RMB116,933,000) with designated banks as security for bank borrowings (Note 19).

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

15 CASH AND CASH EQUIVALENTS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	4,318,666	4,250,744
– Denominated in HK\$	16,495	35,081
– Denominated in US dollar ("US\$")	32,476	148,624
	4,367,637	4,434,449

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.

16 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 2013 and 2014, 30 June 2013 and 2014	30,000,000,000	300,000,000				
Ordinary shares, issued and fully paid:						
At 1 January 2014	4,048,013,000	40,480,130	35,936	3,084,256	(84,721)	3,035,471
Repurchase of shares of the Company <i>(Note (b))</i>	(50,710,000)	(507,100)	(450)	(48,510)	–	(48,960)
Purchase of shares held for Share Award Scheme	–	–	–	–	(6,813)	(6,813)
At 30 June 2014	3,997,303,000	39,973,030	35,486	3,035,746	(91,534)	2,979,698
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

Notes to the Condensed Consolidated Interim Financial Information

16 SHARE CAPITAL AND PREMIUM (continued)

- (a) On 2 December 2010 (the "Adoption Date"), the Board approved and adopted a share award scheme in which a number of selected employees and directors 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 and directors but not vested for the employees and directors 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 and directors 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 2014, the total unvested shares held by the Share Award Scheme Trust is 45,380,000 (31 December 2013: 38,353,000) (Note 17(d)).

- (b) The Company acquired 51,071,000 of its own shares through purchases on the Stock Exchange during the six months ended 30 June 2014. The total amount paid to acquire the shares was RMB48,960,000. All the buy-back shares have been cancelled before 30 June 2014.

Notes to the Condensed Consolidated Interim Financial Information

17 OTHER RESERVES

	Merger reserve RMB'000 (Note (a))	Statutory reserves RMB'000 (Note (b))	Share-based compensation reserves RMB'000	Revaluation reserves RMB'000 (Note 12)	Transaction with non- controlling interests RMB'000	Total RMB'000
At 1 January 2014	337,203	36,448	51,707	78,625	8,481	512,464
Pre-IPO Share Option Scheme (Note (c))	-	-	1,136	-	-	1,136
Share Award Scheme (Note (d))	-	-	2,717	-	-	2,717
Revaluation – net of tax	-	-	-	766	-	766
At 30 June 2014	337,203	36,448	55,560	79,391	8,481	517,083
At 1 January 2013	337,203	9,411	63,237	78,281	-	488,132
Transfer	-	(4,780)	-	-	-	(4,780)
Acquisition of additional interest of a subsidiary	-	-	-	-	(982)	(982)
Pre-IPO Share Option Scheme (Note (c))	-	-	2,579	-	-	2,579
Share Award Scheme (Note (d))	-	-	181	-	-	181
Revaluation – net of tax	-	-	-	367	-	367
At 30 June 2013	337,203	4,631	65,997	78,648	(982)	485,497

(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.

Notes to the Condensed Consolidated Interim Financial Information

17 OTHER RESERVES (continued)

(b) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries 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.

(c) Pre-IPO Share Option Scheme

On 16 September 2009, the Company granted share options to the certain employees and directors 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 2014 and 31 December 2013 are as follows:

Vesting period	Expiry dates	Exercise price	Number of outstanding shares as at	
			30 June 2014	31 December 2013
3 years from 16 September 2009	15 September 2014	HK\$2.475	4,548,000	5,156,000
4 years from 16 September 2009	15 September 2015	HK\$2.475	4,548,000	5,156,000
5 years from 16 September 2009	15 September 2016	HK\$2.475	4,548,000	5,156,000
			13,644,000	15,468,000

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

	Six months ended 30 June	
	2014	2013
At 1 January	15,468,000	22,176,000
Forfeited	(1,824,000)	(240,000)
At 30 June	13,644,000	21,936,000

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.

The total expense recognised for employee and directors services received in respect of the Pre-IPO Share Option Scheme for the period ended 30 June 2014 was RMB1,136,000 (six months ended 30 June 2013: RMB2,579,000).

Notes to the Condensed Consolidated Interim Financial Information

17 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 2014 and 2013 are as follows:

	Shares held for the Share Award Scheme	Awarded shares held by the Share Award Scheme Trust
At 1 January 2014	31,295,000	7,058,000
Purchase of shares held for Share Award Scheme	7,027,000	–
Granted to employees and directors	(8,958,000)	8,958,000
Forfeited	1,303,900	(1,303,900)
At 30 June 2014	30,667,900	14,712,100
At 1 January 2013	38,353,000	–
Granted to employees and directors	(7,502,000)	7,502,000
Forfeited	74,000	(74,000)
At 30 June 2013	30,925,000	7,428,000

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.

On 29 May 2014, the Company granted an aggregate of 8,958,000 shares to 84 eligible employees and directors pursuant to the Share Award Scheme. During the six months ended 30 June 2014, an aggregate of 1,303,900 shares granted were forfeited due to the resignation of certain eligible employees. The outstanding awarded shares as at 30 June 2014 were 14,712,100 (31 December 2013: 7,058,000) shares.

Notes to the Condensed Consolidated Interim Financial Information

17 OTHER RESERVES (continued)

(d) Share Award Scheme (continued)

Particulars of awarded shares as at 30 June 2014 and 31 December 2013 are as follows:

Vesting period	Dates of grant	Market price at grant dates RMB/share	Number of outstanding shares as at	
			30 June 2014	31 December 2013
3 years	6 June 2013	1.27	2,952,350	3,529,000
4 years	6 June 2013	1.27	2,952,350	3,529,000
2 years	29 May 2014	0.89	4,403,700	–
3 years	29 May 2014	0.89	4,403,700	–
			14,712,100	7,058,000

The total expense recognised for employee and directors services received in respect of the Share Award Scheme for the six months ended 30 June 2014 was RMB2,717,000 (six months ended 30 June 2013: RMB181,000).

- (e) Other comprehensive income represented available-for-sale financial assets revaluation difference amounted to RMB766,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: RMB367,000).

18 PERPETUAL CAPITAL INSTRUMENTS

In June 2014, a wholly owned subsidiary of the Company issued a perpetual capital instruments (the "Perpetual Capital Instruments") with the aggregated principal amount of RMB700,000,000. The Perpetual Capital Instruments do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded as part of equity in the condensed consolidated interim balance sheet. The amount as at 30 June 2014 included the accrued distribution payments was RMB700,972,000.

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Borrowings included in non-current liabilities:		
Senior notes (Note (a))	4,442,441	5,188,866
– senior notes due January 2018 (“2018 Notes”) (Note (a)(i))	1,563,283	1,561,245
– senior notes due May 2016 (“2016 Notes”) (Note (a)(ii))	795,312	797,644
– senior notes due September 2015 (“2015 Notes”) (Note (a)(iii))	1,257,561	1,242,366
– senior notes due March 2014 (“2014 Notes (I)”) (Note (a)(iv))	–	773,200
– senior notes due September 2014 (“2014 Notes (II)”) (Note (a)(v))	826,285	814,411
Bank borrowings – secured (Note (b))	9,935,159	9,511,021
Other borrowings – secured (Note (c))	1,580,000	455,000
Borrowings under sale and lease back agreement – secured (Note (d))	71,777	105,678
Less: amounts due within one year	(2,706,280)	(3,405,829)
	13,323,097	11,854,736
Borrowings included in current liabilities:		
Bank borrowings	1,979,860	1,094,221
– secured (Note (b))	1,879,360	1,043,721
– unsecured	100,500	50,500
Other borrowings – secured (Note (c))	75,373	75,373
Current portion of long-term borrowings	2,706,280	3,405,829
	4,761,513	4,575,423
Total borrowings	18,084,610	16,430,159

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	
	2014 RMB'000	2013 RMB'000
At 1 January	1,561,245	1,524,717
Interest expenses and amortisation of issuance costs	91,428	78,437
Repayment of interest	(85,830)	–
Repurchase	(14,611)	–
Foreign exchange losses/(gains) – net	11,051	(25,985)
At 30 June	1,563,283	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	
	2014 RMB'000	2013 RMB'000
At 1 January	797,644	787,522
Interest expenses and amortisation of issuance costs	40,642	7,583
Repayment of interest	(38,000)	–
Repurchase	(4,974)	–
At 30 June	795,312	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.

CCS is not designated as a hedging instrument but a derivative financial instrument and recognised at fair value. The fair value of the CCS as at 30 June 2014 was liabilities of RMB16,930,000 (31 December 2013: asset of RMB11,406,000).

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	
	2014 RMB'000	2013 RMB'000
At 1 January	1,242,366	1,287,259
Interest expenses and amortisation of issuance costs	95,535	94,648
Repayment of interest	(85,740)	(86,284)
Repurchase	–	(6,327)
Foreign exchange losses/(gains) – net	5,400	(27,636)
At 30 June	1,257,561	1,261,660

(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	
	2014 RMB'000	2013 RMB'000
At 1 January	773,200	762,824
Interest expenses and amortisation of issuance costs	19,925	48,105
Repayment of interest	(43,125)	(43,125)
Repayment of principle	(750,000)	–
At 30 June	–	767,804

The 2014 Notes (I) matured on 17 March 2014 and were repaid by the Group on same date.

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	
	2014 RMB'000	2013 RMB'000
At 1 January	814,411	832,681
Interest expenses and amortisation of issuance costs	60,313	59,371
Repayment of interest	(54,250)	(55,806)
Foreign exchange losses/(gains) – net	5,811	(15,017)
At 30 June	826,285	821,229

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

(b) Bank borrowings – secured

As at 30 June 2014, the borrowings of RMB11,814,519,000 (31 December 2013: RMB10,554,742,000) were secured by certain property and equipment and 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 14); the secured bank and other borrowings of RMB3,078,320,000 (31 December 2013: RMB2,600,570,000) were additionally guaranteed by certain related parties (Note 30 (b)(ii)).

(c) Other borrowings – secured

As at 30 June 2014, borrowings from other non-bank financial institutions of RMB1,655,373,000 (31 December 2013: RMB530,373,000) were secured by certain property and equipment and land use rights (Note 6), investment properties (Note 7), properties under development (Note 8) and completed properties held for sale (Note 9).

(d) Borrowings under sale and lease back agreement – secured

In 2012, the Group has entered into a sale and lease back agreement with an independent third party for certain equipment installed in the Group's property and equipment and investment properties. As at 30 June 2014, the total carrying amount of such equipment was RMB213,788,000 (31 December 2013: RMB214,346,000). The lease period is 3 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 equipment has not been derecognised, the present value of total lease payments was recognised as borrowings under sale and lease back agreement of the Group and the finance charges of the borrowings 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) Borrowings under sale and lease back agreement – secured (continued)

The present value of borrowings under sale and lease back agreement is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
No later than 1 year	71,777	69,109
Later than 1 year and not later than 3 years	–	36,569
	71,777	105,678

(e) Movements of bank borrowings, other borrowings and borrowings under sale and lease back agreement are analysed as follows:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Opening amounts as at 1 January	11,241,293	8,171,262
Additions of borrowings	3,916,627	3,808,903
Repayments of borrowings	(1,539,001)	(2,585,618)
Foreign exchange losses/(gains) – net	23,250	(11,959)
Closing amounts as at 30 June	13,642,169	9,382,588

(f) As at 30 June 2014 and 31 December 2013, the Group has the following undrawn borrowing facilities:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Floating rate:		
– expiring within 1 year	382,781	–
– expiring beyond 1 year	509,790	201,000
Fixed rate:		
– expiring within 1 year	–	12,500
	892,571	213,500

Notes to the Condensed Consolidated Interim Financial Information

20 TRADE AND OTHER PAYABLES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade payables	2,778,807	2,100,340
– Related parties (Note 30(c))	15,601	18,969
– Third parties	2,489,993	1,874,378
– Notes payable – third parties	273,213	206,993
Other payables and accruals	3,590,378	2,342,782
– Related parties (Note 30(c))	1,486,239	1,167,351
– Third parties	2,104,139	1,175,431
Payables for retention fee	333,467	208,928
Payables for acquisition of land use rights	53,834	53,834
Other taxes payable	163,997	163,580
	6,920,483	4,869,464

As at 30 June 2014 and 31 December 2013, the ageing analysis of trade payables of the Group based on invoice date were as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 90 days	1,167,071	343,266
Over 90 days and within 180 days	343,514	160,408
Over 180 days and within 365 days	396,632	968,207
Over 365 days and within 3 years	871,590	628,459
	2,778,807	2,100,340

Notes to the Condensed Consolidated Interim Financial Information

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	
	2014 RMB'000	2013 RMB'000
Cost of properties sold (excluding staff costs)	2,530,275	1,942,580
Business taxes and other levies	249,736	208,385
Staff costs (including directors' emoluments)	267,031	203,773
Cost of hotel operations	111,848	73,286
Depreciation (Note 6)	63,192	48,700
Advertising costs	103,647	45,687
Cost of property management services	40,446	34,065
Office lease payments	7,349	7,274
Amortisation of land use rights (Note 6)	8,306	6,342
Donations to governmental charity	8,358	5,236
Auditor's remuneration	2,000	2,000

22 OTHER LOSSES (GAINS) – NET

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Fair value loss on derivative financial instruments (Note 19(a)(ii))	28,336	16,898
Investment loss/(income) from financial instruments	1,021	(690)
Gain on disposal of investment properties	–	(51,403)
Interest income on entrusted loans	–	(10,762)
	29,357	(45,957)

23 EXCHANGE GAINS/(LOSSES) – NET

Amount mainly represents the gain or loss of translation of financial assets and liabilities, which are denominated in foreign currency, into RMB at the prevailing period-end exchange rate. It does not include the exchange gain or loss of translation of borrowings which are included in the "Finance (costs)/income – net" (Note 24).

Notes to the Condensed Consolidated Interim Financial Information

24 FINANCE COSTS/(INCOME) – NET

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Interest expenses:		
– Bank borrowings, other borrowings and finance lease liabilities	449,104	397,326
– Senior notes	307,843	288,144
Less: interest capitalised	(728,388)	(664,214)
	28,559	21,256
Net foreign exchange losses/(gains) on financing activities	45,022	(80,597)
	73,581	(59,341)

25 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Current income tax:		
– PRC corporate income tax	312,704	126,389
– PRC land appreciation tax	8,287	111,806
Deferred income tax:		
– PRC corporate income tax	(60,168)	118,263
	260,823	356,458

Notes to the Condensed Consolidated Interim Financial Information

25 INCOME TAX EXPENSE (continued)

PRC corporate income tax

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

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 the PRC is 25%.

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

PRC land appreciation tax ("LAT")

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

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

Overseas income tax

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

Hong Kong profits tax

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

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	
	2014	2013
Profit attributable to owners of the Company (RMB'000)	758,823	719,311
Weighted average number of ordinary shares in issue (thousand shares)	3,958,425	4,009,660
Basic earnings per share (RMB cents per share)	19.170	17.939

(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	
	2014	2013
Profit attributable to owners of the Company (RMB'000)	758,823	719,311
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	3,960,775	4,010,528
– Weighted average number of ordinary shares for basic earnings per share (thousand shares)	3,958,425	4,009,660
– Adjustment for share options and awarded shares (thousand shares)	2,350	868
Diluted earnings per share (RMB cents per share)	19.158	17.936

27 DIVIDENDS

No interim dividend in respect of six months ended 30 June 2014 was proposed by the Board (for the six months ended 30 June 2013: nil).

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 2014 RMB'000	31 December 2013 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	5,599,531	4,711,027
Guarantees for borrowings of joint ventures	1,270,730	993,880
	6,870,261	5,704,907

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 2014 RMB'000	31 December 2013 RMB'000
Contracted but not provided for		
– Property development activities	5,634,972	4,471,549
– Acquisition of land use rights	1,106,506	3,031,035
	6,741,478	7,502,584

(b) Operating leases commitments

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
– Not later than one year	6,531	11,957
– Later than one year and not later than two years	13,377	10,719
– Later than two years and not later than three years	1,622	–
	21,530	22,676

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, 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
Powerlong Group Development Co., Ltd. 寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Macau Powerlong Group 澳門寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi Kin Hong
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 Kin Hong
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Ultimately controlled by Mr. Hoi Kin Hong
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 Kin Hong
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 Kin Hong
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 Kin Hong
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 Kin Hong
Great Merchant Limited 弘商有限責任公司	Ultimately controlled by Mr. Hoi Kin Hong
Tianjin Powerlong Jinjun Real Estate Co., Ltd ("Tianjin Powerlong") 天津寶龍金駿房地產開發有限公司	Joint venture
Xiamen Powerlong Industry Co., Ltd. ("Xiamen Powerlong") 廈門寶龍實業有限公司	Joint venture
Baohui Property (Hong Kong) Holdings Co., Ltd. 寶匯地產(香港)控股有限公司	Joint venture
Hangzhou Xiaoshan Powerlong Property Co., Ltd. ("Hangzhou Powerlong") 杭州蕭山寶龍置業有限公司	Joint venture
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	Associate

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 2014, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Rental income:		
– Fuzhou Powerlong Amusement Management Company Limited	1,154	1,154
Property management fee income:		
– Related entities ultimately controlled by Mr. Hoi Kin Hong	384	399
Purchase of office equipment and security intelligentisation system services from related parties:		
– Fujian Ping An Security Devices and Network Limited	10,357	12,711
– Xiamen Powerlong Information Industry Co., Ltd.	1,033	486
	11,390	13,197
Hotel accommodation service fee charged by a related party:		
– Macau Powerlong Group	777	672
Office lease expense charged by a related party:		
– Xiamen Powerlong Information Industry Co., Ltd.	–	743
Sales of construction materials to a joint venture		
– Tianjin Powerlong	19,665	1,634
Consultation services provided to joint ventures		
– Tianjin Powerlong	13,089	7,286
– Xiamen Powerlong	5,762	–
	18,851	7,286
Guarantees for borrowings to joint ventures		
– Tianjin Powerlong	970,730	993,880
– Hangzhou Powerlong	300,000	–
	1,270,730	993,880

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 RMB3,078,320,000 and senior notes of RMB826,285,000 at 30 June 2014 (31 December 2013: bank borrowings of RMB2,600,570,000 and senior notes of RMB814,411,000) (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 2014, the Group had the following material balances with related parties:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Amounts due from joint ventures included in trade receivables (Note (i)):		
– Tianjin Powerlong	10,815	1,475
– Xiamen Powerlong	5,979	–
	16,794	1,475
Amounts due from other related parties included in trade receivables (Note (i)):		
– Qingdao Powerlong Amusement Management Company Limited	35,754	35,754
– Zhengzhou Cannes Outlets Commercial Company Limited	15,713	15,713
– Fuzhou Powerlong Amusement Management Company Limited	123	174
	51,590	51,641
Total amounts due from related parties included in trade receivables	68,384	53,116
Amounts due from joint ventures included in other receivables (Note (ii)):		
– Baohui Property (Hong Kong) Holdings Co., Ltd.	47,610	–
– Xiamen Powerlong	22,693	–
	70,303	–
Amounts due from related parties included in other receivables (Note (ii)):		
– Powerlong Group Development Co., Ltd.	21,376	21,376
– Qingdao Powerlong Amusement Management Company Limited	1,461	1,461
– Zhengzhou Cannes Outlets Commercial Company Limited	495	495
– Other related entities ultimately controlled by Mr. Hoi	1	15
	23,333	23,347
Total amounts due from related parties included in other receivables	93,636	23,347
Amounts due to related parties included in trade payables (Note (i)):		
– Fujian Ping An Security Devices and Network Limited	13,867	17,296
– Other related entities ultimately controlled by Mr. Hoi	1,734	1,673
Total amounts due to related parties included in trade payables	15,601	18,969

Notes to the Condensed Consolidated Interim Financial Information

30 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

	30 June 2014 RMB'000	31 December 2013 RMB'000
Advances from a joint venture (Note (i)):		
– Tianjin Powerlong	3,605	–
Amounts due to a joint venture included in other payables (Note (ii)):		
– Tianjin Powerlong	1,060,156	1,014,706
Amounts due to an associate included in other payables (Note (ii)):		
– Quanzhou Shangquan Industrial Development Co., Ltd.	42,493	42,000
Amounts due to related parties included in other payables (Note (ii)):		
– Great Merchant Limited	350,690	77,745
– Mr. Hoi Kin Hong	32,900	32,900
	383,590	110,645
Total amounts due to related parties included in other payables	1,486,239	1,167,351
Senior notes held by a related party (Note (iii)):		
– Sky Infinity Holdings Limited	35,551	35,128

- (i) Amounts due from/to related parties included in trade receivables/payables are mainly derived from rental income, purchase of construction materials and consultation services, 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 RMB35,551,000 as at 30 June 2014 (31 December 2013: RMB35,128,000).