



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

(Incorporated in the Cayman Islands with limited liability)

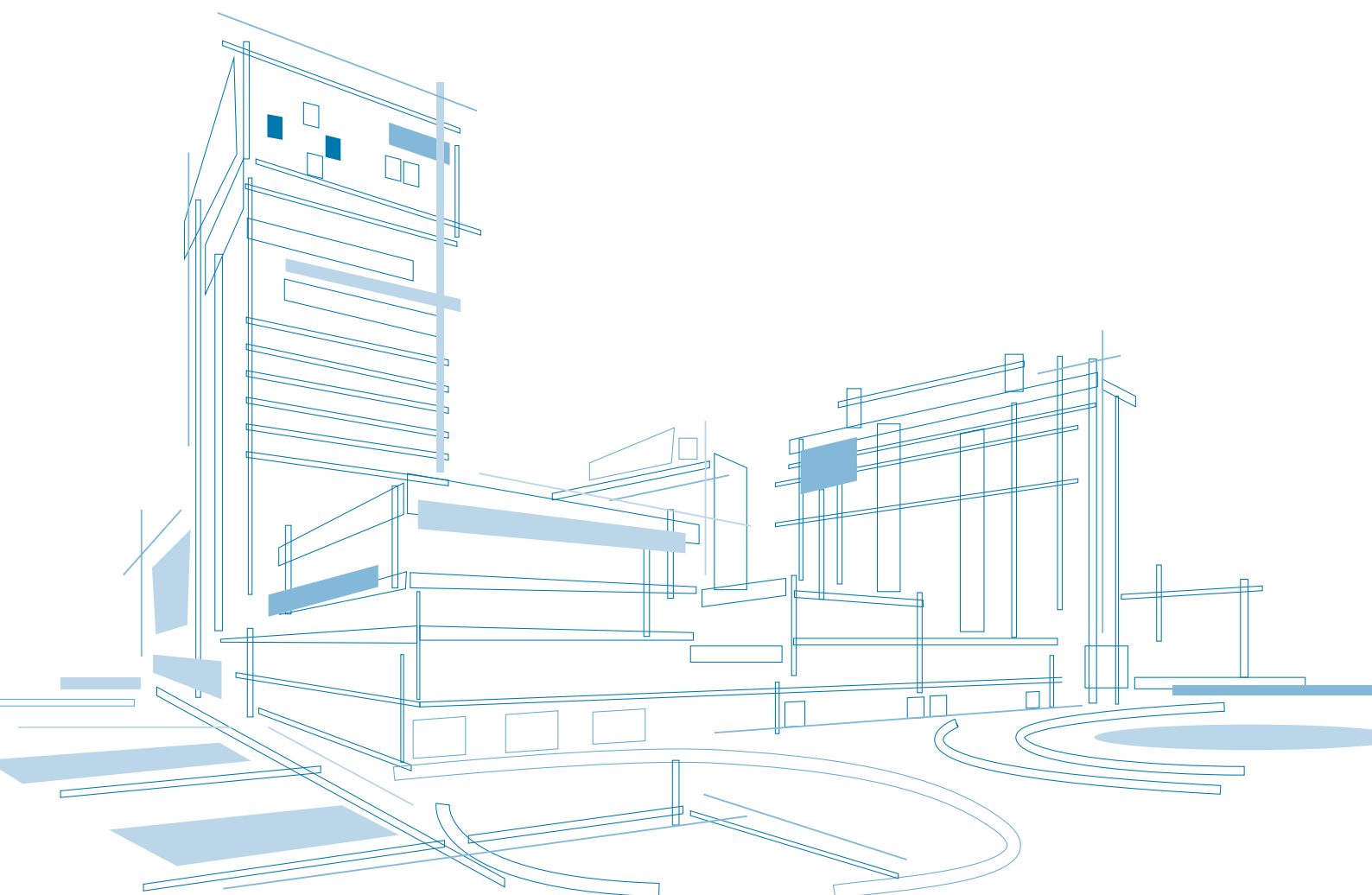
Stock Code :1238



2015
INTERIM
REPORT

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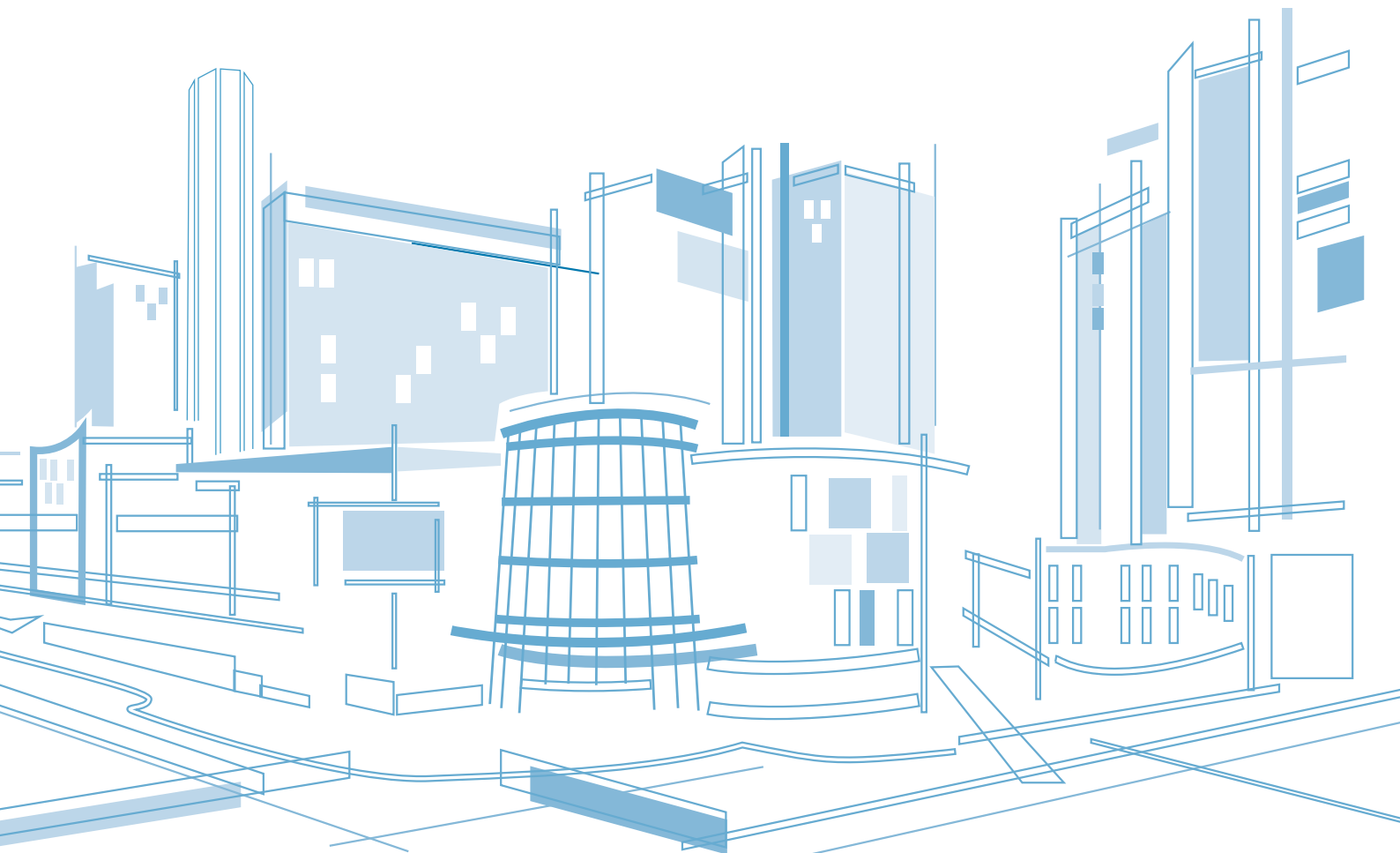


Group Introduction

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 50 real estate projects as at 30 June 2015. Powerlong 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 of the Group throughout. The Group will continue to uphold the belief of “Creditability, 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 (*Deputy Chief Executive Officer*)
Ms. Shih Sze Ni
Mr. Guo Jun

Non-executive Director

Ms. Hoi Wa Fan

Independent Non-executive Directors

Mr. Ngai Wai Fung
Mr. Mei Jian Ping
Mr. Ding Zu Yu

AUDIT COMMITTEE

Mr. Ngai Wai Fung (*Chairman*)
Mr. Mei Jian Ping
Mr. Ding Zu Yu

REMUNERATION COMMITTEE

Mr. Mei Jian Ping (*Chairman*)
Mr. Hoi Wa Fong
Mr. Ding Zu Yu

NOMINATION COMMITTEE

Mr. Hoi Kin Hong (*Chairman*)
Mr. Mei Jian Ping
Mr. Ding Zu Yu

COMPANY SECRETARY

Ms. Xiao Ying Lin

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong
Ms. Xiao Ying Lin

REGISTERED OFFICE

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

PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

12th – 15th Floor
Gubei International Fortune Center
1452 Hongqiao Road
Changning District
Shanghai
PRC
Postal Code: 200336

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Sheddon Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Bank of Communications Co., Ltd.
China Minsheng Banking Corp., Ltd.
The Bank of East Asia
Industrial Bank Co., Ltd.
China Merchants Bank Co., Ltd.
Hang Seng Bank Limited
Bank of Beijing Co., Ltd.
Bank of China Limited
China CITIC Bank Corporation Limited
China Construction Bank Corporation
Taiwan First Bank

AUDITOR

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

HONG KONG LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com

Management Discussion and Analysis

MARKET REVIEW

Looking back to the first half of year 2015, the real estate policy in China continued to be loose as in 2014 under the persistent pressure of the general macroeconomic environment. The Central Government emphasized on stabilizing the housing consumption, supporting self-living and improved housing demand and improving the market environment as well as facilitating the steady development of the real estate market. In the first half of 2015, upon promulgation of several rounds of finance and credits related measures, the real estate market recovered gradually as compared to last year, where first and second tiers cities were the first to record a rebound in transaction amount. It is expected that effects of loose policies will be reflected further in the second half of 2015, while the development of real estate market will continue to be steady.

BUSINESS REVIEW

For the six months ended 30 June 2015, 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 2015, contracted sales of the Group reached approximately RMB7,080 million (for the six months ended 30 June 2014: RMB3,689 million), representing an increase of approximately 91.9% as compared to the corresponding period in 2014. For the six months ended 30 June 2015, contracted sales area of the Group amounted to approximately 749,640 square meters (for the six months ended 30 June 2014: 430,887 square meters), representing an increase of approximately 74.0% as compared to the corresponding period in 2014.

Leveraging on the experienced management team, the Group is capable to recognize the market trend, proactively respond to market changes and flexibly adjust sales strategy in different regions and projects, so as to realize rapid growth in contracted sales.

During the period under review, key contributing projects of the Group are located in Shanghai, Hangzhou, Fuyang, Tianjin, Dongying and Xiamen.

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

For the six months ended 30 June 2015

Distribution	Sales area sq.m.	Sales amount RMB'000	Average selling price RMB/sq.m.
Commercial	192,236	3,683,996	19,164
Residential	557,404	3,396,182	6,093
Total	749,640	7,080,178	9,445

Management Discussion and Analysis

Investment Properties and Property Management Services

To generate stable and recurring income, the Group also retains and operates certain commercial properties, such as shopping malls, for leasing. As at 30 June 2015, the Group had an aggregate gross floor area (“GFA”) of approximately 2.9 million square meters (as at 31 December 2014: 2.6 million square meters) held as investment properties, representing an increase of approximately 11.5% as compared with that as at 31 December 2014.

As at 30 June 2015, the Group operated and managed 19 commercial plazas, number of operating projects and operating area are both among the forefront of the industry. In February 2015, Qingdao Jiaozhou Powerlong Plaza, which is operated by the Group, successfully commenced operation with an overall occupancy rate of over 90%. Jiaozhou Powerlong Plaza is the fourth city complex in Qingdao opened by the Group.

Hotel Development

The Group continued to develop its hotel business as its long-term recurring income stream. As at 30 June 2015, the Group owned three star-rated hotels, namely, Four Points by Sheraton Qingdao, Four Points by Sheraton Tai’an and Four Points by Sheraton Taicang, two mid-range hotels, namely, Aloft Haiyang Hotel and Aloft Yancheng Hotel as well as one self-operated hotel, namely, ARTELS Powerlong Qingdao, and operated a hotel namely Shandong Penglai Powerlong Inn.

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 positions Shanghai as 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 2015, the Group had a land bank with a total GFA of approximately 12.8 million square meters, of which approximately 6.9 million square meters were properties under development, approximately 3.9 million square meters were properties held for future development and approximately 2.0 million square meters were shopping malls in operation. The land bank under development (including properties under development and properties held for future development of approximately 10.8 million square meters) 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, serviced apartments and hotels.

During the period under review, the Group upheld cautious and stringent standards on land investment decision, one parcel of land located in Shanghai was acquired.

OUTLOOK

In the second half of 2015, the Group will continue to implement the strategy of “focus on Shanghai and intensive development in Yangtze River Delta”, identify development opportunities of new projects based on the development needs of the Group and control land prices prudently and strictly. The Group will also expand financing channels, adjust financial structure and strive to reduce financing costs. In terms of sales, the de-stocking process will be expedited in order to realize the annual sales target and achieve a further breakthrough in sales of office buildings. In addition, the Group will ensure the timely opening of new shopping malls and fully realize the market-oriented development of e-commerce platform. It is believed that the implementation of these strategies will build a solid foundation for the long-term sustainability of the Group.

Management Discussion and Analysis

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 2015, the Group recorded a total revenue of approximately RMB4,728 million (for the six months ended 30 June 2014: RMB4,423 million), representing an increase of approximately 6.9% as compared to the corresponding period in 2014. 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. Revenue from projects sold and delivered during the six months ended 30 June 2015 amounted to approximately RMB4,073 million (for the six months ended 30 June 2014: RMB3,771 million), representing an increase of approximately 8.0% as compared to the corresponding period in 2014. This was mainly attributable to an increase in delivered GFA as compared to the corresponding period last year.

Set forth below are the distribution of the properties sold and delivered during the period under review:

For the six months ended 30 June 2015

		GFA sold & delivered (sq.m)	Amount sold & delivered (RMB'000)	Average selling price (RMB/sq.m)
Shanghai Caolu Powerlong Plaza	Commercial	7,147	146,159	20,449
Shanghai Fengxian Powerlong Plaza	Commercial	19,213	529,855	27,578
Shanghai Hongqiao Powerlong City	Commercial	2,845	47,416	16,666
	Residential	7,609	142,908	18,780
Changzhou Powerlong Plaza	Commercial	659	9,137	13,865
	Residential	74,198	477,614	6,437
Zhenjiang Powerlong Plaza	Commercial	2,990	38,360	12,830
	Residential	87,790	409,418	4,664
Hangzhou Xiasha Powerlong Plaza	Residential	2,118	24,494	11,564
Qingdao Jimo Powerlong Plaza	Commercial	14,810	72,868	4,920
	Residential	624	2,796	4,483
Qingdao Jiaozhou Powerlong Plaza	Commercial	34,753	229,308	6,598
	Residential	52,598	295,482	5,618
Yantai Penglai Powerlong Plaza	Commercial	627	5,291	8,434
Yantai Haiyang Powerlong City	Commercial	514	4,360	8,480

Management Discussion and Analysis

For the six months ended 30 June 2015

		GFA sold & delivered (sq.m)	Amount sold & delivered (RMB'000)	Average selling price (RMB/sq.m)
Xiamen Powerlong Lakeside Mansions	Commercial	692	21,288	30,764
	Residential	200	8,140	40,612
Quanzhou Anxi Powerlong Plaza	Commercial	26,357	191,000	7,247
Quanzhou Jinjiang Powerlong Plaza	Commercial	9,097	49,089	5,396
	Residential	1,776	11,196	6,304
Quanzhou Yongchun Powerlong Plaza	Commercial	2,279	24,944	10,947
Zhangzhou Yunxiao General Avenue No.1	Commercial	507	8,648	17,070
	Residential	9,225	47,877	5,190
Luoyang Powerlong Plaza	Commercial	20,528	179,184	8,729
	Residential	130,760	738,796	5,650
Xinxiang Powerlong Plaza	Commercial	7,744	90,698	11,713
	Residential	46,979	225,037	4,790
Chongqing Hechuan Powerlong Plaza	Commercial	2,957	31,919	10,793
	Residential	76	1,973	25,846
Other Projects	Commercial	910	8,176	8,987
Total		568,583	4,073,434	7,164
	Commercial	154,629	1,687,701	10,915
	Residential	413,954	2,385,733	5,763

Rental Income from Investment Properties and Income from Property Management Services

For the six months ended 30 June 2015, the Group recorded a rental income from investment properties of approximately RMB260 million (for the six months ended 30 June 2014: RMB212 million), representing an increase of approximately 22.6% as compared to the amount in the corresponding period in 2014.

For the six months ended 30 June 2015, the income from property management services generated by the Group, after intra-group elimination, amounted to approximately RMB244 million (for the six months ended 30 June 2014: RMB223 million), representing an increase of approximately 9.4% as compared to the amount in the corresponding period in 2014.

Management Discussion and Analysis

For the six months ended 30 June 2015, the rental income from investment properties and income from property management services generated by the Group amounted to RMB504 million (for the six months ended 30 June 2014: RMB436 million), representing an increase of approximately 15.6% as compared to the amount in the corresponding period in 2014. In addition to the increasing areas of properties held and commercial and residential properties managed by the Group, rental income generated from shopping 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 park businesses, construction and decoration services. For the six months ended 30 June 2015, income from other property development related services generated by the Group amounted to RMB151 million (for the six months ended 30 June 2014: RMB216 million), representing a decrease of approximately 30.1% as compared to the amount in the corresponding period in 2014, mainly due to the structural adjustment in other businesses.

Cost of Sales

Cost of sales of the Group mainly represents the cost directly attributed to the Group's own property development activities. It comprises cost of land use rights, construction costs, decoration costs, capitalized interest expenses and business taxes. For the six months ended 30 June 2015, cost of sales amounted to approximately RMB3,203 million (for the six months ended 30 June 2014: RMB3,131 million), representing an increase of approximately 2.3% as compared to the amount in the corresponding period in 2014, mainly due to the increase in total costs as a result of the increase in total GFA of properties sold and delivered during the period under review.

Gross Profit and Margin

For the six months ended 30 June 2015, the Group recorded gross profit of RMB1,526 million (for the six months ended 30 June 2014: RMB1,292 million), representing an increase of approximately 18.1% as compared to the amount in the corresponding period in 2014. Gross profit margin rose from 29.2% in the corresponding period in 2014 to 32.3% for the six months ended 30 June 2015, mainly due to the increase in properties with a higher gross profit delivered during the period under review.

Fair Value Gains of Investment Properties

For the six months ended 30 June 2015, the Group recorded revaluation gains of approximately RMB701 million (for the six months ended 30 June 2014: RMB214 million), representing an increase of approximately 227.6% over the amount in the corresponding period in 2014. 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 2015, selling and marketing costs and administrative expenses amounted to approximately RMB560 million (for the six months ended 30 June 2014: RMB484 million), representing an increase of approximately 15.7% as compared with that in the corresponding period in 2014, which was mainly attributable to the Group's business expansion which in turn expanded 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 Equity Method

For the six months ended 30 June 2015, share of post-tax profit of joint ventures amounted to RMB42 million (for the six months ended 30 June 2014: RMB52 million), representing a decrease of approximately 19.2% as compared to the corresponding period in 2014, mainly due to the decrease in revenue from properties of joint venture projects sold and delivered in the period.

Management Discussion and Analysis

Income Tax Expenses

Income tax expenses amounted to RMB586 million (for the six months ended 30 June 2014: RMB261 million) for the six months ended 30 June 2015, representing an increase of approximately 124.5% as compared with the corresponding period in 2014, primarily due to the increase in profit before tax.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2015, the Group recorded a profit attributable to owners of the Company of RMB1,030 million (for the six months ended 30 June 2014: RMB759 million), representing an increase of approximately 35.7% over the corresponding period in 2014.

For the six months ended 30 June 2015, basic earnings per share was RMB26.08 cents (for the six months ended 30 June 2014: RMB19.17 cents), representing an increase of approximately 36.0% over the corresponding period in 2014.

Core earnings (excluding the profit attributable to fair value gains on investment properties during the period under review) for the six months ended 30 June 2015 reached approximately RMB618 million (for the six months ended 30 June 2014: RMB556 million), increased by approximately 11.2% as compared with that in the corresponding period in 2014.

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, and cash proceeds raised from bank and other borrowings and 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 RMB4,998 million in total as at 30 June 2015 (as at 31 December 2014: RMB4,949 million).

Borrowings

Total borrowings as at 30 June 2015 was RMB19,649 million, comprising bank and other borrowings of approximately RMB15,768 million and senior notes of approximately RMB3,881 million.

Out of the total borrowings, RMB4,986 million was repayable within one year, while approximately RMB14,663 million was repayable after one year.

As at 30 June 2015, the Group's net gearing ratio (which is calculated by dividing total borrowings less cash and cash equivalents and restricted cash over total equity) was 68.3% (as at 31 December 2014: 66.2%).

Total interest charges for the six months ended 30 June 2015 amounted to RMB801 million, representing an increase of approximately 5.8% as compared to RMB757 million in the corresponding period in 2014, mainly due to an increase in total borrowings.

Credit Policy

Trade receivables mainly arises 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 2015, 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 RMB27,015 million to secure borrowings of the Group (as at 31 December 2014: RMB29,332 million). The total secured borrowings as at 30 June 2015 amounted to RMB15,748 million (as at 31 December 2014: RMB14,640 million).

Financial Guarantees

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	7,116,037	6,462,924
Guarantees for borrowings of joint ventures	2,431,330	1,670,730
	9,547,367	8,133,654

Commitment

(1) Commitments for property development expenditures

	30 June 2015 RMB'000	31 December 2014 RMB'000
Contracted but not provided for		
– Property development activities	5,613,503	6,261,982
– Acquisition of land use rights	16,259	41,461
	5,629,762	6,303,443

(2) Operating leases commitments

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Not later than one year	9,297	15,887
Later than one year and not later than two years	1,064	1,862
Later than two years and not later than three years	–	191
	10,361	17,940

Management Discussion and Analysis

FOREIGN CURRENCY RISK

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. The major non-RMB financial assets or liabilities as at 30 June 2015 are the Group's borrowing denominated in US\$ or HK\$ totalling RMB6,256 million. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pay to shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk.

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 June 2015, the Group did not have any material acquisition or disposal.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2015, the Group employed a total of 6,973 employees (as at 30 June 2014: 5,976 employees). The total staff costs of the Group incurred during the period under review was approximately RMB349 million (for the six months ended 30 June 2014: RMB267 million). The Group adopts a performance-based rewarding system to motivate its staff. The Group also provides different types of training programmes for its staff to improve their skills and expertise.

INTERIM DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

Disclosure of Interests

SHARE OPTION SCHEME

Pursuant to the shareholder's resolutions of the Company passed 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 shares of the Company 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 the number of issued shares as at 30 June 2015:

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 number of issued shares as at 30 June 2015).

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 Rule 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 at 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 options 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 Exchange's daily quotation sheet 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's 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 2015, 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 shares of the Company as the Board may determine:

- (i) any full-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; 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 the number of issued shares as at 30 June 2015:

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 number of issued shares as at 30 June 2015).

Disclosure of Interests

4. The period within which the options 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

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.

Disclosure of Interests

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

Exercise Period	Number of Outstanding Share Options		
	As at 31 December 2014	Exercised/ lapsed/ cancelled during the six months ended 30 June 2015	As at 30 June 2015
From 16 September 2013 to 15 September 2015	4,468,000	(80,000)	4,388,000
From 16 September 2014 to 15 September 2016	4,468,000	(80,000)	4,388,000
	8,936,000	(160,000)	8,776,000

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. No shares was awarded under the Share Award Scheme during the period under review.

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.

On 6 June 2013 and 29 May 2014, a committee established by the Board (the "Executive Committee") resolved to grant an aggregate of 7,502,000 and 8,958,000 awarded shares (the "Awarded Shares") respectively to the eligible employees pursuant to the rules under the Share Award Scheme. Please refer to the announcements of the Company dated 6 June 2013 and 29 May 2014 for the details for the grant. Number of Awarded Shares are as follows:

Name of awardees	Number of Awarded Shares		
	Granted on 6 June 2013	Granted on 29 May 2014	Total
Mr. Hoi Kin Hong	324,000	662,000	986,000
Mr. Hoi Wa Fong	324,000	462,000	786,000
Mr. Xiao Qing Ping	444,000	367,700	811,700
Ms. Shih Sze Ni	230,000	273,400	503,400
Mr. Guo Jun	444,000	612,000	1,056,000
Remaining awardees who are eligible employees and are not connected person (as defined in the Listing Rules) of the Company	5,736,000	6,580,900	12,316,900

Disclosure of Interests

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2015, 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 to the Listing Rules (the "Model Code") were as follows:

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)	565,400,000	14.14%
	Long Position	Beneficial owner	8,202,000	0.21%
	Long Position	Beneficial owner (Note 2)	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 4)	149,480,000	3.74%
Mr. Xiao Qing Ping	Long Position	Beneficial owner (Note 2)	811,700	0.02%
Ms. Shih Sze Ni	Long Position	Beneficial owner (Note 2)	503,400	0.01%
	Long Position	Interest of spouse	574,388,000	14.37%
Mr. Guo Jun	Long Position	Beneficial owner (Note 2)	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 interests represent the Awarded Shares granted under the Share Award Scheme, details have been disclosed in the above section headed "Share Award Scheme" and note 17 to the consolidated financial statements.
- The 565,400,000 shares are held by Sky Infinity Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Wa Fong.
- The 149,480,000 shares are held by Walong Holdings Limited, which is wholly and beneficially owned by Ms. Hoi Wa Fan.

* The percentage represents the number of ordinary shares interested in divided by the number of the Company's issued shares as at 30 June 2015.

Disclosure of Interests

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	2,800,000	0.0700%
Mr. Hoi Wa Fong	Long Position	Beneficial owner	880,000	0.0220%
	Long Position	Interest of spouse	480,000	0.0120%
Mr. Xiao Qing Ping	Long Position	Beneficial owner	720,000	0.0180%
Ms. Shih Sze Ni	Long Position	Beneficial owner	480,000	0.0120%
	Long Position	Interest of spouse	880,000	0.0220%

Note: These interests represent the share options granted under the Pre-IPO Share Option Scheme, details have been disclosed in the above section headed "Share Option Scheme" and note 17 to the consolidated financial statements.

* The percentage represents the number of underlying shares interested in divided by the number of the Company's issued shares as at 30 June 2015.

Saved as disclosed above, as at 30 June 2015, none of the Directors, chief executive of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Saved as disclosed above, at no time during the period under review was the Company or any of its subsidiaries a party to any 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 executive 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 2015, 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 (Note 1)	Beneficial owner	27,479,000 (L)	0.69%
	Beneficial owner (Note 3)	986,000 (L)	0.02%
	Beneficial owner (Note 4)	2,800,000 (L)	0.07%
	Interest of spouse	2,800,000 (L)	0.07%
	Beneficial owner	565,400,000 (L)	14.14%
Sky Infinity Holdings Limited (Notes 1 and 5)	Beneficial owner	565,400,000 (L)	14.14%
	Beneficial owner (Note 3)	786,000 (L)	0.02%
	Beneficial owner	8,202,000 (L)	0.21%
	Beneficial owner (Note 4)	880,000 (L)	0.02%
	Interest of spouse (Note 6)	983,400 (L)	0.02%
Wason Holdings Limited (Notes 1 and 7)	Beneficial owner	202,000,000 (L)	5.05%

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 interests represent the Awarded Shares granted under the Share Award Scheme, details have been disclosed in the above section headed "Share Award Scheme" and note 17 to the consolidated financial statements.
- These interests represent the share options granted under the Pre-IPO Share Option Scheme, details have been disclosed in the above section headed "Share Option Scheme" and note 17 to the consolidated financial statements.
- Sky Infinity Holdings Limited is wholly and beneficially owned by Mr. Hoi Wa Fong.
- These interests represent the 503,400 Awarded Shares and 480,000 share options granted to Ms. Shih Sze Ni under the Share Award Scheme and the Pre-IPO Share Option Scheme, respectively.
- 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.

* The percentage represents the number of ordinary shares interested in divided by the number of the Company's issued shares as at 30 June 2015.

Corporate Governance Report

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures for enhancing investor confidence in the Company and the Company's accountability. Throughout the six months ended 30 June 2015, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules.

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

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 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code for dealing in securities of the Company by the Directors. After specific inquiry to all Directors, it is confirmed that all Directors have complied with the required standard set out in the Model Code for the six months ended 30 June 2015. Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with guidelines on securities transactions on no less exacting terms than the Model Code. No incident of non-compliance was noted by the Company to date.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and to the best knowledge of the Directors, throughout the six months ended 30 June 2015, the Company has maintained a sufficient public float of more than 25% of the Company's total number of issued shares as required under the Listing Rules.

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 Mr. Ding Zu Yu.

The Audit Committee has reviewed the interim report for the six months ended 30 June 2015 with the Company's management. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

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

Hong Kong, 18 August 2015

Condensed Consolidated Interim Balance Sheet

	Note	30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	2,019,850	1,898,666
Land use rights	6	1,018,818	797,138
Investment properties	7	26,400,985	24,381,596
Investments accounted for using equity method	13	1,411,904	1,548,554
Deferred income tax assets		333,701	380,313
Available-for-sale financial assets	12	180,000	–
		31,365,258	29,006,267
Current assets			
Properties under development	8	14,555,957	13,668,618
Completed properties held for sale	9	8,291,907	6,162,421
Trade and other receivables	10	2,214,502	2,196,727
Prepayments	11	679,061	852,374
Prepaid taxes		379,534	300,334
Available-for-sale financial assets	12	17,190	16,042
Financial assets at fair value through profit or loss		–	1,500
Restricted cash	14	647,959	603,687
Cash and cash equivalents	15	4,349,926	4,345,757
		31,136,036	28,147,460
Total assets		62,501,294	57,153,727
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	16	2,979,696	2,979,696
Other reserves	17	668,491	664,827
Retained earnings		15,746,360	14,965,316
		19,394,547	18,609,839
Perpetual Capital Instruments	18	1,304,531	1,302,139
Non-controlling interests		737,786	697,504
Total equity		21,436,864	20,609,482

Condensed Consolidated Interim Balance Sheet

		30 June 2015 Unaudited RMB'000	31 December 2014 Audited RMB'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	19	14,663,620	14,294,043
Deferred income tax liabilities		3,489,040	3,314,613
Derivative financial instruments	20	53,025	81,178
		18,205,685	17,689,834
Current liabilities			
Trade and other payables	21	10,522,744	7,727,082
Advances from customers		5,153,353	4,641,997
Current income tax liabilities		2,178,184	2,194,391
Borrowings	19	4,985,524	4,290,941
Derivative financial instruments	20	18,940	–
		22,858,745	18,854,411
Total liabilities		41,064,430	36,544,245
Total equity and liabilities		62,501,294	57,153,727
Net current assets		8,277,291	9,293,049
Total assets less current liabilities		39,642,549	38,299,316

Hoi Kin Hong
Director

Hoi Wa Fong
Director

The notes on pages 27 to 64 form an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

		Six months ended 30 June	
		2015	2014
		Unaudited	Unaudited
		RMB'000	RMB'000
	Note		
Revenue	5	4,728,402	4,422,701
Cost of sales	22	(3,202,764)	(3,130,748)
Gross profit		1,525,638	1,291,953
Fair value gains on investment properties – net	7	701,316	214,256
Selling and marketing costs	22	(209,604)	(151,340)
Administrative expenses	22	(350,854)	(333,126)
Other gains/(losses) – net	23	13,010	(29,357)
Exchange gains – net	24	5,139	6,075
Operating profit		1,684,645	998,461
Finance income/(costs) – net	25	2,587	(73,581)
Share of profit of investments accounted for using equity method	13	41,799	52,375
Profit before income tax		1,729,031	977,255
Income tax expenses	26	(585,537)	(260,823)
Profit for the period		1,143,494	716,432
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Change in fair value of available-for-sale financial assets	12,17	1,148	766
Total other comprehensive income for the period, net of tax		1,148	766
Total comprehensive income for the period		1,144,642	717,198
Profit attributable to:			
Owners of the Company		1,030,458	758,823
Holder of Perpetual Capital Instruments		72,754	972
Non-controlling interests		40,282	(43,363)
		1,143,494	716,432
Total comprehensive income attributable to:			
Owners of the Company		1,031,606	759,589
Holder of Perpetual Capital Instruments		72,754	972
Non-controlling interests		40,282	(43,363)
		1,144,642	717,198
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	27		
– Basic		26.075	19.170
– Diluted		26.032	19.158

The notes on pages 27 to 64 form an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and premium	Other reserves	Retained earnings	Total	Perpetual Capital Instruments	Non- controlling interests	Total equity
	RMB'000 (Note 16)	RMB'000 (Note 17)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended							
30 June 2015 (Unaudited)							
Balance at 1 January 2015	2,979,696	664,827	14,965,316	18,609,839	1,302,139	697,504	20,609,482
Comprehensive income:							
Profit for the period	-	-	1,030,458	1,030,458	72,754	40,282	1,143,494
Other comprehensive income for the period	-	1,148	-	1,148	-	-	1,148
Total comprehensive income for the period	-	1,148	1,030,458	1,031,606	72,754	40,282	1,144,642
Transactions with owners:							
Dividends	-	-	(249,414)	(249,414)	-	-	(249,414)
Share Award Scheme – Value of employee services	-	2,516	-	2,516	-	-	2,516
Distribution to holders of Perpetual Capital Instruments	-	-	-	-	(70,362)	-	(70,362)
Total transactions with owners	-	2,516	(249,414)	(246,898)	(70,362)	-	(317,260)
Balance at 30 June 2015	2,979,696	668,491	15,746,360	19,394,547	1,304,531	737,786	21,436,864

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and premium	Other reserves	Retained earnings	Total	Perpetual Capital Instruments	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 16)	(Note 17)					
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:							
Buy-back of shares of the Company	(48,960)	–	–	(48,960)	–	–	(48,960)
Pre-IPO Share Option Scheme – Value of employee services	–	1,136	–	1,136	–	–	1,136
Share Award Scheme – value of employee services	–	2,717	–	2,717	–	–	2,717
Purchase of shares held for Share Award Scheme	(6,813)	–	–	(6,813)	–	–	(6,813)
Issuance of Perpetual Capital Instruments	–	–	–	–	700,000	–	700,000
Capital contribution from non-controlling interests	–	–	–	–	–	73,500	73,500
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

The notes on pages 27 to 64 form an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

		Six months ended 30 June	
		2015	2014
		Unaudited	Unaudited
Note		RMB'000	RMB'000
Cash flows from operating activities			
	Cash generated from operations	1,299,160	231,385
	PRC corporate income tax paid	(228,263)	(284,509)
	PRC land appreciation tax paid	(231,643)	(186,313)
	Interest paid	(835,635)	(777,377)
	Cash used in operating activities – net	3,619	(1,016,814)
Cash flows from investing activities			
	Payments for addition of property and equipment	(73,970)	(92,222)
	Payments for addition of land use rights	(73,844)	(200,615)
	Payments for addition of investment properties	(409,936)	(713,233)
	Proceeds from disposal of equipment	161	785
	Acquisition of a subsidiary	(146,997)	–
	Purchase of available-for-sale financial assets	(180,000)	–
	Capital injection to joint ventures	–	(752,492)
	Disposal of available-for-sale financial assets	–	14,500
	Progressive proceeds from disposal of a subsidiary	–	3,780
	Other cash generated from/(used in) investing activities – net	11,185	(68,267)
	Cash used in investing activities – net	(873,401)	(1,807,764)
Cash flows from financing activities			
	Proceeds from borrowings	5,326,972	3,143,867
	Repayments of borrowings	(4,716,395)	(1,489,271)
	Decrease of guarantee deposits	57,035	79,760
	Cash advances from related parties	893,678	318,888
	Repayments of cash advances to related parties	(616,943)	–
	Distribution to the holders of Perpetual Capital Instruments	(70,362)	–
	Repurchase of senior notes	–	(20,378)
	Net proceeds from issuance of Perpetual Capital Instruments	–	700,000
	Capital injection by non-controlling interests	–	73,500
	Buy-back of shares of the Company	–	(48,960)
	Cash generated from financing activities – net	873,985	2,757,406
	Net increase/(decrease) in cash and cash equivalents	4,203	(67,172)
	Cash and cash equivalents at beginning of the period	4,345,757	4,434,449
	Effect of foreign exchange rate changes	(34)	360
	Cash and cash equivalents at end of the period	4,349,926	4,367,637

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The notes on pages 27 to 64 form an integral part of this unaudited condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 July 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland 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 2015 ("Interim Financial Information") was approved for issue by the board of directors (the "Board") of the Company on 18 August 2015.

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 of the Group for the year ended 31 December 2014, 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 2014 as described in those annual financial statements.

(a) Amended standards and interpretations adopted by the Group

Amendment to HKAS19	Defined benefit plans
Annual improvements 2012	2010-2012 cycle of the annual improvements project
Annual improvements 2013	2011-2013 cycle of the annual improvements project

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

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

- (b) The following new standards and interpretations and amendments to standards have been issued but are not effective for the six months ended 30 June 2015 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interest in joint operation	1 January 2016
Amendment to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendment to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendment to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
Annual improvements 2014	2012-2014 cycle of the annual improvements	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

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

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

3 ESTIMATES

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

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2014, with the exception of changes in estimates that are required in determining the provision for income taxes.

Notes to the Condensed Consolidated Interim Financial Information

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The Group's businesses are principally conducted in RMB. As at 30 June 2015, major non-RMB assets and liabilities mainly comprised the borrowings denominated in US\$ or HK\$ totalling RMB6,256 million (as at 31 December 2014: RMB4,880 million). The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange 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 2014.

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

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.

Notes to the Condensed Consolidated Interim Financial Information

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity risk (continued)

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 2015					
Borrowings (Note (a))	6,513,284	8,016,602	6,761,620	1,814,428	23,105,934
Trade and other payables (Note (b))	10,336,207	–	–	–	10,336,207
Derivative financial instruments	18,940	–	53,025	–	71,965
Guarantees for borrowings of joint ventures	1,706,737	620,893	432,165	111,347	2,871,142
Financial guarantee contracts (Note (c))	7,116,037	–	–	–	7,116,037
	25,691,205	8,637,495	7,246,810	1,925,775	43,501,285
At 31 December 2014					
Borrowings (Note (a))	5,236,596	7,304,651	6,406,500	2,055,889	21,003,636
Trade and other payables (Note (b))	7,479,196	–	–	–	7,479,196
Derivative financial instruments	–	27,043	54,135	–	81,178
Guarantees for borrowings of joint ventures	502,531	1,298,673	92,540	–	1,893,744
Financial guarantee contracts (Note (c))	6,462,924	–	–	–	6,462,924
	19,681,247	8,630,367	6,553,175	2,055,889	36,920,678

Notes:

- (a) Interest on borrowings is calculated on principal of borrowings held as at 30 June 2015 and 31 December 2014, respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2015 and 31 December 2014, respectively.
- (b) It represents payables excluding salaries payable and other taxes payables.
- (c) 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 29).

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 2015 and 31 December 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2015				
Financial assets:				
Available-for-sale financial assets (Note 12)	–	–	197,190	197,190
Financial liabilities:				
Derivative financial instruments	–	71,965	–	71,965
At 31 December 2014				
Financial assets:				
Financial assets at fair value through profit or loss	1,500	–	–	1,500
Available-for-sale financial assets (Note 12)	–	–	16,042	16,042
	1,500	–	16,042	17,542
Financial liabilities:				
Derivative financial instruments (Note 20)	–	81,178	–	81,178

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 Group's financial assets at fair value through profit or loss as at 31 December 2014, which are listed securities in Hong Kong, have been disposed of during the period. The fair value of the said financial assets is determined by reference to 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 2015 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	4,073,434	259,886	258,416	151,411	-	4,743,147
Inter-segment revenue	-	-	(14,745)	-	-	(14,745)
Revenue	4,073,434	259,886	243,671	151,411	-	4,728,402
Segment results	1,051,714	818,763	1,710	(49,183)	-	1,823,004
Other gains – net						13,010
Share of profit of investments accounted for using equity method						41,799
Unallocated operating costs						(151,369)
Finance income – net						2,587
Profit before income tax						1,729,031
Income tax expenses						(585,537)
Profit for the period						1,143,494
Capital expenditure	280,105	1,318,073	966	136,791	-	1,735,935
Depreciation	8,897	-	2,286	54,559	-	65,742
Amortisation of land use rights recognised as expenses	-	-	-	9,095	-	9,095
Fair value gains on investment properties – net	-	701,316	-	-	-	701,316

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						(29,357)
Share of profit of investments accounted for using equity method						52,375
Unallocated operating costs						(81,804)
Finance cost – net						(73,581)
Profit before income tax						977,255
Income tax expenses						(260,823)
Profit for the period						716,432
Capital expenditure	16,430	1,215,264	1,210	404,898	-	1,637,802
Depreciation	11,888	-	2,234	49,070	-	63,192
Amortisation of land use rights recognised as expenses	-	-	-	8,306	-	8,306
Fair value gains on investment properties – net	-	214,256	-	-	-	214,256

Segment assets and liabilities as at 30 June 2015 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	31,339,014	27,322,235	801,955	4,190,292	(4,057,953)	59,595,543
Other assets						2,905,751
Total assets						62,501,294
Segment liabilities	11,130,868	1,701,627	568,512	2,606,380	(4,057,953)	11,949,434
Other liabilities						29,114,996
Total liabilities						41,064,430
Interest in joint ventures	1,376,573	-	-	-	-	1,376,573
Interest in an associate	35,331	-	-	-	-	35,331

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 31 December 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	28,042,279	25,386,731	784,624	5,319,214	(4,053,115)	55,479,733
Other assets						1,673,994
Total assets						57,153,727
Segment liabilities	10,489,800	1,267,592	576,018	1,258,796	(4,053,115)	9,539,091
Other liabilities						27,005,154
Total liabilities						36,544,245
Interest in joint ventures	1,512,375	-	-	-	-	1,512,375
Interest in an associate	36,179	-	-	-	-	36,179

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, land use rights and investment properties.

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 2015		
Opening net book amounts as at 1 January 2015	1,898,666	797,138
Additions	187,087	230,775
Disposals	(161)	–
Depreciation/amortisation charges	(65,742)	(9,095)
Closing net book amounts as at 30 June 2015	2,019,850	1,018,818
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

As at 30 June 2015, properties with net book amounts totalling RMB1,123,813,000 (31 December 2014: RMB1,360,154,000) and land use rights of RMB610,052,000 (31 December 2014: RMB274,852,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2015 was 8.58% (six months ended 30 June 2014: 8.82%).

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 2015			
Opening amount as at 1 January 2015	19,138,427	5,243,169	24,381,596
Additions	5,302	1,312,771	1,318,073
Transfers	1,434,411	(1,434,411)	–
Fair value (losses)/gains – net	(563,993)	1,265,309	701,316
Closing amount as at 30 June 2015	20,014,147	6,386,838	26,400,985
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the period	(563,993)	1,265,309	701,316
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
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

Investment properties as at 30 June 2015 are held in the PRC on leases between 10 to 50 years (31 December 2014: same).

The capitalisation rate of borrowings for the six months ended 30 June 2015 was 8.58% (six months ended 30 June 2014: 8.82%).

As at 30 June 2015, investment properties of RMB17,332,384,000 (31 December 2014: RMB20,554,430,000) were pledged as collateral for the Group's borrowings (Note 19).

Notes to the Condensed Consolidated Interim Financial Information

7 INVESTMENT PROPERTIES (continued)

(i) Fair value hierarchy

The Group has appointed an independent qualified valuer to assess the fair value of the investment properties with significant changes in fair value during the period. The Group determines the fair value of investment properties as at 30 June 2015 by reference to the assessment performed by the independent qualified valuer. 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 2015, 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. There are 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 2015 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.

(iii) Valuation techniques

The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair values of completed properties are generally derived using the term and reversion method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversion yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversion yields 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.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

There were no changes to the valuation techniques during the period.

Notes to the Condensed Consolidated Interim Financial Information

8 PROPERTIES UNDER DEVELOPMENT

	30 June 2015 RMB'000	31 December 2014 RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	4,881,089	3,942,009
– Interests capitalised	2,093,805	2,119,465
– Land use rights	7,581,063	7,607,144
	14,555,957	13,668,618
Land use rights:		
Outside Hong Kong, held on leases of		
– Over 50 years	1,961,718	2,102,250
– Between 10 to 50 years	5,619,345	5,504,894
	7,581,063	7,607,144

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 2015, properties under development of approximately RMB4,285,020,000 (31 December 2014: RMB5,102,438,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2015 was 8.58% (six months ended 30 June 2014: 8.82%).

9 COMPLETED PROPERTIES HELD FOR SALE

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

As at 30 June 2015, completed properties held for sale of approximately RMB3,015,849,000 (31 December 2014: RMB2,039,943,000) 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 2015 RMB'000	31 December 2014 RMB'000
Trade receivables (Note (a))	1,049,361	1,214,071
– Related parties (Note 31 (c))	2,495	38,395
– Third parties	1,046,866	1,175,676
Less: provision for impairment of trade receivables (Note (a))	(20,250)	(26,558)
Trade receivables – net	1,029,111	1,187,513
Deposits for acquisition of land use rights	41,600	41,600
Other receivables from:	1,143,791	967,614
– Related parties (Note 31 (c))	287,751	298,936
– Third parties	856,040	668,678
	2,214,502	2,196,727

- (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 2015 and 31 December 2014, the ageing analysis of the trade receivables of the Group based on billing date is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Not due	368,562	347,694
Within 90 days	416,311	533,945
Over 90 days	264,488	332,432
	1,049,361	1,214,071

As at 30 June 2015, trade receivables of RMB72,144,000 (31 December 2014: RMB37,741,000) were past due but not impaired. As the Group normally holds collateral of the properties before collection of the outstanding balances, the Group considers that these past due trade receivables would be recovered and no provision was made.

	30 June 2015 RMB'000	31 December 2014 RMB'000
Over 90 days	72,144	37,741

As of 30 June 2015, trade receivables of RMB21,744,000 were past due and impaired (31 December 2014: RMB37,553,000) and provision of RMB20,250,000 (31 December 2014: RMB26,558,000) has been made. The individually impaired receivables mainly relate to the customers who have been in severe financial difficulties and irrecoverable.

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	
	2015 RMB'000	2014 RMB'000
At 1 January	26,558	11,735
Provision for receivables impairment	8,281	5,402
Receivables written off during the period as uncollectible	(14,589)	(218)
At 30 June	20,250	16,919

(b) As at 30 June 2015 and 31 December 2014, 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.

(d) The maximum exposure to credit risk of the trade and other receivables at the reporting date was the carrying value of each class of receivables.

11 PREPAYMENTS

	30 June	31 December
	2015 RMB'000	2014 RMB'000
Acquisition of land use rights (Note (a))	655,462	780,305
Construction materials – third parties	23,599	72,069
	679,061	852,374

(a) Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts. The land acquisition costs which are contracted but not provided for are included in commitments (Note 30 (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	
	2015 RMB'000	2014 RMB'000
Unlisted securities:		
Opening amounts as at 1 January	16,042	30,801
Additions (Note (a))	180,000	–
Changes in fair value (Note 17)	1,148	766
Disposal	–	(14,500)
Closing amounts as at 30 June	197,190	17,067

	30 June	31 December
	2015 RMB'000	2014 RMB'000
Non-current unlisted securities:		
– Unlisted insurance company denominated in RMB (Note (a))	180,000	–
Current unlisted securities:		
– Unlisted private trust denominated in Hong Kong dollars (“HK\$”) (Note (b))	17,190	16,042
Total	197,190	16,042

(a) In 2015, the Group invested in a private insurance company in the PRC (the “Investee”). The investment is denominated in RMB with an initial cost of RMB180,000,000. The Group does not have control or significant influence in the investee, therefore the investment was classified as available-for-sale financial assets.

(b) 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 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 2015 and 31 December 2014.

Notes to the Condensed Consolidated Interim Financial Information

13 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Non-current portion:		
Investments in joint ventures	1,376,573	1,512,375
Investments in associate	35,331	36,179
	1,411,904	1,548,554

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Joint ventures	42,647	52,819
Associate	(848)	(444)
	41,799	52,375

(a) Joint ventures

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
At 1 January	1,512,375	1,112,150
Addition	–	752,492
Share of profit	42,647	52,819
Transfer to a subsidiary (Note (i))	(174,463)	–
Elimination of unrealised profits	(3,986)	(10,613)
At 30 June	1,376,573	1,906,848

- (i) In April 2015, the Group acquired 49% equity interest in Xiamen Powerlong Industry Co., Ltd. ("Xiamen Powerlong", a joint venture to the Group prior to the acquisition) at a cash consideration of RMB147,000,000. After the acquisition, Xiamen Powerlong became a wholly owned subsidiary of the Group. The consideration approximated the fair value of the acquired net assets of Xiamen Powerlong.

Notes to the Condensed Consolidated Interim Financial Information

13 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

(a) Joint ventures (continued)

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Proportionate interest of commitments	447,931	748,320
Proportionate interest of financial guarantee contracts	239,777	43,569
Guarantees for borrowings of joint ventures	2,431,330	1,670,730

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Total assets	8,517,843	7,400,068
Total liabilities	(6,315,191)	(4,952,079)
Net assets	2,202,652	2,447,989
Less: equity attributable to the joint venture partners	(795,185)	(897,498)
Less: elimination of unrealised profits	(30,894)	(38,116)
Interests in joint ventures	1,376,573	1,512,375

(b) Associate

The associate is not material to the Group as at 30 June 2015.

Notes to the Condensed Consolidated Interim Financial Information

14 RESTRICTED CASH

	30 June 2015 RMB'000	31 December 2014 RMB'000
Guarantee deposits for construction projects (Note (a))	132,288	104,600
Guarantee deposits for bank acceptance notes (Note (b))	433,258	353,145
Guarantee deposits for bank borrowings (Note (c))	77,988	135,023
Others	4,425	10,919
	647,959	603,687
Denominated in		
– RMB	646,111	601,627
– HK\$	1,848	2,060
	647,959	603,687

- (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 2015, the Group placed cash deposits of approximately RMB433,258,000 (31 December 2014: RMB353,145,000) with designated banks as guarantee for the issuance of bank acceptance notes.
- (c) As at 30 June 2015, the Group has placed cash deposits of approximately RMB77,988,000 (31 December 2014: RMB135,023,000) 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.

15 CASH AND CASH EQUIVALENTS

	30 June 2015 RMB'000	31 December 2014 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	4,311,501	4,286,677
– Denominated in HK\$	30,120	5,149
– Denominated in US dollar ("US\$")	8,305	53,931
	4,349,926	4,345,757

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

Notes to the Condensed Consolidated Interim Financial Information

16 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 2014 and 2015, 30 June 2014 and 2015	30,000,000,000	300,000,000				
Issued and fully paid:						
At 1 January 2015 and 30 June 2015	3,997,303,000	39,973,030	35,486	3,035,746	(91,536)	2,979,696
At 1 January 2014	4,048,013,000	40,480,130	35,936	3,084,256	(84,721)	3,035,471
Buy-back of shares of the Company	(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

- (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 administrating 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 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 2015, the total unvested shares held by the Share Award Scheme Trust is 45,380,000 (31 December 2014: 45,380,000) (Note 17 (d)).

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 2015	337,203	36,574	54,824	227,745	8,481	664,827
Share Award Scheme (Note (d))	-	-	2,516	-	-	2,516
Revaluation – net of tax	-	-	-	1,148	-	1,148
At 30 June 2015	337,203	36,574	57,340	228,893	8,481	668,491
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

(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 certain employees and directors of the Group under a share option scheme (the "Pre-IPO Share Option Scheme"), pursuant to which the option holders are entitled to acquire an 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 2015 and 31 December 2014 are as follows:

Vesting period	Expiry dates	Exercise price	Number of outstanding shares as at	
			30 June 2015	31 December 2014
4 years from 16 September 2009	15 September 2015	HK\$2.475	4,388,000	4,468,000
5 years from 16 September 2009	15 September 2016	HK\$2.475	4,388,000	4,468,000
			8,776,000	8,936,000

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

	Six months ended 30 June	
	2015	2014
At 1 January	8,936,000	15,468,000
Forfeited	(160,000)	(1,824,000)
At 30 June	8,776,000	13,644,000

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.

No expense recognised for employee and directors services received in respect of the Pre-IPO Share Option Scheme for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB1,136,000).

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 2015 and 2014 are as follows:

	Shares held for the Share Award Scheme	Shares having been awarded to employees but held by the Share Award Scheme Trust
At 1 January 2015	33,009,300	12,370,700
Forfeited	586,900	(586,900)
At 30 June 2015	33,596,200	11,783,800
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

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 6 June 2013, the Company granted an aggregate of 7,502,000 shares to 67 eligible employees and directors pursuant to the Share Award Scheme. 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.

Notes to the Condensed Consolidated Interim Financial Information

17 OTHER RESERVES (continued)

(d) Share Award Scheme (continued)

During the six months end 30 June 2015, an aggregate of 586,900 granted shares (six months ended 30 June 2014: 1,303,900 shares) were forfeited due to the resignation of certain eligible employees. The outstanding awarded shares as at 30 June 2015 were 11,783,800 shares (31 December 2014: 12,370,700 shares).

Particulars of awarded shares as at 30 June 2015 and 31 December 2014 are as follows:

Vesting period	Dates of grant	Market price at grant dates HK\$/share	Number of outstanding shares as at	
			30 June 2015	31 December 2014
3 years	6 June 2013	1.60	2,636,200	2,859,350
4 years	6 June 2013	1.60	2,636,200	2,859,350
2 years	29 May 2014	1.11	3,255,700	3,326,000
3 years	29 May 2014	1.11	3,255,700	3,326,000
			11,783,800	12,370,700

The total expense recognised for employee and directors services received in respect of the Share Award Scheme for the six months ended 30 June 2015 was RMB2,516,000 (six months ended 30 June 2014: RMB2,717,000).

- (e) Revaluation reserves mainly represented the fair value difference of available-for-sale financial assets and valuation gain of commercial properties when they were reclassified from properties held for own use to investment properties.

18 PERPETUAL CAPITAL INSTRUMENTS

In 2014, two wholly owned subsidiaries of the Company issued perpetual capital instruments (the "Perpetual Capital Instruments") with the total aggregated principal amount of RMB1,300,000,000. 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 consolidated balance sheet. The amount as at 30 June 2015 included the accrued distribution payments of RMB4,531,000 (31 December 2014: RMB2,139,000).

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS

	30 June 2015 RMB'000	31 December 2014 RMB'000
Borrowings included in non-current liabilities:		
Senior notes (Note (a))	3,880,790	3,871,221
– senior notes due September 2017 (“2017 Notes”) (Note (a)(i))	1,519,433	1,514,307
– senior notes due January 2018 (“2018 Notes”) (Note (a)(ii))	1,560,519	1,558,977
– senior notes due May 2016 (“2016 Notes”) (Note (a)(iii))	800,838	797,937
Bank borrowings – secured (Note (b))	11,878,042	9,904,974
Other borrowings – secured (Note (c))	2,180,800	2,245,880
Borrowings under sale and lease back agreement – secured	–	36,569
Less: amounts due within one year	(3,276,012)	(1,764,601)
	14,663,620	14,294,043
Borrowings included in current liabilities:		
Bank borrowings	1,465,702	2,267,443
– secured (Note (b))	1,445,702	2,194,093
– unsecured	20,000	73,350
Other borrowings – secured (Note (c))	243,810	258,897
Current portion of long-term borrowings	3,276,012	1,764,601
	4,985,524	4,290,941
Total borrowings	19,649,144	18,584,984

(a) Senior notes

(i) 2017 Notes and derivative financial instruments

On 18 September 2014, the Company issued 10.75%, 3 years senior notes, with an aggregated nominal value of RMB1,500,000,000 at face value (“2017 RMB Notional Amounts”). The net proceeds, after deducting the issuance costs, amounted to RMB1,465,536,000. The 2017 Notes is denominated in RMB.

The 2017 Notes recognised in the balance sheet are calculated as follows:

	Six months ended 30 June 2015 RMB'000
At 1 January	1,514,307
Interest expenses and amortisation of issuance costs	85,087
Repayment of interest	(79,961)
At 30 June	1,519,433

On the issuance date of the above 2017 Notes, the Company entered into certain cross currency swaps (“2017 CCS”) with a bank. According to the agreement, the Company is required to exchange RMB1,500,000,000 with the bank for equivalent US\$244,409,000 (“2017 US\$ Notional Amounts”). The Company has to pay interest at 9.5% per annum based on the 2017 US\$ Notional Amounts at each interest payment date of 2017 Notes. On maturity of 2017 Notes, the Company need to deliver the 2017 US\$ Notional Amounts to the bank in exchange with the 2017 RMB Notional Amounts.

2017 CCS is not designated as a hedging instrument but a derivative financial instrument which is valued at fair value (Note 20).

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS (continued)

(a) Senior notes (continued)

(ii) 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 US\$.

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
At 1 January	1,558,977	1,561,245
Interest expenses and amortisation of issuance costs	91,261	91,428
Repayment of interest	(85,522)	(85,830)
Repurchase	–	(14,611)
Foreign exchange (gains)/losses – net	(4,197)	11,051
At 30 June	1,560,519	1,563,283

(iii) 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	
	2015 RMB'000	2014 RMB'000
At 1 January	797,937	797,644
Interest expenses and amortisation of issuance costs	40,664	40,642
Repayment of interest	(37,763)	(38,000)
Repurchase	–	(4,974)
At 30 June	800,838	795,312

On the issuance date of the above 2016 Notes, the Company entered into a cross currency swap ("2016 CCS") with a bank. According to the agreement, the Company is required to exchange 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 has to deliver the US\$ Notional Amounts to the bank in exchange with the RMB Notional Amounts.

2016 CCS is not designated as a hedging instrument but a derivative financial instrument which is valued at fair value (Note 20).

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS (continued)

(b) Bank borrowings – secured

As at 30 June 2015, the bank borrowings of RMB13,323,744,000 (31 December 2014: RMB12,099,067,000) 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 borrowings of RMB3,433,930,500 (31 December 2014: RMB2,411,340,000) were additionally guaranteed by certain related parties (Note 31 (b)(ii)).

(c) Other borrowings – secured

As at 30 June 2015, borrowings from other non-bank financial institutions of RMB2,424,610,000 (31 December 2014: RMB2,504,777,000) 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); the secured other borrowings of RMB1,240,880,000 (31 December 2014: RMB1,270,880,000) were additionally guaranteed by certain related parties (Note 31 (b)(ii)).

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Opening amounts as at 1 January	14,713,763	11,241,293
Additions of borrowings	5,779,972	3,916,627
Repayments of borrowings	(4,720,512)	(1,539,001)
Net foreign exchange (gains)/losses – net	(4,869)	23,250
Closing amounts as at 30 June	15,768,354	13,642,169

(e) As at 30 June 2015 and 31 December 2014, the Group has the following undrawn borrowing facilities:

	30 June	31 December
	2015 RMB'000	2014 RMB'000
Floating rate:		
– expiring within 1 year	196,200	75,581
– expiring beyond 1 year	379,090	757,710
	575,290	833,291

Notes to the Condensed Consolidated Interim Financial Information

20 DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2015 and 31 December 2014, the Group had the following derivative financial instruments:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Non-current portion:		
– 2017 CCS as a liability (Note 19(a)(i))	53,025	54,135
– 2016 CCS as a liability (Note 19(a)(iii))	–	27,043
	53,025	81,178
Current portion:		
– 2016 CCS as a liability (Note 19(a)(iii))	18,940	–

21 TRADE AND OTHER PAYABLES

	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade payables	4,933,039	3,226,856
– Related parties (Note 31 (c))	14,310	19,471
– Third parties	4,427,370	2,801,559
– Notes payable – third parties	491,359	405,826
Other payables and accruals	4,521,770	3,890,929
– Related parties (Note 31 (c))	2,944,197	2,667,462
– Third parties	1,577,573	1,223,467
Payables for retention fee	367,178	290,554
Payables for acquisition of land use rights	300,732	127,385
Other taxes payable	150,611	191,358
Dividend payable to owners of the Company	249,414	–
	10,522,744	7,727,082

Notes to the Condensed Consolidated Interim Financial Information

21 TRADE AND OTHER PAYABLES (continued)

As at 30 June 2015 and 31 December 2014, the ageing analysis of trade payables of the Group based on invoice date were as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within 90 days	2,386,336	1,276,894
Over 90 days and within 180 days	1,147,970	869,601
Over 180 days and within 365 days	727,178	272,872
Over 365 days and within 3 years	671,555	807,489
	4,933,039	3,226,856

22 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	
	2015 RMB'000	2014 RMB'000
Cost of properties sold (excluding staff costs)	2,538,679	2,530,275
Staff costs (including directors' emoluments)	349,068	267,031
Business taxes and other levies	273,472	249,736
Cost of hotel operations (excluding staff costs)	115,015	111,848
Advertising costs	119,091	103,647
Depreciation (Note 6)	65,742	63,192
Cost of property management services (excluding staff costs)	56,540	40,446
Donations to governmental charity	23,356	8,358
Office lease payments	8,159	7,349
Amortisation of land use rights (Note 6)	9,095	8,306
Auditor's remuneration	2,000	2,000

Notes to the Condensed Consolidated Interim Financial Information

23 OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Fair value gains/(losses) on derivative financial instruments (Note 20)	9,213	(28,336)
Gains/(losses) from financial instruments	4,117	(1,021)
Others	(320)	–
	13,010	(29,357)

24 EXCHANGE GAINS – NET

Amount mainly represents the gain or loss of translation of financial assets and liabilities, which are denominated in foreign currency, into RMB at the prevailing period-end exchange rate. It does not include the exchange gain or loss of translation of borrowings which are included in the "Finance income/(costs) – net" (Note 25).

25 FINANCE INCOME/(COSTS) – NET

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Interest expenses:		
– Bank borrowings, other borrowings and finance lease liabilities	(584,415)	(449,104)
– Senior notes	(217,012)	(307,843)
Less: interest capitalised	794,948	728,388
	(6,479)	(28,559)
Net foreign exchange gains/(losses) on financing activities	9,066	(45,022)
	2,587	(73,581)

Notes to the Condensed Consolidated Interim Financial Information

26 INCOME TAX EXPENSES

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Current income tax:		
– PRC corporate income tax	165,069	312,704
– PRC land appreciation tax	199,429	8,287
	364,498	320,991
Deferred income tax:		
– PRC corporate income tax	221,039	(60,168)
	585,537	260,823

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.

In accordance with the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), which is effective from 1 January 2008, the corporate income tax rate applicable to the group entities located in Mainland China 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 incorporated in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

Notes to the Condensed Consolidated Interim Financial Information

26 INCOME TAX EXPENSES (continued)

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 taxation method approved by 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 as the Group did not have assessable profit in Hong Kong during the period.

27 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	
	2015	2014
Profit attributable to owners of the Company (RMB'000)	1,030,458	758,823
Weighted average number of ordinary shares in issue (thousand shares)	3,951,923	3,958,425
Basic earnings per share (RMB cents per share)	26.075	19.170

Notes to the Condensed Consolidated Interim Financial Information

27 EARNINGS PER SHARE (continued)

(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 for the six months ended 30 June 2015) 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	
	2015	2014
Profit attributable to owners of the Company (RMB'000)	1,030,458	758,823
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	3,958,353	3,960,775
– Weighted average number of ordinary shares for basic earnings per share (thousand shares)	3,951,923	3,958,425
– Adjustment for share options and awarded shares (thousand shares)	6,430	2,350
Diluted earnings per share (RMB cents per share)	26.032	19.158

As for the Pre-IPO Share Option, as the average market price of the ordinary shares during the six months ended 30 June 2015 was lower than the subscription price, which will have no impact on adjusting the weighted average number of the ordinary shares (six months ended 30 June 2014: same).

28 DIVIDENDS

No interim dividend in respect of six months ended 30 June 2015 was proposed by the Board (six months ended 30 June 2014: nil).

2014 final cash dividend amounting to RMB252,278,000 (2013: nil) has been approved by Annual General Meeting on 9 June 2015 and not yet paid up to 30 June 2015. The net dividends of RMB249,414,000 after deducting dividend of RMB2,864,000 payable to the Share Award Scheme Trust (six months ended 30 June 2014: nil), is treated as transaction with owners in the condensed consolidated interim statement of changes in equity for the six months ended 30 June 2015.

29 FINANCIAL GUARANTEE CONTRACTS

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

	30 June	31 December
	2015	2014
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	7,116,037	6,462,924
Guarantees for borrowings of joint ventures (Note (b))	2,431,330	1,670,730
	9,547,367	8,133,654

Notes to the Condensed Consolidated Interim Financial Information

29 FINANCIAL GUARANTEE CONTRACTS (continued)

- (a) 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.

- (b) Amounts represent guarantees provided to joint ventures of the Group for their borrowings. The Directors consider that the fair value of these contracts at the date of inception was minimal and understand the repayment was on schedule and the risk of default in payment was remote, therefore no provision has been made for the guarantees.

30 COMMITMENTS

- (a) Commitments for property development expenditures

	30 June 2015 RMB'000	31 December 2014 RMB'000
Contracted but not provided for		
– Property development activities	5,613,503	6,261,982
– Acquisition of land use rights	16,259	41,461
	5,629,762	6,303,443

- (b) Operating leases commitments

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
– Not later than one year	9,297	15,887
– Later than one year and not later than two years	1,064	1,862
– Later than two years and not later than three years	–	191
	10,361	17,940

Notes to the Condensed Consolidated Interim Financial Information

31 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 Kin Hong 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 Jinjun") 天津寶龍金駿房地產開發有限公司	Joint venture
Hangzhou Xiaoshan Powerlong Property Co., Ltd. ("Hangzhou Xiaoshan") 杭州蕭山寶龍置業有限公司	Joint venture
Baohui Property (Hong Kong) Holdings Co., Ltd. ("Baohui Hong Kong") 寶匯地產(香港)控股有限公司	Joint venture
Shanghai Powerlong Zhanyao Enterprises Development Limited ("Shanghai Zhanyao") 上海寶龍展耀企業發展有限公司	Joint venture
Powerlong Golden Wheel Coral Company Limited ("Golden Wheel") 寶龍金輪珊瑚有限公司	Joint venture
Quanzhou Shangquan Industrial Development Co., Ltd. ("Quanzhou Shangquan") 泉州市上泉實業發展有限公司	Associate

Notes to the Condensed Consolidated Interim Financial Information

31 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

- (i) During the six months ended 30 June 2015 and 2014, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Rental income:		
– Fuzhou Powerlong Amusement Management Company Limited	1,358	1,154
Property management fee income:		
– Related entities ultimately controlled by Mr. Hoi Kin Hong	386	384
Purchase of office equipment and security intelligentisation system services from related parties:		
– Fujian Ping An Security Devices and Network Limited	21,741	10,357
– Xiamen Powerlong Information Industry Co., Ltd.	1,625	1,033
	23,366	11,390
Hotel accommodation service fee charged by a related party:		
– Macau Powerlong Group	505	777
Sales of construction materials to joint ventures:		
– Tianjin Jinjun	13,900	19,665
– Golden Wheel	11,144	–
– Hangzhou Xiaoshan	230	–
	25,274	19,665
Consultation services provided to joint ventures:		
– Tianjin Jinjun	3,756	13,089
– Hangzhou Xiaoshan	2,489	–
– Golden Wheel	79	–
– Xiamen Powerlong	–	5,762
	6,324	18,851
Guarantees for borrowings of joint ventures:		
– Tianjin Jinjun	1,146,330	970,730
– Shanghai Zhanyao	720,000	–
– Hangzhou Xiaoshan	415,000	300,000
– Golden Wheel	150,000	–
	2,431,330	1,270,730

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 and other borrowings of RMB4,674,810,500 at 30 June 2015 (31 December 2014: RMB3,682,220,000) (Note 19(b), (c)).
- (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

31 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

As at 30 June 2015 and 31 December 2014, the Group had the following material balances with related parties:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Amounts due from related parties included in trade receivables (Note (i)):		
Amounts due from other related parties		
– Fuzhou Powerlong Amusement Management Company Limited	–	42
Amounts due from joint ventures		
– Golden Wheel	2,129	–
– Tianjin Jinjun	366	7,815
– Xiamen Powerlong	–	30,538
	2,495	38,395
Amounts due from related parties included in other receivables (Note (ii)):		
Amounts due from other related parties		
– Powerlong Group Development Co., Ltd.	21,376	21,376
Amounts due from joint ventures		
– Baohui Hong Kong	266,375	267,275
– Shanghai Zhanyao	–	10,285
	287,751	298,936
Amounts due to related parties included in trade payables (Note (i)):		
Amounts due to other related parties		
– Fujian Ping An Security Devices and Network Limited	11,721	16,357
– Other related entities ultimately controlled by Mr. Hoi Kin Hong	89	614
Amounts due to a joint venture		
– Xiamen Powerlong	–	2,500
Amounts due to an associate		
– Quanzhou Shangquan	2,500	–
	14,310	19,471

Notes to the Condensed Consolidated Interim Financial Information

31 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

	30 June 2015 RMB'000	31 December 2014 RMB'000
Amounts due to related parties included in other payables (Note (ii)):		
Amounts due to other related parties and ultimate controlling shareholder		
– Powerlong Group Development Co., Ltd.	667,603	229,651
– Great Merchant Limited	170,672	172,152
– Mr. Hoi Kin Hong	32,900	32,900
Amounts due to joint ventures		
– Tianjin Jinjun	1,237,895	1,354,145
– Shanghai Zhanyao	387,516	–
– Hangzhou Xianshan	335,873	638,789
– Golden Wheel	81,710	13,500
– Xiamen Powerlong	–	186,325
Amounts due to an associate		
– Quanzhou Shangquan	30,028	40,000
	2,944,197	2,667,462
Dividends payable to (Note 21):		
– Skylong Holdings Limited	113,957	–
– Sky Infinity Holdings Limited	35,684	–
– Walong Holdings Limited	12,749	–
– Mr. Hoi Kin Hong	1,973	–
– Mr. Hoi Wa Fong	623	–
– Spouse of Mr. Hoi Kin Hong	177	–
– Spouse of Mr. Hoi Wa Fong	62	–
	165,225	–

(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.