



POWERLONG
宝龙地产

POWERLONG 2016

INTERIM
REPORT

寶龍地產控股有限公司

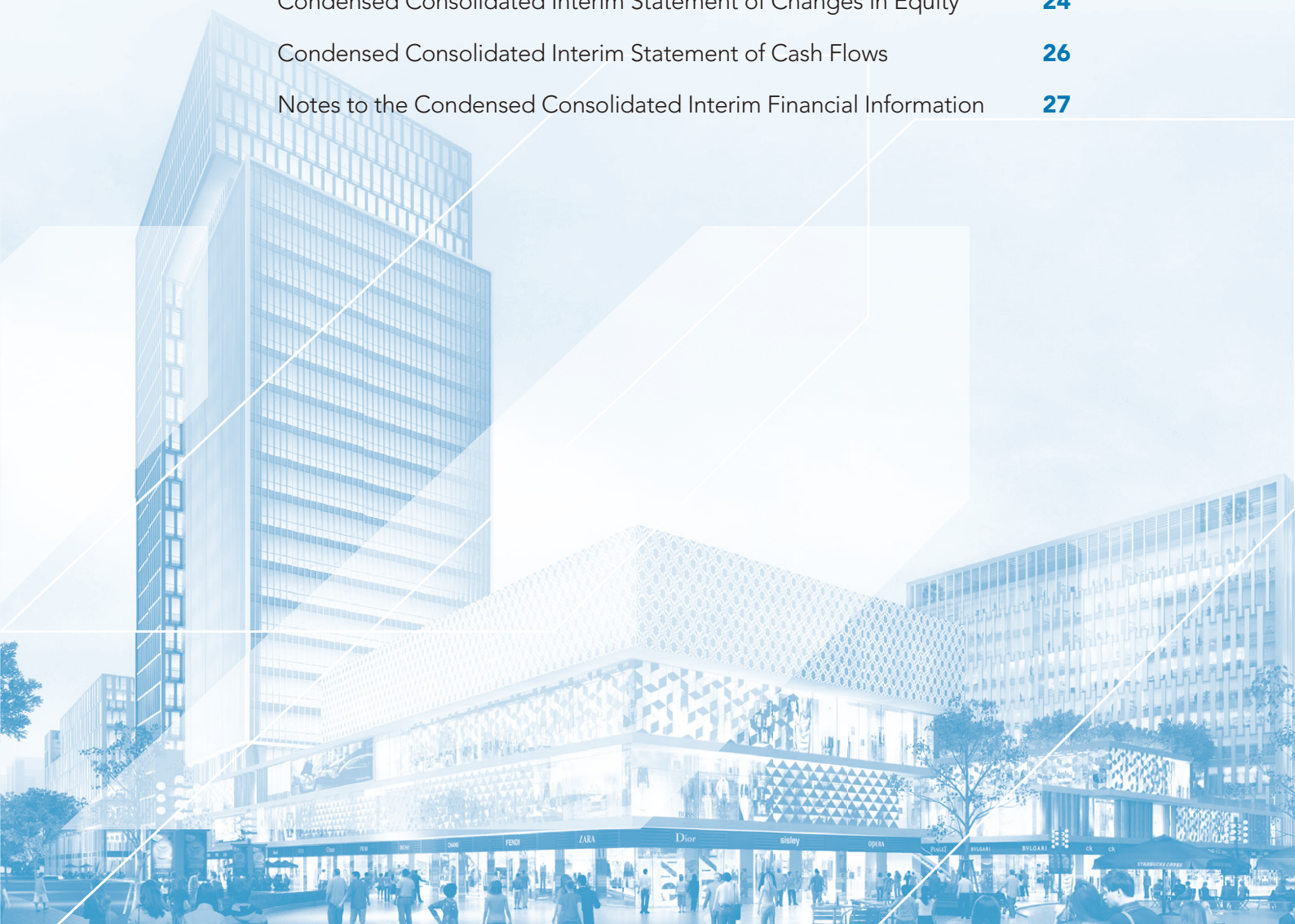
POWERLONG REAL ESTATE HOLDINGS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

Stock code:1238

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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 the People's Republic of China (the "PRC").

The Group owned, operated and managed 54 real estate projects as at 30 June 2016. 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 also improves the retail facilities of the cities and creates job opportunities. The upgrade of people's living standard is a key driver for city quality improvement.

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 "Credibility, Courtesy, Innovation, Enthusiasm" and build up an efficient and excellent team to create values for the society, customers, shareholders and our staff.



Corporate Information

DIRECTORS

Executive Directors

Mr. Hoi Kin Hong (*Chairman of the Board*)
 Mr. Hoi Wa Fong (*Chief Executive Officer*)
 Mr. Xiao Qing Ping (*Deputy Chief Executive Officer*)
 Ms. Shih Sze Ni
 Mr. Zhang Hong Feng

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. Yip Yim Ting Fanny

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong
 Ms. Yip Yim Ting Fanny

REGISTERED OFFICE

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 4th Floor, Royal Bank House
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 Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
 Agricultural Bank of China Limited
 Bank of Communications Co., Ltd.
 The Bank of East Asia
 Bank of China Limited
 China Minsheng Banking Corp., Ltd.
 Industrial Bank Co., Ltd.
 Bank of Beijing Co., Ltd.
 Hang Seng Bank Limited
 China Merchants Bank Co., Ltd.
 OCBC Bank
 Wing Lung Bank
 Fubon Bank China Co., Ltd.
 China Construction Bank Corporation

AUDITOR

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 22nd Floor, Prince's Building
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HONG KONG LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com

Management Discussion and Analysis

MARKET REVIEW

Looking back to the first half of 2016, the real estate market in the PRC continued to be optimistic as in the end of 2015. The transaction volume of first and second tier cities were high while that of third and fourth tier cities, which were under heavier inventory pressure, were stable. Under economic downward movement and inventory pressure, the Central Government insisted that cities should adopt policies appropriate to their local conditions. While continuing the loose policies throughout the nation, the Central Government introduced tightening local regulations to maintain the steady development of the property market. It is expected that the policies that allow variation according to local conditions will be reflected further in the second half of 2016, steadily promoting the keynote of de-stocking.

BUSINESS REVIEW

For the six months ended 30 June 2016, 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 main revenue stream of the Group.

Property Development

For the six months ended 30 June 2016, the contracted sales of the Group reached approximately Renminbi ("RMB") 7,509 million (for the six months ended 30 June 2015: RMB7,080 million), representing an increase of approximately 6.1% as compared with the corresponding period in 2015. For the six months ended 30 June 2016, the contracted sales area of the Group amounted to approximately 693,815 square meters (for the six months ended 30 June 2015: 749,640 square meters), representing a decrease of approximately 7.4% as compared with the corresponding period in 2015.

During the period under review, leveraging on the experienced management team, the Group is capable of recognizing the market trend, proactively responding to market changes and flexibly adjusting sales strategies in different regions and projects, so as to outstrip the half-year target in contracted sales. The key contributing projects of the Group were located in Shanghai, Hangzhou, Fuyang, Tianjin and Xiamen.

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

For the six months ended 30 June 2016

Distribution	Sales area sq.m.	Sales amount RMB'000	Average selling price RMB/sq.m.
Commercial	300,928	4,990,129	16,582
Residential	392,857	2,518,473	6,410
Total	693,815	7,508,602	10,822

Management Discussion and Analysis

Investment Properties and Property Management Services

To generate a stable and recurring income, the Group also retains and operates certain commercial properties, including principally shopping malls, for leasing. As at 30 June 2016, the Group had an aggregate gross floor area ("GFA") of approximately 3.3 million square meters (as at 31 December 2015: 3.0 million square meters) held as investment properties, representing an increase of approximately 10% as compared with that as at 31 December 2015.

As at 30 June 2016, the Group operated and managed 26 commercial plazas, number of operating projects and operating area are both among the forefront of the industry. In June 2016, Changzhou Powerlong Plaza, which is operated by the Group, successfully commenced operation. It is the first operating project in the commencement season of projects of the Company in 2016.

Hotel Development

The Group continued to develop its hotel business as its long-term recurring income stream. The Group's Powerlong Hotel Group was officially established in July 2015, the core businesses of which are international brand hotels, own brand chain hotels and own brand chain restaurants. As at 30 June 2016, the Group owned or operated eight international brand hotels, namely Days Hotel Powerlong Chongqing, Aloft Haiyang, Aloft Yancheng, Four Points by Sheraton Taicang, Four Points by Sheraton Tai'an, Four Points by Sheraton Qingdao, Radisson GREEN Exhibition Center Shanghai and Radisson BLU Shanghai Pudong Jinqiao, three own brand chain hotels, namely POWERLONG Inn. Penglai, ARTELS Qingdao and ARTELS Anxi, and four own brand chain restaurants.

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 adhered to the development strategy of "Focus on Shanghai and Intensive Development in Yangtze River Delta", sophisticated planning and selectively acquires projects.

As at 30 June 2016, the Group had a quality land bank amounting to a total GFA of approximately 10.3 million square meters, of which approximately 5.5 million square meters were properties under development and construction, approximately 2.6 million square meters were properties held for future development and approximately 2.2 million square meters were shopping malls in operation. The land bank under development will be used for the development of large-scale commercial and residential properties with supermarkets, department stores, cinema complexes, food courts, leisure facilities, quality residential properties, furnished apartments, office buildings and hotels.

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

OUTLOOK

In the second half of 2016, according to the development blueprint "Five-year Plan" formulated at the beginning of the year, the Group will strictly adhere to the development strategy of "Focus on Shanghai and Intensive Development in Yangtze River Delta", open up new channels to obtain quality lands and press on "Delivery of Quality Products, Efficiency Enhancement and Launch of Benchmark Projects", the business strategy of the Group throughout the year. The Group will strictly supervise the quality of the newly-commenced projects to ensure the successful opening of two benchmark projects in Shanghai Qibao and Hangzhou Binjiang. "Reducing Inventories" remains the main focus of the annual sales of the Group. In terms of sales, the sales channels in the commercial and office business will be persistently renewed. The Group is confident in realizing the annual sales target of RMB15 billion for the full year of 2016.

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 2016, the Group recorded a total revenue of approximately RMB6,225 million (for the six months ended 30 June 2015: RMB4,728 million), representing an increase of approximately 31.7% as compared with the corresponding period in 2015. 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 2016 amounted to approximately RMB5,453 million (for the six months ended 30 June 2015: RMB4,073 million), representing an increase of approximately 33.9% as compared with the corresponding period in 2015. 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 2016

		GFA sold & delivered (sq.m)	Amount sold & delivered (RMB'000)	Average selling price (RMB/sq.m)
Shanghai Caolu Powerlong Plaza	Commercial	3,757	35,098	9,341
Shanghai Fengxian Powerlong Plaza	Commercial	13,764	242,729	17,635
Shanghai Hongqiao Powerlong City	Commercial	32,639	500,268	15,328
	Residential	2,203	17,842	8,818
Shanghai Qibao Powerlong City	Commercial	2,599	84,369	32,457
Shanghai Qingpu Powerlong Plaza	Commercial	16,428	465,743	28,351
Shanghai Lingang Powerlong Plaza	Commercial	5,621	124,312	22,116
Shanghai Baoshan Powerlong Plaza	Commercial	1,729	53,654	31,037
Shanghai Jiading Powerlong Plaza	Commercial	25,952	572,163	22,047
Hangzhou Xiasha Powerlong Plaza	Commercial	957	68,747	71,819
	Residential	619	11,297	18,256
Hangzhou Fuyang Powerlong Plaza	Commercial	14,304	90,101	6,299
	Residential	6,869	70,137	10,211

Management Discussion and Analysis

For the six months ended 30 June 2016

		GFA sold & delivered (sq.m)	Amount sold & delivered (RMB'000)	Average selling price (RMB/sq.m)
Hangzhou Binjiang Powerlong City	Commercial	2,981	102,910	34,523
Yuqi Powerlong Plaza	Residential	13,318	57,467	4,315
Shandong Dongying Powerlong Plaza	Commercial	7,752	50,456	6,508
	Residential	101,031	679,073	6,721
Qingdao Jiaozhou Powerlong Plaza	Commercial	5,505	40,115	7,287
	Residential	1,548	9,654	6,237
Yantai Penglai Powerlong Plaza	Commercial	7,846	74,653	9,515
	Residential	8,923	58,982	6,610
Quanzhou Yongchun Powerlong Plaza	Commercial	2,298	13,176	5,735
	Residential	12,802	64,982	5,076
Quanzhou Jinjiang Powerlong Plaza	Commercial	1,290	7,539	5,844
	Residential	3,323	19,805	5,960
Xiamen Powerlong One Mall	Commercial	42,874	1,190,361	27,764
Xinxiang Powerlong Plaza	Commercial	3,029	15,124	4,993
	Residential	128,022	584,631	4,567
Other Projects	Commercial	12,277	73,060	5,951
	Residential	13,037	74,358	5,704
Total		495,117	5,452,803	11,013
	Commercial	203,601	3,804,575	18,686
	Residential	291,516	1,648,228	5,654

Rental Income from Investment Properties and Income from Property Management Services

For the six months ended 30 June 2016, the Group recorded rental income from investment properties of approximately RMB317 million (for the six months ended 30 June 2015: RMB260 million), representing an increase of approximately 21.9% as compared to the amount in the corresponding period in 2015.

For the six months ended 30 June 2016, the income from property management services generated by the Group from providing property management services, after intra-group elimination, amounted to approximately RMB299 million (for the six months ended 30 June 2015: RMB244 million), representing an increase of approximately 22.5% as compared to the amount in the corresponding period in 2015.

Management Discussion and Analysis

For the six months ended 30 June 2016, the rental income from investment properties and income from property management services generated by the Group amounted to RMB616 million (for the six months ended 30 June 2015: RMB504 million), representing an increase of approximately 22.2% as compared to the amount in the corresponding period in 2015. 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 Group also increased as a result of the continuous enhancement of quality in commercial operation, which in turn attracting a number of new tenants.

Income from Other Property Development Related Services

Income from other property development related services mainly comprises income from hotel operation, amusement businesses and construction and decoration services. For the six months ended 30 June 2016, income from other property development related services generated by the Group amounted to RMB156 million (for the six months ended 30 June 2015: RMB151 million), representing an increase of approximately 3.3% as compared to the amount in the corresponding period in 2015, mainly due to the structural adjustment in other businesses.

Cost of Sales

Cost of sales mainly represents the cost directly related to the development of the Group's properties. It comprises cost of land use rights, construction costs, decoration costs, capitalized interest expenses and business taxes. For the six months ended 30 June 2016, cost of sales amounted to approximately RMB3,912 million (for the six months ended 30 June 2015: RMB3,203 million), representing an increase of approximately 22.1% as compared to the amount in the corresponding period in 2015, 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 2016, gross profit increased to RMB2,313 million (for the six months ended 30 June 2015: RMB1,526 million), representing an increase of approximately 51.6% as compared with the corresponding period in 2015. Gross profit margin rose from 32.3% in the corresponding period in 2015 to 37.2% for the six months ended 30 June 2016, 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 2016, the Group recorded revaluation gains of approximately RMB571 million (for the six months ended 30 June 2015: RMB701 million), representing a decrease of approximately 18.5% over the amount in the corresponding period in 2015. The decrease in revaluation gains were mainly due to difference in location of properties revaluated for the period under review as compared to the corresponding period in 2015.

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2016, selling and marketing costs and administrative expenses amounted to approximately RMB671 million (for the six months ended 30 June 2015: RMB560 million), representing an increase of approximately 19.8% as compared with that in the corresponding period in 2015, which was mainly due to the Group's business expansion, which in turn caused the expansion in scale of sales and management projects. The Group will continue to exercise stringent control over expenses and costs whilst at the same time strive to continue the Group's business expansion.

Share of Profit of Investments Accounted for Using Equity Method

For the six months ended 30 June 2016, share of profit of joint ventures and associate amounted to RMB138 million (for the six months ended 30 June 2015: RMB42 million), representing an increase of approximately 228.6% as compared with the corresponding period in 2015, mainly due to the increase in revenue from properties of joint venture projects sold and delivered during the period.

Management Discussion and Analysis

Income Tax Expenses

Income tax expenses amounted to RMB908 million (for the six months ended 30 June 2015: RMB586 million) for the six months ended 30 June 2016, representing an increase of approximately 54.9% as compared with the corresponding period in 2015, primarily due to the increase in PRC land appreciation tax caused by more sales of commercial properties with higher gross margin during the period, and higher effective tax rate of corporate income tax as exchange losses and premium of early redemption of senior notes are not tax deductible.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2016, the Group recorded a profit attributable to owners of the Company of RMB1,101 million (for the six months ended 30 June 2015: RMB1,030 million), representing an increase of approximately 6.9% over the corresponding period in 2015.

For the six months ended 30 June 2016, basic earnings per share was RMB27.9 cents (for the six months ended 30 June 2015: RMB26.1 cents), representing an increase of approximately 6.9% over the corresponding period in 2015.

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 2016 reached approximately RMB780 million (for the six months ended 30 June 2015: RMB618 million), increased by approximately 26.2% as compared with that in the corresponding period in 2015.

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, corporate bonds 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 RMB7,169 million in total as at 30 June 2016 (as at 31 December 2015: RMB6,726 million).

Borrowings

Total borrowings of the Group as at 30 June 2016 was RMB24,889 million, comprising bank and other borrowings and corporate bonds of approximately RMB22,044 million and senior notes of approximately RMB2,845 million.

Out of the total borrowings as at 30 June 2016, RMB5,081 million was repayable within one year, while approximately RMB19,808 million was repayable after one year.

As at 30 June 2016, 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 75.1% (as at 31 December 2015: 70.0%).

Total interest expenses for the six months ended 30 June 2016 amounted to RMB842 million, representing an increase of approximately 5.1% as compared to RMB801 million in the corresponding period in 2015, mainly due to more borrowings with lower interest rates raised by the Group in the PRC during the period under review. The effective interest rate decreased from 7.55% for 2015 to 6.73% for 2016, which was mainly due to the tightened control over finance costs by the management.

Management Discussion and Analysis

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.

Pledge of Assets

As at 30 June 2016, 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 RMB26,246 million (as at 31 December 2015: RMB27,191 million) to secure borrowings of the Group. The total secured borrowings as at 30 June 2016 amounted to RMB16,346 million (as at 31 December 2015: RMB16,328 million).

Contingent Liabilities

As at 30 June 2016, the Group had no significant contingent liabilities.

Financial Guarantees

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	7,854,320	8,062,268
Guarantees for borrowings of joint ventures	997,500	2,158,830
	8,851,820	10,221,098

Commitments

(1) Commitments for property development expenditures

	30 June 2016 RMB'000	31 December 2015 RMB'000
Contracted but not provided for		
– Property development activities	5,380,608	5,613,503
– Acquisition of land use rights	252,813	1,016,049
	5,633,421	6,629,552

Management Discussion and Analysis

(2) Operating leases commitments

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Not later than one year	3,013	4,152
Later than one year and not later than two years	1,874	2,436
Later than two years and not later than three years	937	1,735
	5,824	8,323

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 RMB. The major non-RMB financial assets or liabilities as at 30 June 2016 are the Group's borrowing denominated in US\$ or HK\$ totalling RMB3,898 million. Any depreciation of RMB would adversely affect the value of any dividends the Group pays to shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 June 2016, the Group did not have any material acquisition or disposal.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2016, the Group employed a total of 8,358 full-time employees (as at 31 December 2015: 8,219 employees). The total staff costs of the Group incurred during the period under review was RMB406 million. The Group adopts a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the pay level in the industry. In relation to staff training, the Group also provides different types of training programs for its staff to improve their skills and develop their respective expertise.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: 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 2016:

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 2016).

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 Rule 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 (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 2016, 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 2016:

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 2016).

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 Option		
	As at 31 December 2015	Exercised/ lapsed/ cancelled during the six months ended 30 June 2016	As at 30 June 2016
From 16 September 2014 to 15 September 2016	4,388,000	–	4,388,000
	4,388,000	–	4,388,000

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 share 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 resolved to grant an aggregate of 7,502,000 and 8,958,000 awarded shares (the "Awarded Shares") respectively to the Eligible Employees (as defined in 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 of the grant.

A summary of the Awarded Shares granted to Eligible Employees (including executive directors of the Company) is as follow:

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. Zhang Hong Feng	92,000	92,300	184,300
Remaining awardees who are Eligible Employees and are not connected persons (as defined in the Listing Rules) of the Company	3,183,000	5,205,700	8,388,700

Disclosure of Interests

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

As at 30 June 2016, 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:

Long position in shares and underlying shares of the Company

Name of Directors	Number of ordinary shares			Other Interests (Note 1)	Interests in underlying shares		Approximate percentage of interests to the issued share capital of the Company (Note 3)
	Personal interests	Interests of spouse	Interests of a controlled corporation		Share options (Note 2)	Total	
Mr. Hoi Kin Hong	27,479,000	2,800,000	1,805,637,000 (Note 4)	986,000	1,400,000	1,838,302,000	45.99%
Mr. Hoi Wa Fong	8,202,000	743,400	565,400,000 (Note 5)	786,000	440,000	575,571,400	14.40%
Mr. Xiao Qing Ping	-	-	-	811,700	360,000	1,171,700	0.03%
Ms. Shih Sze Ni	-	574,828,000	-	503,400	240,000	575,571,400	14.40%
Mr. Zhang Hong Feng	-	-	-	184,300	100,000	284,300	0.01%
Ms. Hoi Wa Fan	-	-	149,480,000 (Note 6)	-	-	149,480,000	3.74%

Notes:

- (1) These represents the Awarded Shares granted to the directors of the Company (the "Directors") under the Share Award Scheme. Details of the Share Award Scheme have been disclosed in the above section headed "Share Award Scheme".
- (2) These represents the interests of share options granted to the Directors and/or their respective associate(s) under the Pre-IPO Share Option Scheme. Details of the share options as required by the Listing Rules have been disclosed in the above section headed "Share Option Schemes" and note 17 to the consolidated financial statements.
- (3) These percentages have been compiled based on the total number of issued shares (i.e. 3,997,303,000 shares) as at 30 June 2016.
- (4) These shares are held by Skylong Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Kin Hong.
- (5) These shares are held by Sky Infinity Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Wa Fong.
- (6) These shares are held by Walong Holdings Limited, which is wholly and beneficially owned by Ms. Hoi Wa Fan.

Disclosure of Interests

Saved as disclosed above, as at 30 June 2016, 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, 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 of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares (Note 1)	Approximate percentage of interests in the Company (Note 2)
Mr. Hoi Kin Hong	Personal interests	29,865,000 (Note 3)	45.99%
	Interests of spouse	2,800,000	
	Interests of a controlled corporation	1,805,637,000	
Skylong Holdings Limited	Beneficial owner	1,805,637,000	45.17%
Mr. Hoi Wa Fong	Personal interests	9,428,000 (Note 4)	14.40%
	Interests of spouse	743,400 (Note 5)	
	Interests of a controlled corporation	565,400,000	
Sky Infinity Holdings Limited	Beneficial owner	565,400,000	14.14%
Wason Holdings Limited	Beneficial owner	202,000,000	5.05%

(1) All the interests represent long positions.

(2) These percentages have been compiled based on the total number of issued shares (i.e. 3,997,303,000 shares) as at 30 June 2016.

(3) These shares represent (i) 27,479,000 shares beneficially owned by Mr. Hoi Kin Hong; (ii) 986,000 Awarded Shares granted to Mr. Hoi Kin Hong under the Share Award Scheme; and (iii) 1,400,000 share options granted to Mr. Hoi Kin Hong under the Pre-IPO Share Option Scheme.

(4) These shares represent (i) 8,202,000 shares beneficially owned by Mr. Hoi Wa Fong; (ii) 786,000 Awarded Shares granted to Mr. Hoi Wa Fong under the Share Award Scheme; and (iii) 440,000 share options granted to Mr. Hoi Wa Fong under the Pre-IPO Share Option Scheme.

(5) These shares represent (i) 503,400 Awarded Shares granted to Ms. Shih Sze Ni under the Share Award Scheme; and (ii) 240,000 share options granted to Ms. Shih Sze Ni under the Pre-IPO Share Option Scheme.

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. The Company reviews its corporate governance practices from time to time to ensure they comply with all applicable code provisions as set out in Appendix 14 to the Listing Rules ("CG Code") and align with the latest developments.

COMPLIANCE WITH THE CG CODE

Throughout the six months ended 30 June 2016, the Company has complied with all applicable code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made of all Directors and all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2016.

To comply with code provision A.6.4 of the CG Code, Relevant Employees (as defined in the Listing Rules), who are likely to be in possession of unpublished inside information of the Group or its securities due to their offices or employment, are also subject to compliance with written guidelines on securities transactions no less exacting than the Model Code.

During the six months ended 30 June 2016, no incident of non-compliance was noted by the Company.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") in compliance with Rule 3.21 of Listing Rules to, amongst others, review the Group's financial information and oversee the Group's financial reporting system, risk management and internal control procedures. The Audit Committee also assists the Board and its Chairman in performing the corporate governance functions of the Company.

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 Chairman of the Audit Committee, Mr. Ngai Wai Fung, possesses appropriate professional qualifications, accounting and related financial management expertise.

The Audit Committee has reviewed the interim report for the six months ended 30 June 2016 in conjunction with the Company's management and external auditor. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

ANNUAL GENERAL MEETING

The Chairman of the Board, most of the Directors, the Chairmen of Audit Committee, the Remuneration Committee, the Nomination Committee or in their absence, another member of the committees and the external auditor were present at the annual general meeting of the Company held on 13 June 2016.

Purchase, Sale or Redemption of Securities

On 24 December 2015, the Company announced redemption of all outstanding US\$250,000,000 11.25% senior notes due 2018 ("2018 Notes") (the "Redemption"). The Redemption completed on 25 January 2016 at a total redemption price of US\$278,125,000 and all 2018 Notes were cancelled and delisted from the official list of the Stock Exchange. Please refer to the announcements of the Company dated 24 December 2015, 25 January 2016 and 1 March 2016 for details of the Redemption.

Saved as disclosed above, 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 2016.

Disclosure under Rule 13.21 of the Listing Rules

On 20 May 2016, the Company as borrower, certain of its subsidiaries as guarantors and Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited and Wing Lung Bank, Limited as lenders entered into a facility agreement (the "Facility Agreement") in relation to a 3-year term loan facility of up to US\$120,000,000 at an interest rate of London Interbank Offered Rate plus 4% (the "Facility"). Pursuant to the Facility Agreement, it is an event of default if (i) Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, does not, or ceases to hold legally and beneficially and directly or indirectly 40% or more of all classes of the equity interests of the Company carrying any entitlement to vote; and/or (ii) Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, does not, or ceases to directly or indirectly control the Company and/or (iii) Mr. Hoi Kin Hong or Mr. Hoi Wa Fong is not, or ceases to be, chairman of the board of directors of the Company. Details of the Facility are set out in the announcement of the Company dated 20 May 2016.

Update on information of Directors under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the update on the biographical details of the Directors are as follows:

- Mr. Ngai Wai Fung has been appointed as an independent non-executive director of Topsearch International (Holdings) Limited (a company listed on the Stock Exchange) with effect from 22 March 2016 and an independent director of SPI Energy Co., Ltd. (a company listed on Nasdaq) with effect from 9 May 2016.

Save as disclosed above, the Company is not aware of any information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Condensed Consolidated Interim Balance Sheet

		30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
	Note		
ASSETS			
Non-current assets			
Property and equipment	6	2,519,783	2,354,664
Land use rights	6	1,077,116	1,033,527
Investment properties	7	30,038,660	28,370,318
Investments accounted for using equity method	13	2,067,378	1,523,949
Deferred income tax assets		369,909	394,724
Available-for-sale financial assets	12	318,000	318,000
Prepayments	11	661,876	407,880
		37,052,722	34,403,062
Current assets			
Properties under development	8	13,316,483	13,010,714
Completed properties held for sale	9	9,722,693	9,086,095
Trade and other receivables	10	2,437,442	2,392,543
Prepayments	11	676,081	671,529
Prepaid taxes		368,086	356,048
Available-for-sale financial assets	12	16,234	16,491
Restricted cash	14	1,186,995	1,085,889
Cash and cash equivalents	15	5,982,179	5,639,843
		33,706,193	32,259,152
Total assets		70,758,915	66,662,214
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	16	2,681,721	2,979,696
Other reserves	17	658,105	656,386
Retained earnings		17,910,263	16,808,903
		21,250,089	20,444,985
Perpetual Capital Instruments	18	1,311,151	1,305,161
Non-controlling interests		1,036,118	1,008,383
Total equity		23,597,358	22,758,529

Condensed Consolidated Interim Balance Sheet

		30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	19	19,808,469	16,635,538
Deferred income tax liabilities		3,829,748	3,685,327
Derivative financial instruments	20	164,997	170,907
		23,803,214	20,491,772
Current liabilities			
Trade and other payables	21	10,734,600	9,950,897
Advances from customers		4,475,935	4,563,340
Current income tax liabilities		3,067,014	2,815,776
Borrowings	19	5,080,794	6,010,951
Derivative financial instruments	20	–	70,949
		23,358,343	23,411,913
Total liabilities		47,161,557	43,903,685
Total equity and liabilities		70,758,915	66,662,214

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	
		2016	2015
		Unaudited	Unaudited
		RMB'000	RMB'000
	Note		
Revenue	5	6,224,713	4,728,402
Cost of sales	22	(3,912,165)	(3,202,764)
Gross profit		2,312,548	1,525,638
Fair value gains on investment properties – net	7	571,426	701,316
Selling and marketing costs	22	(227,377)	(209,604)
Administrative expenses	22	(444,025)	(350,854)
Other gains – net	23	53,760	13,010
Exchange gains – net	24	1,620	5,139
Operating profit		2,267,952	1,684,645
Finance (costs)/income – net	25	(289,501)	2,587
Share of profit of investments accounted for using equity method	13	138,063	41,799
Profit before income tax		2,116,514	1,729,031
Income tax expenses	26	(908,340)	(585,537)
Profit for the period		1,208,174	1,143,494
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	(257)	1,148
Total other comprehensive income for the period, net of tax		(257)	1,148
Total comprehensive income for the period		1,207,917	1,144,642
Profit attributable to:			
Owners of the Company		1,101,360	1,030,458
Holders of Perpetual Capital Instruments		70,155	72,754
Non-controlling interests		36,659	40,282
		1,208,174	1,143,494
Total comprehensive income attributable to:			
Owners of the Company		1,101,103	1,031,606
Holders of Perpetual Capital Instruments		70,155	72,754
Non-controlling interests		36,659	40,282
		1,207,917	1,144,642
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	27		
– Basic		27.869	26.075
– Diluted		27.807	26.032

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	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 16)	(Note 17)					
Six months ended							
30 June 2016 (Unaudited)							
Balance at 1 January 2016	2,979,696	656,386	16,808,903	20,444,985	1,305,161	1,008,383	22,758,529
Comprehensive income:							
– Profit for the period	–	–	1,101,360	1,101,360	70,155	36,659	1,208,174
– Other comprehensive income for the period	–	(257)	–	(257)	–	–	(257)
Total comprehensive income for the period	–	(257)	1,101,360	1,101,103	70,155	36,659	1,207,917
Transactions with owners:							
– Dividends	(297,975)	–	–	(297,975)	–	(8,924)	(306,899)
– Share Award Scheme							
– Value of employee services	–	1,976	–	1,976	–	–	1,976
– Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(64,165)	–	(64,165)
Total transactions with owners	(297,975)	1,976	–	(295,999)	(64,165)	(8,924)	(369,088)
Balance at 30 June 2016	2,681,721	658,105	17,910,263	21,250,089	1,311,151	1,036,118	23,597,358

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 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

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

	2016 Unaudited RMB'000	2015 Unaudited RMB'000
Cash flows from operating activities		
Cash generated from operations	1,800,954	1,299,160
PRC corporate income tax paid	(293,134)	(228,263)
PRC land appreciation tax paid	(176,995)	(231,643)
Interest paid	(772,179)	(835,635)
Cash generated from operating activities – net	558,646	3,619
Cash flows from investing activities		
Payments for addition of property and equipment	(172,645)	(73,970)
Payments for addition of land use rights	(163,965)	(73,844)
Payments for addition of investment properties	(961,473)	(409,936)
Prepayments for investments	(661,876)	–
Disposal of investment properties	8,966	–
Proceeds from disposal of equipment	201	161
Acquisition of a subsidiary	–	(146,997)
Purchase of available-for-sale financial assets	–	(180,000)
Other cash generated from investing activities – net	191,952	11,185
Cash used in investing activities – net	(1,758,840)	(873,401)
Cash flows from financing activities		
Proceeds from borrowings	10,357,172	5,326,972
Repayments of borrowings	(6,718,878)	(4,716,395)
Decrease of guarantee deposits	44,212	57,035
Cash advances from related parties	470,853	893,678
Repayments of cash advances to related parties	(813,438)	(616,943)
Distribution to the holders of Perpetual Capital Instruments	(64,165)	(70,362)
Redemption of senior notes	(1,731,511)	–
Dividends paid to non-controlling interests	(8,924)	–
Cash generated from financing activities – net	1,535,321	873,985
Net increase in cash and cash equivalents	335,127	4,203
Cash and cash equivalents at beginning of the period	5,639,843	4,345,757
Effect of foreign exchange rate changes	7,209	(34)
Cash and cash equivalents at end of the period	5,982,179	4,349,926

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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 been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 14 October 2009.

This condensed consolidated interim financial information for the six months ended 30 June 2016 ("Interim Financial Information") has been approved for issue by the board of directors (the "Board") of the Company on 10 August 2016.

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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements, except as described below.

(a) Amended standards and interpretations adopted by the Group

HKFRS 14	Regulatory deferral accounts
Amendment to HKFRS 11	Accounting for acquisitions of interest in joint operation
Amendment to HKAS 16 and 38	Clarification of acceptable methods of depreciation and amortization
Amendment to HKAS 16 and 41	Agriculture: bearer plants
HKAS 27	Equity method in separate financial statements
Annual improvements 2014	2012-2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative

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 financial year beginning 1 January 2016 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendment to HKAS 10 and 28	Sale or contribution of assets between an investor and its associate or joint venture	Deferred

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 earnings.

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 2015, 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 currency 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 2016, major non-RMB assets and liabilities mainly comprised the borrowings denominated in US\$ or HK\$ totalling RMB3,898 million (as at 31 December 2015: RMB6,155 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 2015.

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 proceeds from pre-sale of properties, committed credit facilities, short-term and long-term borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

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. Trade and other payables due within 12 months equal their carrying balances, as the impact of discounting is not significant. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	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 2016					
Borrowings (Note (a))	6,572,920	9,103,926	11,750,813	1,420,299	28,847,958
Trade and other payables (Note (b))	10,605,903	-	-	-	10,605,903
Derivative financial instruments – cash inflow	(161,250)	(1,575,505)	-	-	(1,736,755)
Derivative financial instruments – cash outflow	154,493	1,747,259	-	-	1,901,752
Guarantees for borrowings of joint ventures	1,081,336	-	-	-	1,081,336
Financial guarantee contracts (Note (c))	7,854,320	-	-	-	7,854,320
	26,107,722	9,275,680	11,750,813	1,420,299	48,554,514
At 31 December 2015					
Borrowings (Note (a))	8,444,943	7,836,811	8,771,097	1,391,511	26,444,362
Trade and other payables (Note (b))	9,724,085	-	-	-	9,724,085
Derivative financial instruments – cash inflow	(918,625)	(1,661,250)	-	-	(2,579,875)
Derivative financial instruments – cash outflow	981,921	1,839,810	-	-	2,821,731
Guarantees for borrowings of joint ventures	2,275,413	-	-	-	2,275,413
Financial guarantee contracts (Note (c))	8,062,268	-	-	-	8,062,268
	28,570,005	8,015,371	8,771,097	1,391,511	46,747,984

Notes:

- (a) Interest on borrowings is calculated on principal of borrowings held as at 30 June 2016 and 31 December 2015, respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2016 and 31 December 2015, respectively.
- (b) Amounts exclude 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 2016 and 31 December 2015.

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2016			
Financial assets:			
Available-for-sale financial assets (Note 12)	–	334,234	334,234
Financial liabilities:			
Derivative financial instruments (Note 20)	164,997	–	164,997
At 31 December 2015			
Financial assets:			
Available-for-sale financial assets (Note 12)	–	334,491	334,491
Financial liabilities:			
Derivative financial instruments (Note 20)	241,856	–	241,856

There were no transfers between levels during the period.

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

(a) 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.

(b) Financial instruments in level 3

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

Notes to the Condensed Consolidated Interim Financial Information

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.

Segment results represent the profit earned by each segment without other losses, unallocated operating costs, finance costs, share of results of associates and joint ventures and income tax expenses. Other property development related services comprise hotels, KTVs and department store businesses. The segment results and other segment items for the six months ended 30 June 2016 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	5,452,803	316,598	323,698	156,448	-	6,249,547
Inter-segment revenue	-	-	(24,834)	-	-	(24,834)
Revenue	5,452,803	316,598	298,864	156,448	-	6,224,713
Segment results	1,804,450	644,762	32,359	(101,573)	-	2,379,998
Other gains – net						53,760
Share of profit of investments accounted for using equity method						138,063
Unallocated operating costs						(165,806)
Finance costs – net						(289,501)
Profit before income tax						2,116,514
Income tax expenses						(908,340)
Profit for the period						1,208,174
Capital expenditure	197,516	1,111,394	959	95,022	-	1,404,891
Depreciation	10,568	-	1,924	54,932	-	67,424
Amortisation of land use rights recognised as expenses	-	-	-	17,164	-	17,164
Fair value gains on investment properties – net	-	571,426	-	-	-	571,426

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

The segment results and other segment items 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

Segment assets and liabilities as at 30 June 2016 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	33,253,055	31,005,916	809,043	5,115,048	(4,712,194)	65,470,868
Other assets						5,288,047
Total assets						70,758,915
Segment liabilities	9,515,544	1,893,852	855,455	4,039,881	(4,712,194)	11,592,538
Other liabilities						35,569,019
Total liabilities						47,161,557
Interest in joint ventures						2,032,693
Interest in an associate						34,685

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 31 December 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	30,808,047	29,339,716	769,988	3,824,129	(3,052,907)	61,688,973
Other assets						4,973,241
Total assets						66,662,214
Segment liabilities	9,416,333	1,760,445	785,398	2,350,775	(3,052,907)	11,260,044
Other liabilities						32,643,641
Total liabilities						43,903,685
Interest in joint ventures						1,488,849
Interest in an associate						35,100

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 condensed consolidated interim balance sheet. 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 2016		
Opening net book amounts as at 1 January 2016	2,354,664	1,033,527
Additions	232,744	60,753
Disposals	(201)	–
Depreciation/amortisation charges	(67,424)	(17,164)
Closing net book amounts as at 30 June 2016	2,519,783	1,077,116
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

As at 30 June 2016, properties with net book amounts totalling RMB1,430,914,000 (31 December 2015: RMB1,210,971,000) and land use rights of RMB579,246,000 (31 December 2015: RMB683,081,000) were pledged as collateral for the Group's borrowings respectively (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2016 was 6.40% (six months ended 30 June 2015: 8.58%).

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 2016			
Opening amount as at 1 January 2016	22,286,985	6,083,333	28,370,318
Additions	157,681	953,713	1,111,394
Transfers	1,059,018	(1,059,018)	–
Fair value gains – net	106,258	465,168	571,426
Disposal	(14,478)	–	(14,478)
Closing amount as at 30 June 2016	23,595,464	6,443,196	30,038,660
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

Investment properties as at 30 June 2016 are held in the PRC on leases between 10 to 50 years (31 December 2015: same).

The capitalisation rate of borrowings for the six months ended 30 June 2016 was 6.40% (six months ended 30 June 2015: 8.58%).

As at 30 June 2016, investment properties of RMB19,595,278,000 (31 December 2015: RMB18,611,386,000) 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

An independent valuation of the Group's certain completed investment properties and investment properties under construction was performed by the valuer, Savills Valuation and Professional Services Limited, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investments properties valued, to determine the fair value of the investment properties as at 30 June 2016. 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 2016, as certain of significant inputs used in the determination of fair value of investment properties are derived from unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy.

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

(ii) Valuation processes of the Group

The Group's investment properties were valued at 30 June 2016 by the valuer. For all investment properties, their current use equates to the highest and best use.

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.

Completed investment properties comprise commercial properties and carparks. For commercial properties, fair values 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. For carparks, valuations are determined using the direct comparison methods. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, locations and etc.

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 2016 RMB'000	31 December 2015 RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	4,673,208	4,613,516
– Interests capitalised	2,372,372	2,142,268
– Land use rights	6,270,903	6,254,930
	13,316,483	13,010,714
Land use rights:		
Outside Hong Kong, held on leases of		
– Over 50 years	896,466	1,081,925
– Between 10 to 50 years	5,374,437	5,173,005
	6,270,903	6,254,930

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 2016, properties under development of approximately RMB2,100,983,000 (31 December 2015: RMB3,765,840,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2016 was 6.40% (six months ended 30 June 2015: 8.58%).

9 COMPLETED PROPERTIES HELD FOR SALE

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

As at 30 June 2016, completed properties held for sale of approximately RMB2,539,738,000 (31 December 2015: RMB2,919,939,000) 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 2016 RMB'000	31 December 2015 RMB'000
Trade receivables – Third parties (Note (a))	1,292,332	1,213,454
Less: provision for impairment of trade receivables (Note (a))	(31,081)	(19,165)
Trade receivables – net	1,261,251	1,194,289
Deposits for acquisition of land use rights	428,420	171,600
Other receivables	747,771	1,026,654
– Related parties (Note 31 (c))	96,699	288,651
– Third parties	651,072	738,003
	2,437,442	2,392,543

- (a) The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts.

	30 June 2016 RMB'000	31 December 2015 RMB'000
Not due	1,212,268	1,098,078
Over due	80,064	115,376
	1,292,332	1,213,454

As at 30 June 2016 and 31 December 2015, the ageing analysis of the overdue trade receivables of the Group were as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 180 days	49,292	57,349
180 days to 365 days	8,050	43,884
Over 365 days	22,722	14,143
	80,064	115,376

As at 30 June 2016, trade receivables of RMB44,210,000 (31 December 2015: RMB94,251,000) 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 the past due trade receivables would be recovered and no provision was made.

Notes to the Condensed Consolidated Interim Financial Information

10 TRADE AND OTHER RECEIVABLES (continued)

(a) (continued)

As of 30 June 2016, trade receivables of RMB35,854,000 were impaired (31 December 2015: RMB21,125,000) and a provision of RMB31,081,000 has been made (31 December 2015: RMB19,165,000). The individually impaired receivables mainly relate to certain lessees of the Group's investment properties, which are in unexpectedly difficult economic situations.

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
At 1 January	19,165	26,558
Provision for receivables impairment	12,001	8,281
Receivables written off during the period as uncollectible	(85)	(14,589)
At 30 June	31,081	20,250

(b) As at 30 June 2016 and 31 December 2015, 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. Other receivables from third parties mainly consist of the deposits for outsourced construction vendors and advance payment for tenants. Except for those disclosed in Note 10(a), no material trade and other receivables were impaired or past due as at 30 June 2016 and 31 December 2015.

(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 2016 RMB'000	31 December 2015 RMB'000
Current portion		
Acquisition of land use rights (Note (a))	591,943	573,494
Construction materials – third parties	84,138	98,035
	676,081	671,529
Non-current portion		
Investing activities (Note (b))	661,876	407,880
	1,337,957	1,079,409

(a) Payments on land acquisitions were made in accordance with the payment terms as stipulated in the land acquisition contracts. The relevant land use rights certificates have not been obtained as at 30 June 2016. The land acquisition costs which are contracted but not provided for are included in commitments (Note 30 (a)).

(b) In 2016, the Group prepaid RMB661,876,000 to invest in two private companies in PRC.

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	
	2016 RMB'000	2015 RMB'000
Unlisted securities:		
Opening amounts as at 1 January	334,491	16,042
Additions	–	180,000
Changes in fair value (Note 17)	(257)	1,148
Closing amounts as at 30 June	334,234	197,190

	30 June	31 December
	2016 RMB'000	2015 RMB'000
Non-current unlisted securities:		
– Unlisted insurance company denominated in RMB (Note (a))	318,000	318,000
Current unlisted securities:		
– Unlisted private trust denominated in Hong Kong dollars (“HK\$”) (Note (b))	16,234	16,491
Total	334,234	334,491

(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. In December 2015, the Group further injected capital of RMB127,200,000. As at 30 June 2016, the Group’s shareholding in the Investee was 5%.

(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 or 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 2016 and 31 December 2015.

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 2016 RMB'000	31 December 2015 RMB'000
Non-current portion:		
Investments in joint ventures	2,032,693	1,488,849
Investments in associate	34,685	35,100
	2,067,378	1,523,949
Current portion:		
Amounts due to an associate (Note 31(c))	(18,077)	(30,034)
Amounts due to joint ventures (Note 31(c))	(2,403,267)	(2,233,985)
Amounts due from joint ventures (Note 31(c))	75,323	267,275
	(2,346,021)	(1,996,744)

Amounts due from/to an associate and joint ventures are unsecured, interest-free and repayable on demand.

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Joint ventures	138,477	42,647
Associate	(414)	(848)
	138,063	41,799

(a) Joint ventures

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
At 1 January	1,488,849	1,512,375
Addition (Note (i))	407,880	–
Share of profit	138,477	42,647
Transfer to a subsidiary	–	(174,463)
Elimination of unrealised profits	(2,513)	(3,986)
At 30 June	2,032,693	1,376,573

Notes to the Condensed Consolidated Interim Financial Information

13 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

(a) Joint ventures (continued)

- (i) On April 2016, the Group invested in a joint venture with 33% of ownership interest, the business of the joint venture is property development which is located in Shanghai.
- (ii) The Group's share of the results in joint ventures and their aggregated assets and liabilities are shown below:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Total assets	11,953,683	9,337,917
Total liabilities	(8,938,413)	(6,988,516)
Net assets	3,015,270	2,349,401
Less: equity contributed by the joint venture partners of the Group	(945,356)	(825,844)
Less: elimination of unrealised profits	(37,221)	(34,708)
Interests in joint ventures	2,032,693	1,488,849

(b) Associate

In the opinion of the Directors, the associate of the Group as at 30 June 2016 is not material to the Group.

14 RESTRICTED CASH

	30 June 2016 RMB'000	31 December 2015 RMB'000
Guarantee deposits for construction projects (Note (a))	178,857	115,886
Guarantee deposits for bank acceptance notes (Note (b))	421,028	350,212
Guarantee deposits for bank borrowings (Note (c))	536,947	581,159
Others	50,163	38,632
	1,186,995	1,085,889
Denominated in		
– RMB	1,164,308	1,080,902
– US\$	22,637	–
– HK\$	50	4,987
	1,186,995	1,085,889

Notes to the Condensed Consolidated Interim Financial Information

14 RESTRICTED CASH (continued)

- (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 2016, the Group placed cash deposits of approximately RMB421,028,000 (31 December 2015: RMB350,212,000) with designated banks as guarantee for the issuance of bank acceptance notes.
- (c) As at 30 June 2016, the Group placed cash deposits of approximately RMB536,947,000 (31 December 2015: RMB581,159,000) 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 2016 RMB'000	31 December 2015 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	5,824,184	5,113,115
– Denominated in US\$	155,913	507,771
– Denominated in HK\$	2,082	18,957
	5,982,179	5,639,843

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

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000 (Note 28)	Shares held for Share Award Scheme RMB'000 (Note (a))	Total RMB'000
Authorised:					
At 1 January 2015 and 2016, 30 June 2015 and 2016		30,000,000,000			
Issued and fully paid:					
As at 1 January 2016	3,997,303,000	35,486	3,035,746	(91,536)	2,979,696
Dividends	-	-	(297,975)	-	(297,975)
As at 30 June 2016	3,997,303,000	35,486	2,737,771	(91,536)	2,681,721
At 1 January 2015 and 30 June 2015	3,997,303,000	35,486	3,035,746	(91,536)	2,979,696

- (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 granted to the employees and directors for the employees and directors until they are vested. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of six years commencing on the Adoption Date.

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

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

As at 30 June 2016, the total unvested shares held by the Share Award Scheme Trust is 45,380,000 (31 December 2015: 45,380,000) (Note 17 (d)).

Notes to the Condensed Consolidated Interim Financial Information

17 OTHER RESERVES

	Merger reserve RMB'000 <i>(Note (a))</i>	Statutory reserves RMB'000 <i>(Note (b))</i>	Share-based compensation reserves RMB'000	Revaluation reserves RMB'000 <i>(Note (e))</i>	Transaction with non- controlling interests RMB'000	Total RMB'000
At 1 January 2016	337,203	52,738	21,670	236,294	8,481	656,386
Share Award Scheme <i>(Note (d))</i>	-	-	1,976	-	-	1,976
Revaluation – net of tax	-	-	-	(257)	-	(257)
At 30 June 2016	337,203	52,738	23,646	236,037	8,481	658,105
At 1 January 2015	337,203	36,574	54,824	227,745	8,481	664,827
Share Award Scheme <i>(Note (d))</i>	-	-	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

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

(b) Statutory reserves

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

(c) Pre-IPO Share Option Scheme

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

Notes to the Condensed Consolidated Interim Financial Information

17 OTHER RESERVES (continued)

(c) Pre-IPO Share Option Scheme (continued)

Particulars of share options as at 30 June 2016 and 31 December 2015 are as follows:

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

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

	Six months ended 30 June	
	2016	2015
At 1 January	4,388,000	8,936,000
Forfeited	–	(160,000)
At 30 June	4,388,000	8,776,000

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 period ended 30 June 2016 (six months ended 30 June 2015: Nil).

(d) Share Award Scheme

Movements in the number of shares held for the Share Award Scheme for the six months ended 30 June 2016 and 2015 are as follows:

	Not awarded shares held for the Share Award Scheme Trust	Awarded shares held by the Share Award Scheme Trust
At 1 January 2016	34,334,300	11,045,700
Forfeited	675,400	(675,400)
At 30 June 2016	35,009,700	10,370,300
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

Notes to the Condensed Consolidated Interim Financial Information

17 OTHER RESERVES (continued)

(d) Share Award Scheme (continued)

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.

During the six months end 30 June 2016, an aggregate of 675,400 (six months ended 30 June 2015: 586,900) shares granted were forfeited due to the resignation of certain eligible employees. The outstanding awarded shares as at 30 June 2016 were 10,370,300 (31 December 2015: 11,045,700) shares.

Particulars of awarded shares as at 30 June 2016 and 31 December 2015 are as follows:

Dates of grant	Vesting date	Market price at grant dates HK\$/share	Number of outstanding shares as at	
			30 June 2016	31 December 2015
6 June 2013	1 July 2016	1.60	2,298,500	2,636,200
6 June 2013	1 July 2017	1.60	2,298,500	2,636,200
29 May 2014	1 July 2016	1.11	2,886,650	2,886,650
29 May 2014	1 July 2017	1.11	2,886,650	2,886,650
			10,370,300	11,045,700

The total expense recognised for employee and directors services received in respect of the Share Award Scheme for the six months ended 30 June 2016 was RMB1,976,313 (six months ended 30 June 2015: RMB2,516,000).

- (e) Other comprehensive income represented the revaluation difference for available-for-sale financial assets amounted to RMB257,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB1,148,000).

18 PERPETUAL CAPITAL INSTRUMENTS

In 2014, two wholly-owned subsidiaries of the Company issued perpetual capital instruments (the "Perpetual Capital Instruments") with the 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.

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Borrowings included in non-current liabilities:		
Senior notes	2,845,384	5,277,750
– senior notes due November 2018 (“2018 Notes (II)”) (Note (a)(i))	1,314,589	1,283,462
– senior notes due September 2017 (“2017 Notes”) (Note (a)(ii))	1,530,795	1,524,981
– senior notes due January 2018 (“2018 Notes”) (Note (a)(iii))	–	1,665,367
– senior notes due May 2016 (“2016 Notes”) (Note (a)(iv))	–	803,940
Bank borrowings	12,151,931	12,605,732
– secured (Note (b))	11,333,626	12,605,732
– unsecured	818,305	–
Corporate Bonds (Note (c))	4,833,517	993,458
Other borrowings – secured (Note (d))	2,316,739	1,653,074
Less: amounts due within one year	(2,339,102)	(3,894,476)
	19,808,469	16,635,538
Borrowings included in current liabilities:		
Bank borrowings	2,720,692	2,035,475
– secured (Note (b))	2,695,692	2,009,575
– unsecured	25,000	25,900
Other borrowings	21,000	81,000
– secured (Note (d))	–	60,000
– unsecured	21,000	21,000
Current portion of long-term borrowings	2,339,102	3,894,476
	5,080,794	6,010,951
Total borrowings	24,889,263	22,646,489

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS (continued)

(a) Senior notes

(i) 2018 Notes (II)

On 26 November 2015, the Company issued 7.625%, 3 years senior notes, with an aggregated nominal value of US\$200,000,000 at 99.017% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US\$195,129,319 (equivalent to approximately RMB1,253,214,000). The 2018 Notes (II) is denominated in US\$.

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

	Six months ended 30 June
	2016 RMB'000
At 1 January	1,283,462
Interest expenses and amortisation of issuance costs	52,122
Repayment of interest	(50,091)
Foreign exchange losses – net	29,096
At 30 June	1,314,589

(ii) 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
	2016 RMB'000
At 1 January	1,524,981
Interest expenses and amortisation of issuance costs	86,218
Repayment of interest	(80,404)
At 30 June	1,530,795

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS (continued)

(a) Senior notes (continued)

(ii) 2017 Notes and derivative financial instruments (continued)

On the issuance date of 2017 Notes, the Company entered into certain cross currency swaps ("2017 CCS") with a bank. According to the 2017 CCS, the Company exchanged RMB1,500,000,000 with the bank for equivalent US\$244,409,000 ("2017 US\$ Notional Amounts"). The Company needs 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 needs 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 and valued at fair value (Note 20).

(iii) 2018 Notes

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

On 25 January 2016 (the "Redemption Date"), the Company redeemed the outstanding 2018 Notes in full at a redemption price equals to 105.625% of the principal amount of the 2018 Notes outstanding thereof which was US\$250,000,000 (equivalent to approximately RMB1,639,300,000), plus the applicable premium (equivalent to approximately RMB92,211,000), and the accrued and unpaid interest of approximately RMB77,245,000 as of the Redemption Date. The redemption losses of approximately RMB114,733,000 was recognised as "Finance costs/(income) – net" in the condensed statement of comprehensive income (Note 25).

(iv) 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 matured on 27 May 2016 and were repaid by the Group on the same date.

(b) Bank borrowings – secured

As at 30 June 2016, the borrowings of RMB14,029,318,000 (31 December 2015: RMB14,615,307,000) were secured by certain property and equipment and land use rights (Note 6), investment properties (Note 7), properties under development (Note 8), completed properties held for sale (Note 9) and restricted cash (Note 14); the secured bank and other borrowings of RMB4,397,711,460 (31 December 2015: RMB4,852,785,300) were additionally guaranteed by certain related parties (Note 31 (b)(iii)).

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS (continued)

(c) Corporate bonds

On 19 January 2016, a PRC subsidiary of the Company issued 6.20%, five-year PRC corporate bonds with an aggregated principal amount of RMB2,700,000,000 at 100% of the face value.

On 8 March 2016, a PRC subsidiary of the Company issued 6.00%, five-year PRC corporate bonds with an aggregated principal amount of RMB500,000,000 at 100% of the face value.

On 8 April 2016, a PRC subsidiary engaged in property management entered into an asset-backed securitisation ("ABS") arrangement with an assets management company by pledging of the future 3 years' receivables right of certain properties under its management. The ABS was formally established with an aggregated nominal value of RMB600,000,000, with a 3-year duration, amongst which RMB50,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the ABS, after deducting the issuance costs and the subordinate securities purchased by PRC subsidiary, amounted to approximately RMB544,000,000.

	Six months ended 30 June 2016 RMB'000
At 1 January	993,458
Additions	3,707,586
Interest expenses and amortisation of issuance costs	132,473
At 30 June	4,833,517

(d) Other borrowings – secured

As at 30 June 2016, borrowings from other non-bank financial institutions of RMB2,316,739,000 (31 December 2015: RMB1,713,074,000) 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).

Notes to the Condensed Consolidated Interim Financial Information

19 BORROWINGS (continued)

(e) Movements of bank borrowings and other borrowings are analysed as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Opening amounts as at 1 January	16,375,281	14,713,763
Additions of borrowings	6,649,586	5,779,972
Repayments of borrowings	(5,877,176)	(4,720,512)
Net foreign exchange losses/(gains) – net	62,671	(4,869)
Closing amounts as at 30 June	17,210,362	15,768,354

(f) As at 30 June 2016 and 31 December 2015, the Group has the following undrawn borrowing facilities:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Floating rate: – expiring beyond 1 year	1,505,715	525,000

20 DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2016 and 31 December 2015, the Group had the following derivative financial instruments:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Non-current portion: – 2017 CCS as a liability (Note 19(a)(ii))	164,997	170,907
Current portion: – 2016 CCS as a liability (Note 19(a)(iv))	–	70,949

Notes to the Condensed Consolidated Interim Financial Information

21 TRADE AND OTHER PAYABLES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade payables	5,397,311	4,852,330
– Related parties (Note 31 (c))	33,589	31,859
– Third parties	4,660,284	4,249,674
– Notes payable – third parties	703,438	570,797
Other payables and accruals	4,315,556	4,278,769
– Related parties (Note 31 (c))	2,653,265	2,995,850
– Third parties	1,662,291	1,282,919
Payables for retention fee	395,560	370,903
Payables for acquisition of land use rights	244,711	282,021
Other taxes payable	83,487	166,874
Dividend payables to owners of the Company	297,975	–
	10,734,600	9,950,897

As at 30 June 2016 and 31 December 2015, the ageing analysis of trade payables of the Group based on invoice date were as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 90 days	1,614,547	1,507,787
Over 90 days and within 180 days	2,033,596	2,048,149
Over 180 days and within 365 days	763,936	537,941
Over 365 days and within 3 years	985,232	758,453
	5,397,311	4,852,330

Other payables and accruals from third parties mainly comprise deposits of customers and temporary receipts on utility payment from tenants.

Notes to the Condensed Consolidated Interim Financial Information

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	
	2016 RMB'000	2015 RMB'000
Cost of properties sold (excluding staff costs)	3,170,558	2,538,679
Staff costs (including directors' emoluments)	406,026	349,068
Business taxes and other levies	268,728	273,472
Cost of hotel operations (excluding staff costs)	131,738	115,015
Advertising costs	97,371	119,091
Cost of property management services (excluding staff costs)	89,777	56,540
Depreciation (Note 6)	67,424	65,742
Donations to governmental charity	56,822	23,356
Amortisation of land use rights (Note 6)	17,164	9,095
Office lease payments	2,215	8,159
Auditor's remuneration – audit services	2,000	2,000

23 OTHER GAINS – NET

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Penalty on cancellation of sales contracts	30,000	–
Investment gains from derivative financial instruments	23,362	4,117
Fair value gains on derivative financial instruments (Note 20)	5,910	9,213
Losses on disposal of investment properties	(5,512)	–
Others	–	(320)
	53,760	13,010

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 costs/(income) – net" (Note 25).

Notes to the Condensed Consolidated Interim Financial Information

25 FINANCE COSTS/(INCOME) – NET

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Interest expenses:		
– Bank borrowings and other borrowings	533,183	584,415
– Senior notes	176,510	217,012
– Corporate bonds	132,473	–
Less: interest capitalised	(731,762)	(794,948)
	110,404	6,479
Foreign exchange losses/(gains) on financing activities – net	110,428	(9,066)
Less: capitalised	(46,064)	–
	64,364	(9,066)
Early redemption losses (Note 19(a)(iii))	114,733	–
	289,501	(2,587)

26 INCOME TAX EXPENSES

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Current income tax:		
– PRC corporate income tax	347,177	165,069
– PRC land appreciation tax	389,897	199,429
	737,074	364,498
Deferred income tax:		
– PRC corporate income tax	171,266	221,039
	908,340	585,537

Notes to the Condensed Consolidated Interim Financial Information

26 INCOME TAX EXPENSES (continued)

PRC corporate income tax

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

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), which is effective from 1 January 2008. Under the CIT Law, the corporate income tax rate applicable to the group entities located in 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 established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax ("LAT")

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

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

Overseas income tax

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

Hong Kong profits tax

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

Notes to the Condensed Consolidated Interim Financial Information

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	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	1,101,360	1,030,458
Weighted average number of ordinary shares in issue (thousand shares)	3,951,923	3,951,923
Basic earnings per share (RMB cents per share)	27.869	26.075

(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 period ended 30 June 2016) 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	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	1,101,360	1,030,458
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	3,960,711	3,958,353
– Weighted average number of ordinary shares for basic earnings per share (thousand shares)	3,951,923	3,951,923
– Adjustment for share options and awarded shares (thousand shares)	8,788	6,430
Diluted earnings per share (RMB cents per share)	27.807	26.032

As for the Pre-IPO Share Option, as the average market share price of the ordinary shares during the period ended 30 June 2016 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 2015: same).

Notes to the Condensed Consolidated Interim Financial Information

28 DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2016 was proposed by the Board (six months ended 30 June 2015: nil).

2015 final cash dividend amounting to HK\$359,756,000 (equivalent to RMB301,397,000) (2014: RMB252,278,000) has been approved by Annual General Meeting on 13 June 2016 and not yet paid up to 30 June 2016. The net dividends of RMB297,975,000 (2014: RMB249,414,000) after deducting dividend of RMB3,422,000 payable to the Share Award Scheme Trust (six months ended 30 June 2015: RMB2,864,000), is treated as transaction with owners in the condensed consolidated interim statement of changes in equity for the six months ended 30 June 2016.

29 FINANCIAL GUARANTEE CONTRACTS

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (<i>Note (a)</i>)	7,854,320	8,062,268
Guarantees for borrowings of joint ventures (<i>Note (b)</i>)	997,500	2,158,830
	8,851,820	10,221,098

- (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) It represents guarantees provided to joint ventures of the Group to obtain borrowings. The Directors consider that the likelihood of default in payments is minimal and the financial guarantees measured at fair value is immaterial.

Notes to the Condensed Consolidated Interim Financial Information

30 COMMITMENTS

(a) Commitments for property development expenditures

	30 June 2016 RMB'000	31 December 2015 RMB'000
Contracted but not provided for		
– Property development activities	5,380,608	5,613,503
– Acquisition of land use rights	252,813	1,016,049
	5,633,421	6,629,552

(b) Operating leases commitments

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
– Not later than one year	3,013	4,152
– Later than one year and not later than two years	1,874	2,436
– Later than two years and not later than three years	937	1,735
	5,824	8,323

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 BVI
The Controlling Shareholders, including Mr. Hoi Kin Hong, Ms. Wong Lai Chan, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan and Ms. Shih Sze Ni	Ultimate controlling shareholders of the Company and their close family member, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan and Ms. Shih Sze Ni are also 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
Companhia de Construção e Investimento Predial Pou Long, Limitada ("Macau Powerlong Group") 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 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
Great Merchant Limited 弘商有限公司	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 Real Estate (Hong Kong) Holdings Limited 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. 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 2016 and 2015, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Rental income:		
– Fuzhou Powerlong Amusement Management Company Limited	1,494	1,358
Property management fee income:		
– Related parties ultimately controlled by Mr. Hoi Kin Hong	388	386
Purchase of office equipment and security intelligentisation system services from related parties:		
– Fujian Ping An Security Devices and Network Limited	25,593	21,741
– Xiamen Powerlong Information Industry Co., Ltd.	1,178	1,625
	26,771	23,366
Hotel accommodation service fee charged by a related party:		
– Macau Powerlong Group	99	505
Sales of construction materials to joint ventures:		
– Golden Wheel	36,620	11,144
– Hangzhou Xiaoshan	15,760	230
– Tianjin Jinjun	3,703	13,900
	56,083	25,274
Consultation services provided to joint ventures:		
– Golden Wheel	3,861	79
– Tianjin Jinjun	187	3,756
– Hangzhou Xiaoshan	–	2,489
	4,048	6,324
Guarantees for borrowings to joint ventures:		
– Shanghai Zhanyao	640,000	720,000
– Hangzhou Xiaoshan	210,000	415,000
– Golden Wheel	147,500	150,000
– Tianjin Jinjun	–	1,146,330
	997,500	2,431,330

- (ii) The above transactions were charged in accordance with the terms of the underlying agreements.
- (iii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB4,397,711,460 at 30 June 2016 (31 December 2015: RMB4,852,785,300) (Note 19(b)).
- (iv) 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 2016 and 31 December 2015, the Group had the following material balances with related parties:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Amounts due from related parties included in other receivables (Note (ii)):		
Amounts due from fellow subsidiaries		
– Powerlong Group Development Co., Ltd.	21,376	21,376
Amounts due from joint ventures		
– Baohui Real Estate (Hong Kong) Holdings Limited	74,217	267,275
– Hangzhou Xiaoshan	1,106	–
	75,323	267,275
Total amounts due from related parties included in other receivables	96,699	288,651
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	16,775	14,080
– Other related entities ultimately controlled by Mr. Hoi Kin Hong	300	272
	17,075	14,352
Amounts due to joint ventures		
– Tianjin Jinjun	8,098	8,240
– Golden Wheel	5,916	551
– Hangzhou Xiaoshan	–	6,216
	14,014	15,007
Amounts due to an associate		
– Quanzhou Shangquan Industrial Development Co., Ltd.	2,500	2,500
Total amounts due to related parties included in trade payables	33,589	31,859

Notes to the Condensed Consolidated Interim Financial Information

31 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

	30 June 2016 RMB'000	31 December 2015 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.	10,597	514,203
– Great Merchant Limited	187,978	184,282
– Mr. Hoi Kin Hong	32,900	32,900
– Fuzhou Powerlong Amusement Management Company Limited	446	446
	231,921	731,831
Amounts due to joint ventures		
– Tianjin Jinjun	1,347,577	1,106,480
– Golden Wheel	67,430	82,220
– Hangzhou Xianshan	20,414	303,499
– Shanghai Zhanyao	967,846	741,786
	2,403,267	2,233,985
Amounts due to an associate		
– Quanzhou Shangquan Industrial Development Co., Ltd. (Note 13)	18,077	30,034
	2,653,265	2,995,850
Total amounts due to related parties included in other payables		
Dividend payable to:		
– Skylong Holdings Limited	136,145	–
– Sky Infinity Holdings Limited	42,631	–
– Wason Holdings Limited	15,231	–
– Walong Holdings Limited	11,271	–
– Mr. Hoi Kin Hong	2,072	–
– Mr. Hoi Wa Fong	618	–
– Spouse of Mr. Hoi Kin Hong	211	–
	208,179	–

- (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.