POWERLONG
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POWERLONG REAL ESTATE HOLDINGS LIMITED
寶龍地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01238)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

- **Contracted sales amounted to approximately RMB1.25 billion, increased by 28% when compared with the first half of 2009. The contracted pre-sold GFA from nine projects was 158,828 square meters ("sqm") with an average selling price of RMB7,861 per sqm. In July 2010, contracted sales amounted to RMB666 million, hitting new record high of contacted sales in a single month.**

- **Revenue of the Group amounted to RMB1.042 billion, representing a decrease of 19% when compared with the corresponding period of last year as the delivery of properties will mainly take place in the second half of 2010.**

- **During the first half of 2010, the Company acquired two parcels of land in Tianjin and Quanzhou, Fujian, respectively, with a total planned GFA of approximately 710,000 sqm. Total area of land bank increased to approximately 6,890,000 sqm as a result of the acquisition. To enhance the regional distribution of land bank, the Group will continue to adopt a prudent land acquisition policy for investment with a view to increasing the land bank when the land price can bring attractive investment return to the Group.**

- **GFA of completed investment properties up 21% to 658,174 sqm as compared to 31 December 2009.**

- **Rental income from investment properties up by 124 % to RMB63.6million as compared to 30 June 2009.**

- **Profit attributable to equity holders of the Company increased by 147% to approximately RMB815 million as compared to 30 June 2009.**

- **Gearing ratio (total borrowings divided by total assets) standing at 19%**

- **Earnings per share was RMB19.97 cents. The Board resolved not to declare an interim dividend.**

The board of directors (the "Board") of Powerlong Real Estate Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2010 together with comparative figures for the corresponding period of last year, as follows.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Audited)
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**1,042,037**	1,294,329
Cost of sales	*4*	**(513,191)**	(609,295)
Gross profit		**528,846**	685,034
Fair value gains on investment properties	*10*	**729,894**	2,400
Selling and marketing costs	*4*	**(41,860)**	(26,333)
Administrative expenses	*4*	**(165,861)**	(75,870)
Other gains – net	*5*	**11,395**	472
Operating profit		**1,062,414**	585,703
Finance income/(costs)	*6*	**3,673**	(2,716)
Profit before income tax		**1,066,087**	582,987
Income tax expenses	*7*	**(252,206)**	(254,419)
Profit for the period		**813,881**	328,568
Other comprehensive income		**–**	–
Total comprehensive income for the period		**813,881**	328,568
Attributable to:			
Equity holders of the Company		**815,250**	330,068
Non-controlling interests		**(1,369)**	(1,500)
		813,881	328,568
Basic and diluted earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB cents per share)	*8*	**19.97 cents**	11.00 cents
Dividends	*9*	**–**	–

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**30 June 2010 (Unaudited) *RMB'000***	31 December 2009 (Audited) *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**469,996**	323,917
Land use rights		**99,500**	61,343
Investment properties	*10*	**7,734,352**	6,507,786
Deferred income tax assets		**54,971**	30,596
		8,358,819	6,923,642
Current assets			
Land use rights		**1,924,678**	1,616,364
Properties under development		**1,374,972**	1,210,068
Completed properties held for sale		**783,986**	478,410
Trade and other receivables and prepayments	*11*	**1,478,011**	1,788,562
Prepaid taxes		**40,966**	11,639
Financial assets at fair value through profit or loss		**18,294**	11,517
Restricted cash		**698,865**	719,891
Cash and cash equivalents		**1,780,493**	1,764,225
		8,100,265	7,600,676
Total assets		**16,459,084**	14,524,318
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital and premium	*12*	**3,136,922**	3,172,401
Other reserves	*13*	**365,690**	347,231
Retained earnings			
– Proposed dividend		**–**	245,247
– Others		**5,253,001**	4,437,751
		8,755,613	8,202,630
Non-controlling interests		**36,058**	26,927
Total equity		**8,791,671**	8,229,557

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

	Note	**30 June 2010 (Unaudited)** *RMB'000*	31 December 2009 (Audited) *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*14*	**1,724,053**	1,026,201
Deferred income tax liabilities		**1,153,274**	961,679
		2,877,327	1,987,880
Current liabilities			
Borrowings	*14*	**1,346,184**	1,145,715
Trade and other payables	*15*	**900,331**	901,829
Advances from customers		**1,422,181**	1,231,758
Dividend payable		**108,755**	–
Income tax payables		**1,012,635**	1,027,579
		4,790,086	4,306,881
Total liabilities		**7,667,413**	6,294,761
Total equity and liabilities		**16,459,084**	14,524,318
Net current assets		**3, 310,179**	3,293,795
Total assets less current liabilities		**11,668,998**	10,271,437

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company					
	Share capital and premium	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note12)	*(note13)*				
Six months ended 30 June 2010 (Unaudited)						
Balance at 1 January 2010	3,172,401	347,231	4,682,998	8,202,630	26,927	8,229,557
Comprehensive income						
– Profit for the period	–	–	815,250	815,250	(1,369)	813,881
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the six months ended 30 June 2010	–	–	815,250	815,250	(1,369)	813,881
Transaction with owners						
– Dividends	–	–	(245,247)	(245,247)	–	(245,247)
– Repurchase of shares of the Company	(35,479)	–	–	(35,479)	–	(35,479)
– Capital contribution from non-controlling interests	–	–	–	–	10,500	10,500
– Employees share option scheme	–	18,459	–	18,459	–	18,459
	(35,479)	18,459	(245,247)	(262,267)	10,500	(251,767)
Balance at 30 June 2010	3,136,922	365,690	5,253,001	8,755,613	36,058	8,791,671
Six months ended 30 June 2009 (Audited)						
Balance at 1 January 2009	26,659	341,983	1,640,329	2,008,971	34,501	2,043,472
Comprehensive income						
– Profit for the period	–	–	330,068	330,068	(1,500)	328,568
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the six months ended 30 June 2009	–	–	330,068	330,068	(1,500)	328,568
Balance at 30 June 2009	26,659	341,983	1,970,397	2,339,039	33,001	2,372,040

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Six months ended 30 June	
	2010	2009
	Unaudited	Audited
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	**(37,685)**	334,956
Net cash used in investing activities	**(693,296)**	(448,913)
Net cash generated from financing activities	**748,825**	177,295
Net increase in cash and cash equivalents	**17,844**	63,338
Cash and cash equivalents at the beginning of the period	**1,764,225**	205,302
Effect of foreign exchange rate changes	**(1,576)**	3,599
Cash and cash equivalents at the end of the period	**1,780,493**	272,239

NOTES:

1. General information

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 Group is principally engaged in property development, property investment, property management, and other property development related services in the People's Republic of China (the "PRC").

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

This condensed consolidated interim financial information was approved for issue by the Board on 28 August 2010.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) The following amendments to standards and interpretations are effective for the financial year beginning 1 January 2010:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HKAS 39 (Amendment)	Financial Instruments: Recognition and measurement – Eligible Hedge Items
HKFRS 1 (Revised)	First-time adoption of HKFRSs
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners
HKFRSs (Amendments)	Improvements to HKFRSs
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 17 (Amendment)	Leases
HKAS 36 (Amendment)	Impairment of Assets

The adoption of the above amended standards and interpretations did not have any material impact on the interim financial information except for disclosure and has not led to any changes in the accounting policies except disclosed elsewhere.

(b) The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendment to HKAS 32	Classification of rights issues	1 February 2010
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HKAS 24 (Revised)	Related party disclosures	1 January 2011
Amendments to HK(IFRIC)-Int14	Prepayments of a minimum funding requirement	1 January 2011
HKFRSs (Amendments)	Third improvements to HKFRSs (2010)	1 January 2011
HKFRS 9	Financial instruments	1 January 2013

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

3. **Segment information**

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

Revenue consists of sales of properties, rental income of investment properties, property management services and other property development related services. Revenue of the six months ended 30 June 2010 consists of the following:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Sales of properties	**956,981**	1,255,624
Rental income of investment properties	**63,608**	28,407
Property management services	**21,448**	10,298
	1,042,037	1,294,329

The segment results and other segment items included in the profit for the six months ended 30 June 2010 are as follows:

	Property development	**Property investment**	**Property management services**	**Other property development related services**	**Elimination**	**Group**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Gross segment revenue	**956,981**	**63,608**	**36,478**	**61,150**	**–**	**1,118,217**
Inter-segment revenue	**–**	**–**	**(15,030)**	**(61,150)**	**–**	**(76,180)**
Revenue	**956,981**	**63,608**	**21,448**	**–**	**–**	**1,042,037**
Segment results	**400,381**	**752,061**	**(5,874)**	**(12,054)**	**(3,581)**	**1,130,933**
Unallocated operating costs						**(68,519)**
Finance income						**3,673**
Profit before income tax						**1,066,087**
Income tax expenses						**(252,206)**
Profit for the period						**813,881**
Capital expenditure	**503,873**	**496,672**	**566**	**145,789**	**–**	**1,146,900**
Depreciation	**2,854**	**–**	**413**	**595**	**–**	**3,862**
Amortisation of land use rights recognised as expenses	**9,006**	**–**	**–**	**–**	**–**	**9,006**
Fair value gains on investment properties *(note 10)*	**–**	**729,894**	**–**	**–**	**–**	**729,894**

The segment results and other segment items included in the profit for the six months ended 30 June 2009 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Gross segment revenue	1,255,624	28,407	10,298	25,157	–	1,319,486
Inter-segment revenue	–	–	–	(25,157)	–	(25,157)
Revenue	1,255,624	28,407	10,298	–	–	1,294,329
Segment results	575,839	12,626	11,982	2,974		603,421
Unallocated operating costs						(17,718)
Finance costs						(2,716)
Profit before income tax						582,987
Income tax expenses						(254,419)
Profit for the period						328,568
Capital expenditure	179,422	51,160	142	76	–	238,800
Depreciation	2,618	–	225	921	–	3,764
Amortisation of land use rights recognised as expenses	7,896	–	–	–	–	7,896
Fair value gains on investment properties *(note 10)*	–	2,400	–	–	–	2,400

Segment assets and liabilities as at 30 June 2010 are as follows:

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management services** *RMB'000*	**Other property development related services** *RMB'000*	**Elimination** *RMB'000*	**Group** *RMB'000*
Segment assets	**6,056,710**	**8,876,526**	**41,406**	**866,159**	**(676,609)**	**15,164,192**
Other assets						**1,294,892**
Total assets						**16,459,084**
Segment liabilities	**1,969,362**	**190,309**	**73,957**	**546,177**	**(515,501)**	**2,264,304**
Other liabilities						**5,403,109**
Total liabilities						**7,667,413**

Segment assets and liabilities as at 31 December 2009 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	5,789,426	7,184,209	21,800	878,175	(250,812)	13,622,798
Other assets						901,520
Total assets						14,524,318
Segment liabilities	1,663,562	268,057	46,963	197,232	(95,248)	2,080,566
Other liabilities						4,214,195
Total liabilities						6,294,761

Reportable segments' assets are reconciled to total assets as follows:

	30 June 2010 ***RMB'000***	31 December 2009 *RMB'000*
Segment assets	**15,164,192**	13,622,798
Other assets		
Prepaid taxes	**40,966**	11,639
Deferred tax assets	**54,971**	30,596
Unallocated cash and cash equivalents and restricted cash	**1,154,040**	828,987
Amounts due from related parties	**27,816**	23,844
Unallocated property and equipment	**1,701**	2,679
Other corporate assets	**15,398**	3,775
Total assets	**16,459,084**	14,524,318

Reportable segments' liabilities are reconciled to total liabilities as follows:

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Segment liabilities	**2,264,304**	2,080,566
Other liabilities		
Income tax payables	**1,012,635**	1,027,579
Deferred tax liabilities	**1,153,274**	961,679
Interests payable	**–**	2,624
Current borrowings	**1,346,184**	1,145,715
Non-current borrowings	**1,724,053**	1,026,201
Amounts due to related parties	**32,900**	32,900
Dividend payable	**108,755**	–
Other corporate liabilities	**25,308**	17,497
Total liabilities	**7,667,413**	6,294,761

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

Segment liabilities consist of operating liabilities.

4. 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	
	2010 *RMB'000*	2009 *RMB'000*
Business taxes and other levies	**54,623**	66,383
Staff costs (including directors' emoluments)	**103,845**	47,300
Advertising costs	**24,114**	10,178
Depreciation	**3,862**	3,764
Amortisation of land use rights	**9,006**	7,896
Cost of properties sold (excluding staff costs)	**435,745**	543,233
Auditors' remuneration	**1,720**	210
Donations to governmental charity	**29,429**	3,348

5. Other gains – net

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Foreign exchange (losses)/gains	**(1,576)**	3,599
Gains from disposal of land use rights	**9,471**	–
Fair value gains on financial assets at fair value through profit or loss	**3,500**	–
Losses from disposal of investment properties – net	**–**	(3,127)
	11,395	472

6. Finance (income)/costs

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Interest expenses		
Borrowings wholly repayable within five years	**58,296**	35,892
Secured bonds and secured notes	**–**	62,080
Less: interest capitalised	**(56,056)**	(95,256)
	2,240	2,716
Net foreign exchange gains on financing activities	**(5,913)**	–
	(3,673)	2,716

7. Income tax expenses

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Current tax		
PRC corporate income tax	**112,403**	116,619
PRC land appreciation tax – provision	**21,854**	144,147
PRC land appreciation tax – reversal of provision	**(53,048)**	–
Deferred income tax		
PRC corporate income tax	**170,997**	(6,347)
	252,206	254,419

Overseas income tax

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

PRC corporate income tax

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

Pursuant to the Detailed Implementation Regulations for implementation of the new CIT Law issued on 6 December 2007, a 10% withholding tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in this condensed consolidated interim financial information as the Group did not have assessable profit in Hong Kong for the period. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

PRC land appreciation tax ("LAT")

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

Certain entities of the Group in Henan Province, Anhui Province and Jiangsu Province were subject to LAT which is calculated based on 0.5% to 3.5% of the sales of properties in accordance with the authorised taxation method obtained from tax authorities before 2009. In the six months ended 30 June 2010, certain project of the Group has cleared the LAT with local tax bureau at rates ranged from 5% to 12%.

8. Earnings per share

(a) Basic

The calculation of basic earnings per share is based on the Company's profit attributable to equity holders and the weighted average shares in issue during the period.

	Six months ended 30 June	
	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	**815,250**	330,068
Weighted average number of ordinary shares in issue (thousand shares)	**4,082,293**	3,000,000
Basic earnings per share (RMB cents per share)	**19.97 cents**	11.00 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. For the six months ended 30 June 2010, as the average market share price of the ordinary shares during the period was lower than the subscription price, the diluted earnings per share was equal to the basic earnings per share.

9. Dividends

No interim dividend in respect of six months ended 30 June 2010 was proposed by the Board (six months ended 30 June 2009: nil).

Final dividend of 2009 of RMB6.00 cents per ordinary share, totalling RMB245,247,000 was declared on 11 June 2010 and RMB136,492,000 was subsequently paid in June 2010. The outstanding dividend payable of RMB108,755,000 as at 30 June 2010 is payable to Skylong Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Kin Hong, the major Shareholder of the Company.

10. Investment properties

	Completed properties	Properties under construction	Total
	RMB'000	*RMB'000*	*RMB'000*
Six months ended 30 June 2010			
At 1 January 2010	**5,582,400**	**925,386**	**6,507,786**
Addition	**80,888**	**389,053**	**469,941**
Transfer from land use rights	**–**	**26,731**	**26,731**
Transfers	**331,318**	**(331,318)**	**–**
Fair value gains	**729,894**	**–**	**729,894**
At 30 June 2010	**6,724,500**	**1,009,852**	**7,734,352**
Six months ended 30 June 2009			
At 1 January 2009	2,173,000	1,218,894	3,391,894
Addition	4,137	24,666	28,803
Disposal of investment properties	(10,637)	–	(10,637)
Fair value gains	2,400	–	2,400
At 30 June 2009	2,168,900	1,243,560	3,412,460

The completed investment properties have been revalued at 30 June 2010 and 31 December 2009 by Savills Valuation and Professional Services Limited, an independent and professionally qualified valuer. The valuations were based on either capitalisation of the net rental incomes of the property derived from the existing tenancies with due allowance for the reversionary income potential of the property, or by making reference to the comparable market transactions assuming sale with the benefit of vacant possession.

The management of the Group has concluded that the fair value of its investment properties under construction as at 30 June 2010 and 31 December 2009 could not be measured reliably, therefore, the Group's investment properties under construction continue to be measured at cost as at 30 June 2010 and 31 December 2009.

The capitalisation rate of borrowings for the six months ended 30 June 2010 is 6.09% (six months ended 30 June 2009: 12.21%).

As at 30 June 2010, investment properties amounting to RMB4,719,289,000 (31 December 2009: RMB4,198,612,000) were pledged as collateral for the Group's borrowings.

11. Trade and other receivables and prepayments

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Trade receivables *(note (a))*	**253,577**	413,076
– Related parties	**41,584**	15,433
– Third parties	**211,993**	397,643
Other receivables from:	**190,870**	69,553
– Related parties	**27,816**	23,844
– Third parties	**163,054**	45,709
Prepaid business taxes and other taxes	**61,544**	29,208
Prepayments to a related party for acquisition of properties	**600,000**	600,000
Prepayments for acquisition of land use rights	**295,350**	674,911
Prepayments for construction fee – third parties	**76,670**	1,814
	1,478,011	1,788,562

(a) Trade receivables are mainly derived from sales of properties and rental income. Sales proceeds and rental fee are paid in accordance with the terms of the related sales and purchase agreements and rental contracts. All trade receivables at 30 June 2010 and 31 December 2009 were aged less than one year.

As at 30 June 2010 and 31 December 2009, the fair value of trade and other receivables approximated their carrying amounts.

Trade receivables and other receivables are unsecured and interest free. The Group's trade and other receivables and prepayments are denominated in RMB. No material trade and other receivables were impaired or past due as at 30 June 2010 and 31 December 2009.

12. Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary share *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Six months ended 30 June 2009					
Balances as at 1 January 2009 and 30 June 2009	3,000,000,000	HK$30,000,000	26,658	1	26,659
Six months ended 30 June 2010					
Balances as at 1 January 2010	4,087,448,000	HK$40,874,480	36,269	3,136,132	3,172,401
Repurchase of shares of the Company *(note (a))*	(19,000,000)	(HK$190,000)	(167)	(35,312)	(35,479)
Balances as at 30 June 2010	4,068,448,000	HK$40,684,480	36,102	3,100,820	3,136,922

(a) In the six months ended 30 June 2010, the Company acquired 19,000,000 of its own ordinary shares through the Stock Exchange at a consideration of approximately HK$40,341,000 (equivalent to RMB35,479,000). The shares were cancelled right after the repurchase..

13. Other reserves

	Merger reserve *RMB'000*	Statutory reserves *RMB'000*	Share option reserve *RMB'000*	Total *RMB'000*
Balance at 1 January 2010	337,203	4,780	5,248	347,231
Employees share option scheme	–	–	18,459	18,459
Balance at 30 June 2010	337,203	4,780	23,707	365,690
Balance at 1 January 2009 and 30 June 2009	337,203	4,780	–	341,983

14. Borrowings

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Borrowings included in non-current liabilities:		
Bank borrowings –secured	**2,090,625**	1,405,526
Other borrowings –unsecured	**114,135**	–
Less: amounts due within one year	**(480,707)**	(379,325)
	1,724,053	1,026,201
Borrowings included in current liabilities:		
Short-term borrowings –secured	**865,477**	766,390
Current portion of long-term borrowings	**480,707**	379,325
	1,346,184	1,145,715

15. Trade and other payables

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Trade payables – third parties	**508,882**	456,955
Notes payable – third party	**2,151**	35,855
Other payables and accruals:	**145,081**	150,218
–Related parties	**32,900**	32,900
–Third parties	**112,181**	117,318
Payables for retention fee	**129,219**	110,827
Payables for acquisition of land use rights	**76,227**	98,627
Other taxes payable	**38,771**	49,347
	900,331	901,829

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

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Within 90 days	**124,787**	80,063
Over 90 days and within 180 days	**113,517**	30,238
Over 180 days and within 365 days	**30,310**	76,880
Over 365 days and within 3 years	**240,268**	269,774
	508,882	456,955

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW AND OUTLOOK

The rapid growth in the price of the real estate since the second half of 2009 has further aroused great concern from the public. The PRC government has implemented a series of macro-economic control policies with a view to controlling the speculations in real estate and cooling down the surging prices of real estate. During the first half of 2010, with various macro-economic control policies being finalized and implemented, it is expected that there will be some changes in the market and the preliminary impacts of the control policies will be seen. The market has reached the stage to observe the impacts of control policies.

During the first half of 2010, the Group has appropriately adjusted the sales strategy and the pace of development. The Group adopted a pricing strategy close to the market price, and captured the opportunities to introduce new properties in a timely manner, including Yancheng Powerlong City Plaza and Suqian Powerlong City Plaza. The total contracted sales area was 158,828 sqm and the contracted sales amounted to approximately RMB1,248 million. The Group commenced the construction of eight new projects during the first half of 2010, and expanded its land bank by 710,000 sqm, resulting in a total land bank area of approximately 6,890,000sqm. This has provided the Company with sufficient land bank for sustainable development in the future.

The Group is facing the uncertainties arising from the existing macro-economic controls on the real estate. In the second half of 2010, the Group will focus on its core business and endeavor to continue to implement the strategy of setting up "standard mall", centralize resources on developing products, which meet market demand and the direction of industry development, focus on selecting suitable area for development and expanding the land bank in a rational and prudent manner, continue to adopt sound financial management, make appropriate financing arrangement and reasonably arrange the use of cash flows and invest prudently within our resource capacity based on the financial condition of the Company, in order to ensure the Group is maintaining a healthy financial status. The Group will also capture the opportunities brought by commercial properties and fully take advantage of the characteristics of stable cash flow from the commercial properties. This enables the Group to manage the fluctuation and improve its operating result, so as to bring satisfactory return to the shareholders.

BUSINESS REVIEW

During the six months ended 30 June 2010, the Group conducted its business activities in the following major business segments, namely property development, property investment, property management. Property development remains the core business and key revenue driver of the Group.

Property Development

During the period under review, the Group adhered closely to its schedules of completions and deliveries as originally planned. The completed and delivered projects aggregated a total GFA of approximately 129,032 sqm (the first half of 2009: 179,805 sqm), and represented a decrease of 28% when compared with the corresponding period of last year. Meanwhile, various projects in Yancheng, Suqian, Changzhou of Jiangsu Province, and Qingdao Licang, Jimo, Yantai Haiyang of Shandong Province were in the stages of development and presale, highlighted as follows:

Projects completed and delivered in the first half of 2010

	GFA completed *(sqm)*	**GFA sold & delivered** *(sqm)*
Qingdao		
Commercial	87,040	5,317
Residential	54,745	65,937
Bengbu		
Commercial	105,526	18,207
Zhengzhou		
Commercial	–	14,947
Luoyang		
Commercial	–	16,403
Residential	–	513
Others		
Commercial	46,443	7,484
Residential	–	224
Total		
Commercial	239,009	62,358
Residential	54,745	66,674
	293,754	129,032
Add: Car park spaces completed	80,932	
	374,686	

Property Sales Performance

The sales of the Group during the period were mainly attributable to Qingdao Chengyang project in Shandong Province, Bengbu project in Anhui Province and Zhengzhou project in Henan Province, as highlighted in the following table.

	GFA sold & Delivered *(sqm)*	**Revenue** *(RMB'000)*	**Average selling price** *(RMB/sqm)*
Chengyang, Qingdao			
Commercial	5,317	78,177	14,703
Residential	65,937	307,088	4,657
Bengbu			
Commercial	18,207	204,339	11,223
Zhengzhou			
Commercial	14,947	205,116	13,723
Luoyang			
Commercial	16,403	97,439	5,940
Residential	513	1,784	3,477
Others			
Commercial	7,484	49,204	6,575
Residential	224	13,834	6,175
Total			
Commercial	62,358	634,275	10,172
Residential	66,674	322,706	4,840
	129,032	956,981	7,416

Property Contracted Sales Performance

During the six months ended 30 June 2010, the total contracted sales area of the Group reached approximately 158,828 sqm (the corresponding period of 2009: 160,300 sqm), while the total contracted sales value amounted to RMB1,248,490,724 (the corresponding period of 2009: RMB976,758,158). This represented an increase of 28% compared to the corresponding period of 2009.

Projects	**Contracted sales area** *(sqm)*	**Contracted sales value** *(RMB'000)*
Zhengzhou	14,947	210,076
Bengbu	4,777	62,672
Luoyang	17,519	106,172
Tai'an	10,656	70,817
Chengyang, Qingdao	6,169	66,190
Wangzhuang, Wuxi	36,487	309,335
Yuqi, Wuxi	3,852	17,865
Yancheng	9,296	95,146
Suqian	55,125	310,218
Total	158,828	1,248,491

During the period under review, new projects such as Yancheng Powerlong City Plaza and Suqian Powerlong City Plaza have achieved overwhelming success in their respective presale launches commenced in late 2009. The projects which will reach the stage of presale in the second half of 2010 include Licang Project, Haiyang Project, Jimo Project, Anxi Project, Changzhou Project, Xinxiang Project, phase II of the Luoyang Project and phase II of the Yuqi Project.

It is expected that the Group will have eight new projects available for sale during the second half of 2010, with a total GFA available for sale of 2,000,000 sqm, which include the completed projects as at 30 June 2010 with saleable GFA of 250,000 square meters.

Hotel Development

The Group continues to develop its hotel business for the long-term recurring income stream. The Group is now developing three luxurious hotels in Suzhou, Qingdao and Tai'an, respectively, and has entered into an agreement with Sheraton Hotels and Resorts International Group to carry out their management services as hotel operator. The hotel in Taicang of Suzhou has commenced operation, while the hotels in Qingdao and Tai'an are scheduled to complete in the second half of 2010. The Group will also focus on the development of six other hotel projects.

Investment Properties and Ancillary Services

To generate stable and recurring income, the Group also holds some of its commercial properties for leasing. As at 30 June 2010, the Group had an aggregate GFA of 658,174 square meters (As at 31 December 2009: 544,964 square meters) held as investment properties, which was increased by 21% compared with the corresponding period of 2009.

During the period under review, the Group recorded a rental income from investment properties of approximately RMB63,608,000 (the corresponding period of 2009: RMB28,407,000), which was increased by 124%. This was mainly attributable to the completion of construction works and transfer to investment properties at Tai'an, Luoyang, Qingdao and Bengbu, which will be launched on the market for lease and operation by stages.

Land Bank Replenishment

As at 30 June 2010, the Group had a quality land bank amounting to a total GFA of approximately 6,890,000 sqm, approximately 48.5% of which being under development and construction, with the remaining half being held for future development. The land bank will be used for the development of large-scale commercial properties with supermarkets, department stores, cinema complexes, food courts and other leisure facilities and quality residential properties, apartments and hotels.

The Group is upholding the strategies of prudence and long-term development to replenish a quality land bank by acquiring land in potential cities at reasonable prices. The Group has successfully expanded its land bank during the period under review:

- *Yujiapu Project in Tianjin*

  In June 2010, the Group acquired a piece of commercial land in the Tanggu District, Tianjin through its 65%-owned subsidiary, Tianjin Powerlong Jinjun Real Estate Development Co. Ltd. The total site area of the land is 30,141 square meters with an aggregate land premium of approximately RMB900,950,000. The land is approved for commercial use comprising building blocks of apartments, malls and offices. The project is adjacent to the express rail station and the subway station of Beijing-Tianjin Intercity Rail. It is benefiting from efficient traffic network. It is expected that the development of the project will be completed in stages by 2013.

- *Anxi Project in Quanzhou, Fujian*

  In May 2010, the Group acquired another piece of land in Anxi, Quanzhou, Fujian through its 85% –owned subsidiary, Anxi Powerlong Property Development Co., Ltd. The total site area of the land is 86,901sqm with an aggregate land premium of approximately RMB86,200,000. The land is approved for both residential and commercial usage including residential properties, apartments, mall and hotel. The project is located at the interchange between Er Huan Road and Jian An Road in Quanzhou. It is expected that the development of the project will be completed in stages by 2012.

Property Management and Related Services

During the period under review, the income from property management and related services generated from property management services, after intra-group elimination, amounted to approximately RMB21,448,000 (the corresponding period of 2009: RMB10,298,000), representing an increase of 108% compared with the corresponding period of 2009.

FINANCIAL ANALYSIS

Revenue

The total revenue of the Group for the six months ended 30 June 2010 was RMB1,042,037,000. In terms of the overall unit selling price and GFA, a table of analysis on the sales of properties is provided as follows:

Types of properties sold and delivered	GFA	Average selling price
	(square meter)	*(RMB/ square meter)*
Commercial	62,358	10,172
Residential	66,674	4,840
Total	129,032	7,416

Segment Information

The Group's business is currently categorised into three operating segments – property development, property investment, property management. An analysis of the Group's revenue is as follows:

Revenue Stream

	Six months ended 30 June		
	2010	2009	Change between 2009 and 2010
	RMB'000	*RMB'000*	*RMB'000*
Sales of property	**956,981**	1,255,624	(298,643)
Rental income from investment properties	**63,608**	28,407	35,201
Property management services	**21,448**	10,298	11,150
Total	**1,042,037**	1,294,329	(252,292)

For the six months ended 30 June 2010, sales of property remained the Group's core business activity representing 91.8% of total revenue of the Group. Rental income and property management services income accounted for 6.1% and 2.1% of total revenue respectively.

Cost of Sales

Cost of sales comprised, among others, land acquisition costs, construction costs, decoration costs, capitalised interest expenses, amortization of land premium and business taxes. Cost of sales for the period under review decreased by RMB96,104,000 or 16% from RMB609,295,000 for the corresponding period of 2009 to RMB513,191,000. The decrease was mainly due to a decrease of total GFA delivered for the period as compared with that for the corresponding period of 2009.

Profit before Income Tax

Profits before income tax for the six months ended 30 June 2010 amounted to RMB1,066,087,000 (of which, fair value gains of investment properties amounted to RMB729,894,000), representing an increase of 83% as compared with that of the corresponding period of 2009.

Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs for the six months ended 30 June 2010 amounted to RMB41,860,000 (the corresponding period of 2009: RMB26,333,000). The increase in selling and marketing costs was mainly due to the increased number of projects supported by marketing activities. Administrative expenses for the six months ended 30 June 2010, increased by 119% to approximately RMB165,861,000 (the corresponding period of 2009: RMB75,870,000), the significant addition items mainly consisted of staff costs (such as amortization of employees share option costs), donations for construction of Chinese New Countryside and start-up expenses of Taicang Hotel, of which, increased by RMB34.85 million, RMB26 million and RMB11.5 million respectively.

Fair Value Gains of Investment Properties

During the period under review, the Group recorded fair value gains of investment properties of approximately RMB729,894,000 (the corresponding period of 2009: RMB2,400,000), mainly attributable to the increased 113,100 sqm of investment properties of Bengbu project and Qingdao project during the period under review.

Income Tax Expenses

Income tax expenses for the six months ended 30 June 2010 amounted to RMB252,206,000 (the corresponding period of 2009: RMB254,419,000), mainly attributable to the reversal resulted from change of provision for land appreciation tax of International Community of Qingdao project as approved by the local tax authorities from calculation at progressive rate to calculation at fixed percentage of proceeds from properties sales.

Profit Attributable to Equity Holders of the Company

The Group achieved a profit attributable to equity holders of RMB815,250,000 for the six months ended 30 June 2010 (the corresponding period of 2009: RMB330,068,000), increased by 147%. Basic earnings per share for the six months ended 30 June 2010 amounted to RMB19.97 cents (the corresponding period of 2009: RMB11.00 cents).

Liquidity and Financial Resources

As at 30 June 2010, the Group had sufficient liquidity with cash and cash equivalents (including restricted cash) in total amounting to RMB2,479,358,000 and total borrowings amounting to RMB3,070,237,000. Gearing ratio (total borrowings divided by total assets) as at 30 June 2010 stood at a healthy level of 19%.

Of the total borrowings, RMB1,346,184,000 was repayable within one year while RMB1,724,053,000 was repayable after more than one year. The effective interest rate as at 30 June 2010 was 4.38% (the corresponding period of 2009: 6.42%).

Of the Group's total borrowings, approximately 79.3% was denominated in RMB, while the remaining 20.7% was denominated in Hong Kong dollars.

Material Acquisition and Disposal

For the six months ended 30 June 2010, the Company's subsidiaries and associates had no material acquisitions or disposal.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June, 2010, the Group employed a total of 1,984 employees. The total staff costs of the Group incurred during the period under review was RMB103,845,000. The Group has adopted a performance-based rewarding system to motivate its staff. In relation to staff training, the Group has also provided different types of training programs for its staff to improve their skills and expertise.

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2010.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2010.

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

For the six months ended 30 June 2010, the Company repurchased 19,000,000 shares of the Company (the "Shares"):

Dates of repurchase	The number of Shares repurchased	Price per Shares Highest	Lowest	Total consideration Expenses excluded
		(HK$)	*(HK$)*	*(HK$)*
6 May 2010	6,000,000	2.19	2.11	12,951,600.00
7 May 2010	3,000,000	2.15	2.10	6,410,100.00
14 May 2010	3,000,000	2.15	2.10	6,376,800.00
17 May 2010	3,000,000	2.11	2.09	6,308,100.00
19 May 2010	4,000,000	2.09	2.06	8,294,000.00

The Company subsequently cancelled its repurchased Shares. The issued share capital of the Company was reduced by such nominal values. The premium paid on the repurchase shares of RMB35,312,000 was charged to the share premium account.

The Shares repurchase during the six months ended 30 June 2010 was conducted by the Directors in accordance with the authority of the general mandate granted by the shareholders of the Company on 25 September 2009 to repurchase up to 10% of the issued share of the Director capital of the Company as at the date of passing of are resolution.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code and all directors of the Company have confirmed that they have complied with the Model Code during the six months ended 30 June 2010.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the period ended 30 June 2010.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three members who are the independent non-executive directors of the Company, namely Mr. Ngai Wai Fung, Mr. Mei Jian Ping and Ms. Nie Mei Sheng.

The audit committee has reviewed the interim results for the six months ended 30 June 2010.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended 30 June 2010 containing all the information required by the Listing Rules is to be despatched to shareholders of the Company and made available on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.powerlong.com in due course.

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

Hong Kong, 28 August 2010

As at the date of this announcement, the executive directors of the Company are Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni and Ms. Liu Xiao Lan; the non-executive director of the Company is Ms. Hoi Wa Fan; and the independent non-executive directors of the Company are Mr. Ngai Wai Fung, Mr. Mei Jian Ping and Ms. Nie Mei Sheng.