POWERLONG
宝 龙

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: 1238)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

RESULTS HIGHLIGHTS

- Revenue for the six months ended 30 June 2012 increased 43.4% to RMB2,797.8 million as compared with the revenue for the corresponding period in 2011.

- Contracted sales for the six months ended 30 June 2012 amounted to approximately RMB3,059.6 million, representing an increase of 31.1% over the contracted sales for the corresponding period in 2011.

- Gross profit margin for the six months ended 30 June 2012 was 40.8%, and net profit margin (excluding the profit attributable to fair value gains on investment properties) was 14.1%.

- Core earnings (being the profit for the period after excluding the profit attributable to fair value gains on investment properties) for the period under review was approximately RMB394.4 million, increased by 45.9% as compared to the core earnings for the corresponding period in 2011.

- For the six months ended 30 June 2012, earnings per share amounted to RMB30.45 cents.

The board of directors (the "**Board**") of Powerlong Real Estate Holdings Limited (the "**Company**" or "**Powerlong**") 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 2012, together with the comparative figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2012	2011
		Unaudited	Unaudited
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**2,797,781**	1,950,577
Cost of sales	*3*	**(1,655,779)**	(1,105,470)
Gross profit		**1,142,002**	845,107
Fair value gains on investment properties – net	*9*	**1,122,612**	3,021,514
Selling and marketing costs	*3*	**(91,896)**	(71,525)
Administrative expenses	*3*	**(268,496)**	(272,698)
Other (losses)/gains – net	*4*	**(27,902)**	8,471
Exchange gains/(losses) – net		**624**	(8,867)
Operating profit		**1,876,944**	3,522,002
Finance (costs)/income – net	*5*	**(27,030)**	41,272
Share of post-tax profits of a jointly controlled entity		**13,315**	–
Profit before income tax		**1,863,229**	3,563,274
Income tax expenses	*6*	**(634,012)**	(1,042,153)
Profit for the period		**1,229,217**	2,521,121
Other comprehensive income			
Revaluation gains on property and equipment and land use rights transferred to investment properties		**80,161**	–
Available-for-sale financial assets		**(145)**	–
Other comprehensive income for the period, net of tax		**80,016**	–
Total comprehensive income for the period		**1,309,233**	2,521,121
Profit attributable to:			
Owners of the Company		**1,221,003**	2,468,706
Non-controlling interests		**8,214**	52,415
		1,229,217	2,521,121

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Six months ended 30 June	
		2012	2011
		Unaudited	Unaudited
	Note	***RMB'000***	*RMB'000*
Total comprehensive income attributable to:			
Owners of the Company		**1,296,039**	2,468,706
Non-controlling interests		**13,194**	52,415
		1,309,233	2,521,121
Earnings per share for profit attributable to owners of the Company for the period (expressed in RMB cents per share)	*7*		
– Basic		**30.45**	61.55
– Diluted		**30.45**	61.55
Dividends	*8*	**–**	–

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**30 June 2012 Unaudited** *RMB'000*	31 December 2011 Audited *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**1,584,642**	1,676,394
Land use rights		**547,678**	648,722
Investment properties	*9*	**16,630,926**	15,025,359
Interests in a jointly controlled entity		**900,446**	887,131
Deferred income tax assets		**168,764**	146,446
Loans and receivables	*10*	**270,000**	–
		20,102,456	18,384,052
Current assets			
Properties under development		**8,274,898**	6,407,247
Completed properties held for sale		**2,436,614**	2,228,846
Trade and other receivables and loans	*10*	**1,279,585**	1,357,441
Prepayments		**2,871,429**	3,682,762
Prepaid taxes		**135,992**	122,910
Available-for-sale financial assets		**16,159**	–
Financial assets at fair value through profit or loss		**5,803**	2,524
Restricted cash		**821,621**	407,428
Cash and cash equivalents		**1,809,923**	1,411,182
		17,652,024	15,620,340
Total assets		**37,754,480**	34,004,392
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium		**3,035,471**	3,037,979
Other reserves		**480,678**	400,150
Retained earnings			
– Proposed dividends		**–**	243,065
– Unappropriated retained earnings		**11,542,733**	10,319,245
		15,058,882	14,000,439
Non-controlling interests		**418,085**	404,891
Total equity		**15,476,967**	14,405,330

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

	Note	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	11	**7,460,510**	6,919,854
Deferred income tax liabilities		**2,717,747**	2,420,330
		10,178,257	9,340,184
Current liabilities			
Trade and other payables	12	**3,334,245**	3,109,877
Advances from customers		**3,175,463**	2,786,218
Current income tax liabilities		**1,958,212**	1,926,782
Borrowings	11	**3,631,336**	2,436,001
		12,099,256	10,258,878
Total liabilities		**22,277,513**	19,599,062
Total equity and liabilities		**37,754,480**	34,004,392
Net current assets		**5,552,768**	5,361,462
Total assets less current liabilities		**25,655,224**	23,745,514

NOTES:

1 Basis of preparation and accounting policies

This condensed consolidated interim financial information for the six months ended 30 June 2012 ("Interim Financial Information") has been prepared in accordance with HKAS 34 "Interim Financial Reporting". The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

(a) Amended standards adopted by the Group

HKFRS 7 (Amendment)	Financial instruments: Disclosures – Transfers of financial assets
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKAS 12 (Amendment) (note (1))	Deferred tax: Recovery of underlying assets

1. In December 2010, the Hong Kong Institute of Certified Public Accountants ("HKICPA") amended HKAS 12 "Income taxes", to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on investment properties measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

   Investment properties of the Group are held with a business model to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. For these investment properties, the presumption is rebutted and related deferred tax is not remeasured.

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

(b) The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year ending 31 December 2012 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKFRS 10	Consolidated financial statements	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKFRS (Amendments)	Annual Improvements 2009-2011 Cycle	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
HKFRS 7 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015

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

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

2 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 services 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 People's Republic of China (the "PRC") and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

The segment results and other segment items included in the profit for the six months ended 30 June 2012 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	**2,362,835**	**159,763**	**86,033**	**193,909**	**–**	**2,802,540**
Inter-segment revenue	**–**	**–**	**(4,759)**	**–**	**–**	**(4,759)**
Revenue	**2,362,835**	**159,763**	**81,274**	**193,909**	**–**	**2,797,781**
Segment results	**862,291**	**1,229,286**	**(6,736)**	**(98,116)**	**(3,541)**	**1,983,184**
Other losses – net *(note 4)*						**(27,902)**
Share of post-tax profits of a jointly controlled entity						**13,315**
Unallocated operating costs						**(78,338)**
Finance costs – net *(note 5)*						**(27,030)**
Profit before income tax						**1,863,229**
Income tax expenses *(note 6)*						**(634,012)**
Profit for the period						**1,229,217**
Depreciation	**6,580**	**–**	**1,358**	**42,363**	**–**	**50,301**
Amortisation of land use rights recognised as expenses	**–**	**–**	**–**	**2,955**	**–**	**2,955**
Fair value gains on investment properties – net *(note 9)*	**–**	**1,122,612**	**–**	**–**	**–**	**1,122,612**

The segment results and other segment items included in the profit for the six months ended 30 June 2011 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	1,744,484	101,827	46,066	64,076	–	1,956,453
Inter-segment revenue	–	–	(5,876)	–	–	(5,876)
Revenue	1,744,484	101,827	40,190	64,076	–	1,950,577
Segment results	650,461	3,061,666	(15,514)	(95,229)	(3,088)	3,598,296
Other gains – net *(note 4)*						8,471
Unallocated operating costs						(84,765)
Finance income – net *(note 5)*						41,272
Profit before income tax						3,563,274
Income tax expenses *(note 6)*						(1,042,153)
Profit for the period						2,521,121
Depreciation	3,761	–	929	24,181	–	28,871
Amortisation of land use rights recognised as expenses	–	–	–	4,164	–	4,164
Fair value gains on investment properties – net *(note 9)*	–	3,021,514	–	–	–	3,021,514

Segment assets and liabilities as at 30 June 2012 are as follows:

	Property development ***RMB'000***	**Property investment** ***RMB'000***	**Property management services** ***RMB'000***	**Other property development related services** ***RMB'000***	**Elimination** ***RMB'000***	**Group** ***RMB'000***
Segment assets	**18,951,293**	**17,589,280**	**140,736**	**2,001,918**	**(2,255,800)**	**36,427,427**
Other assets						**1,327,053**
Total assets						**37,754,480**
Segment liabilities	**5,268,715**	**491,236**	**186,272**	**2,260,459**	**(2,255,800)**	**5,950,882**
Other liabilities						**16,326,631**
Total liabilities						**22,277,513**
Capital expenditure	**9,744**	**328,640**	**544**	**111,497**	**–**	**450,425**

Segment assets and liabilities as at 31 December 2011 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	15,829,030	16,409,224	159,219	2,854,117	(2,119,985)	33,131,605
Other assets						872,787
Total assets						34,004,392
Segment liabilities	4,996,214	603,642	184,230	1,858,444	(2,119,985)	5,522,545
Other liabilities						14,076,517
Total liabilities						19,599,062
Capital expenditure	14,837	2,913,385	6,088	736,679	–	3,670,989

Segment assets are reconciled to total assets as follows:

	30 June 2012 ***RMB'000***	31 December 2011 *RMB'000*
Segment assets	**36,427,427**	33,131,605
Other assets		
– Prepaid taxes	**135,992**	122,910
– Deferred income tax assets	**168,764**	146,446
– Unallocated cash and cash equivalents and restricted cash	**969,074**	519,235
– Amounts due from related parties	**24,454**	65,686
– Unallocated property and equipment	**14,030**	8,287
– Other corporate assets	**14,739**	10,223
Total assets	**37,754,480**	34,004,392

Segment liabilities are reconciled to total liabilities as follows:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
Segment liabilities	**5,950,882**	5,522,545
Other liabilities		
– Current income tax liabilities	**1,958,212**	1,926,782
– Deferred income tax liabilities	**2,717,747**	2,420,330
– Current borrowings	**3,631,336**	2,436,001
– Non-current borrowings	**7,460,510**	6,919,854
– Amounts due to related parties	**242,358**	302,706
– Dividends payable	**240,580**	–
– Other corporate liabilities	**75,888**	70,844
Total liabilities	**22,277,513**	19,599,062

There has been no material change in total assets from the amount disclosed in the last annual financial statements.

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

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.

3 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	
	2012	2011
	RMB'000	*RMB'000*
Cost of properties sold	**1,200,183**	867,108
Staff costs (including directors' emoluments)	**174,440**	140,704
Business taxes and other levies	**159,568**	100,365
Cost of hotel operations	**67,613**	52,612
Advertising costs	**56,422**	34,022
Depreciation	**50,301**	28,871
Cost of property management services	**27,711**	13,344
Amortisation of land use rights	**2,955**	4,164
Auditor's remuneration	**2,500**	2,700
Donations to governmental charity	**1,800**	5,500

4 Other (losses)/gains – net

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Interest income on entrusted loans	**10,520**	8,668
Loss on disposal of a subsidiary *(note (a))*	**(38,451)**	–
Gains/(losses) on financial assets at fair value through profit or loss – net	**29**	(197)
	(27,902)	8,471

(a) On 25 May 2012, the Group disposed of 100% equity interest in a wholly owned subsidiary in the PRC to a third party at a consideration of RMB64,482,000. Details of net assets disposed of and loss on the disposal are as follows:

	RMB'000
Net assets disposed of:	
Property and equipment	9,915
Land use rights	202,890
Deferred income tax assets	1,706
Amounts due to the Group	(111,578)
Net assets	102,933
Consideration	64,482
Less: net assets disposed of	(102,933)
Loss on the disposal of a subsidiary	(38,451)

5 Finance (costs)/income – net

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Interest expenses:		
– Bank borrowings, other borrowings and finance lease liabilities	**(363,130)**	(194,634)
– Senior notes	**(201,265)**	(121,388)
Less: interest capitalised	**548,545**	312,540
	(15,850)	(3,482)
Net foreign exchange (losses)/gains on financing activities	**(11,180)**	44,754
	(27,030)	41,272

6 Income tax expenses

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Current income tax:		
– PRC corporate income tax	**190,514**	138,916
– PRC land appreciation tax	**196,825**	162,216
Deferred income tax:		
– PRC corporate income tax	**246,673**	741,021
	634,012	1,042,153

The income tax charge relating to components of other comprehensive income for the six months ended 30 June 2012 is as follows:

	Before tax	**Tax charge**	**After tax**
	RMB'000	*RMB'000*	*RMB'000*
Revaluation reserves of property and equipment and land use rights transferred to investment properties	106,881	(26,720)	80,161
Fair value loss on available-for-sale financial assets	(145)	–	(145)
Other comprehensive income	106,736	(26,720)	80,016
Deferred income tax		(26,720)	

PRC corporate income tax

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

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "**CIT Law**"), which is effective from 1 January 2008. Under the CIT Law, the corporate income tax rate applicable to the group entities located in Mainland China is 25%. Under the CIT Law, the corporate income tax rate applicable to certain of the group entities established and operated in Xiamen Special Economic Zone is gradually increased from 15% to 25% in a transitional period of five years starting from 1 January 2008. The applicable tax rate for 2012 is 25% (2011: 24%).

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

PRC land appreciation tax ("LAT")

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

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

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The 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.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the Interim Financial Information as the Company and 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.

7 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 share award scheme.

	Six months ended 30 June	
	2012	2011
Profit attributable to owners of the Company *(RMB'000)*	**1,221,003**	2,468,706
Weighted average number of ordinary shares in issue *(thousand shares)*	**4,009,928**	4,010,730
Basic earnings per share *(RMB cents per share)*	**30.45**	61.55

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: Pre-IPO Share Option Scheme and Share Award Scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options under the two schemes. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the two schemes.

For the six months ended 30 June 2012, as the average market share price of the ordinary shares was lower than the subscription price, the diluted earnings per share was equal to the basic earnings per share (six months ended 30 June 2011: same).

8 Dividends

No interim dividend in respect of six months ended 30 June 2012 was proposed by the Board (six months ended 30 June 2011: nil).

2011 final cash dividend amounting to RMB242,881,000 (2010: RMB244,107,000) has been approved by Annual General Meeting on 18 May 2012 and not yet paid up to 30 June 2012. The net dividends of RMB240,580,000, after deducting dividend of RMB2,301,000 payable to share award scheme trust (six months ended 30 June 2011: dividend of RMB2,301,000 paid), is treated as transaction with owners in the condensed consolidated interim statement of changes in equity for the six months ended 30 June 2012.

9 Investment properties

	Completed investment properties *RMB'000*	Investment properties under construction *RMB'000*	Total *RMB'000*
Six months ended 30 June 2012			
Opening amount as at 1 January 2012	**14,017,695**	**1,007,664**	**15,025,359**
Additions	**105,456**	**223,184**	**328,640**
Transfers to property and equipment and land use rights	**(85,424)**	**–**	**(85,424)**
Transfers from property and equipment and land use rights	**239,739**	**–**	**239,739**
Fair value gains	**52,523**	**1,070,089**	**1,122,612**
Closing amount as at 30 June 2012	**14,329,989**	**2,300,937**	**16,630,926**
Six months ended 30 June 2011			
Opening amount as at 1 January 2011	8,984,000	1,104,058	10,088,058
Additions	39,212	1,427,604	1,466,816
Transfers to property and equipment and land use rights	(183,958)	(458,198)	(642,156)
Fair value gains	–	3,021,514	3,021,514
Closing amount as at 30 June 2011	8,839,254	5,094,978	13,934,232

Completed investment properties and certain investment properties under construction of the Group are measured at fair value as at 30 June 2012 (31 December 2011: same).

Investment properties as at 30 June 2012 are held in the PRC on leases between 10 to 50 years (31 December 2011: same).

The capitalisation rate of borrowings for the six months ended 30 June 2012 was 12.47% (six months ended 30 June 2011: 8.68%).

As at 30 June 2012, investment properties of RMB10,550,641,000 (31 December 2011: RMB9,867,943,000) were pledged as collateral for the Group's borrowings (note 11).

10 Trade and other receivables and loans

	30 June 2012 RMB'000	31 December 2011 RMB'000
Non-current assets:		
Loans and receivables – entrusted loans to third parties	**270,000**	–
Current assets:		
Trade receivables *(note (a))*	**782,951**	733,349
– Related parties	**60,075**	57,348
– Third parties	**722,876**	676,001
Entrusted loans to third parties	**–**	270,000
Deposits for acquisition of land use rights	**95,000**	100,000
Other receivables from:	**401,634**	254,092
– Related parties	**24,454**	65,686
– Third parties	**377,180**	188,406
	1,279,585	1,357,441

(a) Trade receivables are mainly derived from sales of properties and rental income. Sales proceeds and rental fee are paid in accordance with the terms of the related sales and purchase agreements and rental contracts. As at 30 June 2012 and 31 December 2011, the ageing analysis of the trade receivables of the Group based on invoice date is as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Within 90 days	**635,003**	574,285
Over 90 days and within 365 days	**147,948**	159,064
	782,951	733,349

As at 30 June 2012, trade receivables of RMB55,941,000 (31 December 2011: RMB55,019,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Over 90 days and within 365 days	**55,941**	55,019

11 Borrowings

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
Borrowings included in non-current liabilities:		
Senior notes	**2,882,363**	2,863,823
– senior notes due September 2015	**1,291,445**	1,284,301
– senior notes due March 2014	**757,735**	753,686
– senior notes due September 2014	**833,183**	825,836
Bank borrowings	**5,365,207**	4,280,679
– secured	**5,067,459**	3,990,400
– unsecured	**297,748**	290,279
Other borrowings – secured	**1,440,366**	893,057
Finance lease liabilities	**213,421**	–
Less: amounts due within one year	**(2,440,847)**	(1,117,705)
	7,460,510	6,919,854
Borrowings included in current liabilities:		
Bank borrowings	**892,921**	1,083,934
– secured	**645,041**	898,934
– unsecured	**247,880**	185,000
Other borrowings	**297,568**	234,362
– secured	**261,047**	214,362
– unsecured	**36,521**	20,000
Current portion of long-term borrowings	**2,440,847**	1,117,705
	3,631,336	2,436,001
Total borrowings	**11,091,846**	9,355,855

12 Trade and other payables

	30 June 2012 *RMB'000*	31 December 2011 *RMB'000*
Trade payables	**1,887,262**	2,125,387
– Related parties	**20,556**	21,322
– Third parties	**1,277,245**	1,708,133
– Notes payable – third parties	**589,461**	395,932
Other payables and accruals	**679,202**	667,327
– Related parties	**242,358**	302,706
– Third parties	**436,844**	364,621
Payables for retention fee	**170,439**	159,173
Payables for acquisition of land use rights	**248,834**	53,834
Other taxes payable	**107,928**	104,156
Dividends payable to owners of the Company	**240,580**	–
	3,334,245	3,109,877

As at 30 June 2012, the ageing analysis of trade payables of the Group based on invoice date is as follows:

	30 June 2012 *RMB'000*	31 December 2011 *RMB'000*
Within 90 days	**779,921**	881,433
Over 90 days and within 180 days	**383,406**	474,347
Over 180 days and within 365 days	**280,105**	235,303
Over 365 days and within 3 years	**443,830**	534,304
	1,887,262	2,125,387

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review and Outlook

During the first half of 2012, adhering to the core strategy of "Sound Operations, Strive for Excellence", the Group continued to develop its real estate segment with principles of "quality improvement, cost control, design optimization and product upgrade", and to operate its business with the aim to "add value to existing assets and build stronger brand name". With gratitude to the collective effort made by all staff, the Group successfully achieved various goals during the first half of 2012.

During the first half of 2012, the government remained stringent towards property market control, both loan and property sales normalized. In comparison to 2011 during which the Group expanded rapidly and successfully opened six shopping malls and two hotels, in 2012, emphasis was placed more on resources integration as well as refinement and strengthening of operation capabilities. By internal idea sharing, case studies and in-depth discussions, the Group managed to consolidate its product positioning and provided series of trainings to the relevant staff, particularly the management team helped them to better understand the product style, project scale and the community development in the future, so the relevant staff can make better arrangements accordingly.

Dedicated endeavor had been made for the comprehensive upgrade of the existing projects, while resources had been allocated for large-scale evaluation and stock-checking of all projects under the Group. Operational issues had been pinpointed and analyzed. All these moves paved a solid foundation for the future development of Powerlong.

To sum up the Group's performance for the first half of 2012, the Group achieved contracted sales of approximately RMB3,059.6 million, representing a year-on-year increase of approximately 31.1%. Key contributing projects include Hangzhou, Luoyang, Quanzhou Anxi, Chongqing Hechuan and Xiamen, etc. Overall gross profit margin was maintained at approximately 40.8%. Six shopping malls in Suqian, Yancheng, Qingdao Licang, Qingdao Jimo, Luoyang and Quanzhou Anxi respectively, which were newly opened in 2011, recorded satisfactory performance, with most of the tenancy rates reached over 90%, resulting in an approximately 56.9% growth of total rental income to approximately RMB160 million for period under review. Hotels and department stores, which were developed as comprehensive ancillary services, strengthed the positioning of Powerlong. Hotels performed up to expectation with stable operating profits bringing a total revenue of approximately RMB75 million.

In addition to the Group's improved financial results, both brand name and image of the Group were improved. During the first half of 2012, the Group was awarded with 16 honors by recognizable authorities, for example, the "39th among the 2012 Top 100 China Real Estate Developers", the "Star of 2012 Top 100 China Real Estate Developers", the "2nd among the 2012 Top 30 China Commercial Property Developers, the "2012 Top 50 China Listed Real Estate Developer in terms of Combined Strength", the "2012 Top 10 HK-Listed China Real Estate Developers – Combined Strength", the "2012 Top 10 HK-Listed China Real Estate Developers – Healthy Financial Status" and the "2012 Top 10 HK-Listed China Real Estate Developers – Wealth Creation Capability". These awards serve as important recognitions of Powerlong's performance.

In view of the ever-changing policies and market, in the second half of 2012, adhering to the core strategy of "Sound Operations, Strive for Excellence", Powerlong will continue to strengthen its marketing effort, keep abreast of the market trends and adjust sales strategies on a timely basis, while at the same time strive to further strengthen its competitiveness by upgrading its product position and design standards. In order to maintain healthy cash flows, the Group will continue to capitalize on its sound financial management tactics, make appropriate financing arrangements and, based on the liquidity position of the Company, flexibly arrange its cash flows, so as to secure stable financial and operational status. Besides, more stringent cost control measures will be enforced cost reduction purposes. Through prudent site selections, the Group will implement reasonable expansion and maintain sustainable and healthy land reserves. Leveraging on the concerted effort made by the Group as a whole, the management is dedicated to bring fruitful returns to the shareholders of the Company (the "**Shareholders**").

BUSINESS REVIEW AND FINANCIAL ANALYSIS

During the six months ended 30 June 2012, 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. Property development remains the core business and key revenue driver of the Group.

Property Development

During the six months ended 30 June 2012, the Group adhered closely to its completion and delivery schedule. The gross floor area ("**GFA**") of sold and delivered projects amounted to approximately 357,580 square meters (for the six months ended 30 June 2011: 251,575 square meters), and represented an increase of 42.1% when compared with the amount for the corresponding period in 2011.

Property Sales Performance

During the six months ended 30 June 2012, the Company recorded steady property sales performance.

The total contracted sales area of the Company reached approximately 358,881 square meters (for the six months ended 30 June 2011: 345,687 square meters), while the total contracted sales value amounted to approximately RMB3,059.6 million (for the six months ended 30 June 2011: RMB2,334.6 million). Sales value for the six months ended 30 June 2012 increased by around 31.1% when compared to the amount for the corresponding period in 2011.

Project name	Contracted sales area *(square meters)*	Contracted sales amount *(RMB'000)*
Quanzhou Anxi	48,646	285,955
Changzhou	26,736	178,620
Chongqing Hechuan	43,836	272,069
Hangzhou	59,618	981,475
Quanzhou Jinjiang	23,477	175,176
Luoyang	44,228	292,436
Qingdao Jimo	25,659	162,174
Qingdao Licang	1,896	15,452
Suqian	16,841	82,353
Tai'an	2,206	14,745
Suzhou Taicang	8,517	57,602
Tianjin Yujiapu	4,776	103,639
Wuxi Yuqi	10,864	46,832
Xiamen	3,919	184,681
Xinxiang	24,189	110,502
Yancheng	11,174	73,843
Yantai Haiyang	899	12,509
Others	6,401	52,250
	358,881	3,059,607

Hotel Operations

The Group continues to develop its hotel business as its long-term recurring income stream. As at 30 June 2012, the Group operated three graded hotels and two budget hotels namely, Four Points by Sheraton Qingdao, Four Points by Sheraton Tai'an, Four Points by Sheraton Taicang, Aloft Haiyang and Days Inn Powerlong Qingdao. During the period under review, the Group recorded hotel revenue of approximately RMB75 million. The hotels continue to serve as the important ancillary facilities of Powerlong's complex projects.

Investment Properties

To generate a stable income flow, the Group holds and manages a portfolio of commercial properties for leasing. As at 30 June 2012, the Group had an aggregate GFA of approximately 1.6 million square meters (31 December 2011: 1.45 million square meters) held as investment properties measured at fair value, representing an increase of approximately 10.3% over the end of 2011.

During the six months ended 30 June 2012, the Group recorded a rental income from investment properties of approximately RMB159.8 million (for the six months ended 30 June 2011: RMB101.8 million), representing an increase of 57.0% when compared to the amount for the corresponding period in 2011. This was mainly attributable to increase in rental income generated by the six new shopping malls opened in 2011.

Property Management and Related Services

During the six months ended 30 June 2012, the income from property management and related services generated from property management services, after intra-group elimination, amounted to approximately RMB81.3 million (for the six months ended 30 June 2011: RMB40.2 million), representing a substantial increase of 102.2% as compared with the amount for the corresponding period in 2011.

Cost of Sales

Cost of sales comprises land costs, construction costs, decoration costs, capitalised interest expenses, business taxes and so on. Cost of sales increased from approximately RMB1,105.5 million for the six months ended 30 June 2011 to approximately RMB1,655.8 million for the six months ended 30 June 2012, representing an increase of approximately 49.8%. This was mainly attributable to the increase of properties sold and delivered.

Profit Before Income Tax

Profits before income tax for the six months ended 30 June 2012 amounted to RMB1,863.2 million (of which, fair value gains of investment properties amounted to RMB1,122.6 million), representing a decrease of approximately 47.7% as compared with the corresponding period in 2011.

Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs for the six months ended 30 June 2012 amounted to RMB91.9 million (for the six months ended 30 June 2011: RMB71.5 million). The increase in selling and marketing costs was mainly attributable to the increased number of sales projects. Administrative expenses slightly decreased by 1.5% to approximately RMB268.5 million (for the six months ended 30 June 2011: RMB272.7 million).

Fair Value Gains of Investment Properties

During the six months ended 30 June 2012, the Group recorded fair value gains of investment properties of approximately RMB1,122.6 million (30 June 2011: RMB3,021.5 million).

Income Tax Expenses

Income tax expenses decreased from RMB1,042.2 million for the six months ended 30 June 2011 to approximately RMB634.0 million for the six months ended 30 June 2012, representing a decrease of 39.2%. The decrease was mainly attributable to the drop in total profits during the period under review.

Profit Attributable to Equity Owners of the Company

For the six months ended 30 June 2012, the Group achieved a profit attributable to equity holders of RMB1,221.0 million (for the six months ended 30 June 2011: RMB2,468.7 million), representing a decrease of 50.5%. Basic earnings per share was RMB30.45 cents (for the six months ended 30 June 2011: RMB61.55 cents), representing a decrease of 50.5% as compared to the amount for the corresponding period in 2011.

For the six months ended 30 June 2012, net profit margin (excluding the profit attributable to fair value gains on investment properties) slightly increased from 13.9% for the six months ended 30 June 2011 to 14.1% in the first half of 2012.

Liquidity and Financial Resources

The long term funding and working capital required by the Group are primarily derived from income generated from the Group's core business operations and bank borrowings, which were used as working capital. As at 30 June 2012, the Group had net debt (total borrowings less cash and cash equivalents, including restricted cash) of RMB8,460.3 million and its net gearing ratio (net debt over total equity) stood at 54.7%. As at 30 June 2012, the Group had cash and cash equivalents (including restricted cash) in total amounting to RMB2,631.5 million and total borrowings amounting to RMB11,091.8 million.

Out of the total borrowings, RMB3,631.3 million was repayable within one year while RMB7,460.5 million was repayable after one year.

Employees and Emolument Policy

As at 30 June 2012, the Group employed a total of 5,133 employees (30 June 2011: 3,499). The total staff costs of the Group incurred during the period under review was RMB174.4 million. The Group has adopted a performance-based rewarding system to motivate its staff. The Group has also provided different types of training programs for its staff to improve their skills and expertise.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2012.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures for enhancing investor confidence and the Company's accountability. For the six months ended 30 June 2012, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Ltd. (the "**Listing Rules**") from 1 January 2012 until 31 March 2012 and with the revised CG Code from 1 April 2012 until 30 June 2012, save for the deviation of A.6.7 of the CG Code as below.

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, the independent non-executive directors and the non-executive directors of the Company should attend the general meetings of the Company. However, due to other business commitment, the non-executive directors of the Company, Ms. Hoi Wa Fan and Ms. Liu Xiao Lan, and the independent non-executive directors of the Company, Mr. Mei Jian Ping and Ms. Nie Mei Sheng, did not attend the annual general meeting of the Company held on 18 May 2012.

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

During the period ended 30 June 2012, the Company had repurchased from the market a total of 3,066,000 shares of the Company at price per share ranging from HK$0.98 to HK$1.01 for an aggregate consideration of HK$3,055,330. All the repurchased shares were subsequently cancelled on 17 February 2012. The directors of the Company believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share. Save as herein disclosed, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012. Details of the repurchases of shares were as follows:

Month of repurchase	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate purchase price
		HK$	*HK$*	*HK$*
January 2012	3,066,000	1.01	0.98	3,055,330

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 to all directors of the Company regarding any non-compliance with the Model Code and all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2012.

AUDIT COMMITTEE

The Company has an audit committee ("**Audit Committee**") which was established in compliance with Rule 3.21 of Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the independent non-executive Directors of the Company, namely 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 2012 with the Company's management.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2012 containing all the information required by the Listing Rules is to be despatched to the Shareholders and made available for review on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.powerlong.com in due course.

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

Hong Kong, 30 August 2012

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 and Ms. Shih Sze Ni; the non-executive directors of the Company are Ms. Hoi Wa Fan and Ms. Liu Xiao Lan; and the independent non-executive directors of the Company are Mr. Ngai Wai Fung, Mr. Mei Jian Ping and Ms. Nie Mei Sheng.