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 2014

RESULTS HIGHLIGHTS

For the six months ended 30 June 2014:

- the contracted sales amounted to approximately RMB3,689 million, representing an increase of 25.4% over the corresponding period in 2013;
- revenue amounted to approximately RMB4,423 million, representing an increase of 27.4% over the corresponding period in 2013;
- rental income and income from property management services amounted to approximately RMB436 million, representing an increase of 32.5% over the corresponding period in 2013; and
- core earnings (excluding the profit attributable to fair value gains on investment properties for the period under review) was approximately RMB556 million, increased slightly by 2.3% over the corresponding period in 2013.

The board (the "**Board**") of directors (the "**Directors**") 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 2014, together with the comparative figures for the corresponding period in 2013, as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**30 June 2014 Unaudited** ***RMB'000***	31 December 2013 Audited *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**1,785,158**	1,694,201
Land use rights		**829,160**	569,862
Investment properties	*3*	**21,019,850**	19,590,330
Investments accounted for using the equity method		**1,943,226**	1,148,972
Deferred income tax assets		**273,860**	203,065
Derivative financial instruments		**–**	11,406
		25,851,254	23,217,836
Current assets			
Properties under development		**13,819,328**	11,371,010
Completed properties held for sale		**4,930,393**	3,521,049
Trade and other receivables	*4*	**2,103,007**	1,989,387
Prepayments		**1,567,115**	3,304,061
Prepaid taxes		**281,280**	241,216
Available-for-sale financial assets		**17,067**	30,801
Financial assets at fair value through profit or loss		**1,500**	14,600
Restricted cash		**422,392**	378,508
Cash and cash equivalents		**4,367,637**	4,434,449
		27,509,719	25,285,081
Total assets		**53,360,973**	48,502,917

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

	Note	30 June 2014 Unaudited *RMB'000*	31 December 2013 Audited *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium		**2,979,698**	3,035,471
Other reserves		**517,083**	512,464
Retain earnings		**14,348,033**	13,589,210
		17,844,814	17,137,145
Perpetual Capital Instrument		**700,972**	–
Non-controlling interests		**539,125**	508,988
Total equity		**19,084,911**	17,646,133
LIABILITIES			
Non-current liabilities			
Borrowings	*5*	**13,323,097**	11,854,736
Deferred income tax liabilities		**3,198,214**	3,187,587
Derivative financial instruments		**16,930**	–
		16,538,241	15,042,323
Current liabilities			
Trade and other payables	*6*	**6,920,483**	4,869,464
Advances from customers		**3,998,725**	4,186,307
Current income tax liabilities		**2,057,100**	2,183,267
Borrowings	*5*	**4,761,513**	4,575,423
		17,737,821	15,814,461
Total liabilities		**34,276,062**	30,856,784
Total equity and liabilities		**53,360,973**	48,502,917
Net current assets		**9,771,898**	9,470,620
Total assets less current liabilities		**35,623,152**	32,688,456

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2014	2013
		Unaudited	Unaudited
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**4,422,701**	3,472,093
Cost of sales	*7*	**(3,130,748)**	(2,415,183)
Gross profit		**1,291,953**	1,056,910
Fair value gains on investment properties – net	*3*	**214,256**	242,003
Selling and marketing costs	*7*	**(151,340)**	(77,083)
Administrative expenses	*7*	**(333,126)**	(270,357)
Other (losses)/gains – net	*8*	**(29,357)**	45,957
Exchange gains/(losses) – net		**6,075**	(3,046)
Operating profit		**998,461**	994,384
Finance (costs)/income – net	*9*	**(73,581)**	59,341
Share of profit of investments accounted for using the equity method		**52,375**	24,057
Profit before income tax		**977,255**	1,077,782
Income tax expense	*10*	**(260,823)**	(356,458)
Profit for the period		**716,432**	721,324
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in value of available-for-sale financial assets		**766**	367
Total other comprehensive income for the period, net of tax		**766**	367
Total comprehensive income for the period		**717,198**	721,691

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Six months ended 30 June **2014** **Unaudited** ***RMB'000***	2013 Unaudited *RMB'000*
Profit attributable to:			
Owners of the Company		**758,823**	719,311
Holder of Perpetual Capital Instruments		**972**	–
Non-controlling interests		**(43,363)**	2,013
		716,432	721,324
Total comprehensive income attributable to:			
Owners of the Company		**759,589**	719,678
Holder of Perpetual Capital Instruments		**972**	–
Non-controlling interests		**(43,363)**	2,013
		717,198	721,691
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	*11*		
– Basic		**19.170**	17.939
– Diluted		**19.158**	17.936

		Six months ended 30 June **2014** **Unaudited** ***RMB'000***	2013 Unaudited *RMB'000*
Dividends	*12*	**–**	–

NOTES:

1 Basis of preparation and accounting policies

This condensed consolidated interim financial information ("Interim Financial Information") has been prepared in accordance with HKAS 34 "Interim Financial Reporting". The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013 as described in those annual financial statements.

(a) Perpetual capital instruments

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

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

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

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

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

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

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

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

2 Segment information

The executive directors, as the chief operating decision-makers ("CODM") of the Group review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management services and other property development related services. As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the 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 2014 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Gross segment revenue	**3,770,979**	**212,233**	**238,454**	**216,112**	**–**	**4,437,778**
Inter-segment revenue	**–**	**–**	**(15,077)**	**–**	**–**	**(15,077)**
Revenue	**3,770,979**	**212,233**	**223,377**	**216,112**	**–**	**4,422,701**
Segment results	**778,869**	**345,822**	**5,988**	**(19,131)**	**(1,926)**	**1,109,622**
Other losses – net *(Note 8)*						**(29,357)**
Share of profit of investments accounted for using the equity method						**52,375**
Unallocated operating costs						**(81,804)**
Finance costs – net *(Note 9)*						**(73,581)**
Profit before income tax						**977,255**
Income tax expense *(Note 10)*						**(260,823)**
Profit for the period						**716,432**
Capital expenditure	**16,430**	**1,215,264**	**1,210**	**404,898**	**–**	**1,637,802**
Depreciation	**11,888**	**–**	**2,234**	**49,070**	**–**	**63,192**
Amortisation of land use rights recognised as expenses	**–**	**–**	**–**	**8,306**	**–**	**8,306**
Fair value gains on investment properties – net *(Note 3)*	**–**	**214,256**	**–**	**–**	**–**	**214,256**

The segment results and other segment items included in the profit for the six months ended 30 June 2013 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Gross segment revenue	3,038,916	197,876	140,564	104,261	–	3,481,617
Inter-segment revenue	–	–	(9,524)	–	–	(9,524)
Revenue	3,038,916	197,876	131,040	104,261	–	3,472,093
Segment results	770,587	313,030	15,046	(81,495)	(2,633)	1,014,535
Other gains – net *(Note 8)*						45,957
Share of profit of investments accounted for using the equity method						24,057
Unallocated operating costs						(66,108)
Finance income – net *(Note 9)*						59,341
Profit before income tax						1,077,782
Income tax expense *(Note 10)*						(356,458)
Profit for the period						721,324
Capital expenditure	8,421	708,285	498	102,806	–	820,010
Depreciation	17,281	–	1,146	30,273	–	48,700
Amortisation of land use rights recognised as expenses	–	–	–	6,342	–	6,342
Fair value gains on investment properties – net *(Note 3)*	–	242,003	–	–	–	242,003

Segment assets and liabilities as at 30 June 2014 are as follows:

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management services** *RMB'000*	**Other property development related services** *RMB'000*	**Elimination** *RMB'000*	**Group** *RMB'000*
Segment assets	**32,412,761**	**22,145,135**	**262,490**	**2,267,383**	**(4,615,089)**	**52,472,680**
Other assets						**888,293**
Total assets						**53,360,973**
Segment liabilities	**12,375,205**	**701,725**	**338,493**	**512,589**	**(4,615,089)**	**9,312,923**
Other liabilities						**24,963,139**
Total liabilities						**34,276,062**
Interest in joint ventures	**1,906,848**	**–**	**–**	**–**	**–**	**1,906,848**
Interest in an associate	**36,378**	**–**	**–**	**–**	**–**	**36,378**

Segment assets and liabilities as at 31 December 2013 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Segment assets	26,338,637	20,587,250	398,482	2,990,797	(2,881,188)	47,433,978
Other assets						1,068,939
Total assets						48,502,917
Segment liabilities	7,815,385	389,283	366,803	2,092,924	(2,881,188)	7,783,207
Other liabilities						23,073,577
Total liabilities						30,856,784
Interest in a joint venture	1,112,150	–	–	–	–	1,112,150
Interest in an associate	36,822	–	–	–	–	36,822

Segment assets are reconciled to total assets as follows:

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

Segment liabilities are reconciled to total liabilities as follows:

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

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

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

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

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

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment, land use rights and investment properties.

3 Investment properties

	Completed investment properties *RMB'000*	Investment properties under construction *RMB'000*	Total *RMB'000*
Six months ended 30 June 2014			
Opening amount as at 1 January 2014	**18,433,700**	**1,156,630**	**19,590,330**
Additions	**67,792**	**1,147,472**	**1,215,264**
Fair value (losses)/gains – net	**(243,294)**	**457,550**	**214,256**
Closing amount as at 30 June 2014	**18,258,198**	**2,761,652**	**21,019,850**
Total gains or losses for the period included in profit or loss, under 'Fair value gains on investment properties – net'	**(243,294)**	**457,550**	**214,256**
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the period	**(243,294)**	**457,550**	**214,256**
For the six months ended 30 June 2013			
Opening amount as at 1 January 2013	16,196,318	1,951,526	18,147,844
Additions	33,782	674,503	708,285
Transfers	54,271	(54,271)	–
Disposals	(54,271)	–	(54,271)
Fair value gains – net	–	242,003	242,003
Closing amount as at for the six months ended 30 June 2013	16,230,100	2,813,761	19,043,861

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

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

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

Certain equipment affiliated with the investment properties of the Group of RMB132,538,000 as at 30 June 2014 (31 December 2013: RMB132,538,000) where the Group is a lessee under non-cancellable sale and lease back agreement. The lease terms are 3 years.

4 Trade and other receivables

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

(a) Trade receivables are mainly derived from sales of properties and rental income. Sales proceeds and rental fee are paid in accordance with the terms of the related sales and purchase agreements and rental contracts. As at 30 June 2014 and 31 December 2013, the ageing analysis of the trade receivables of the Group based on invoice date were as follows:

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

As at 30 June 2014, trade receivables of RMB88,182,000 (31 December 2013: RMB70,823,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty. The overdue amounts can be recovered as the Group is entitled to take over legal title and possession of underlying properties for re-sales.

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

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

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

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

5 Borrowings

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

6 Trade and other payables

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

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

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

7 Expenses by nature

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2014 *RMB'000*	2013 *RMB'000*
Cost of properties sold (excluding staff costs)	**2,530,275**	1,942,580
Business taxes and other levies	**249,736**	208,385
Staff costs (including directors' emoluments)	**267,031**	203,773
Cost of hotel operations	**111,848**	73,286
Depreciation	**63,192**	48,700
Advertising costs	**103,647**	45,687
Cost of property management services	**40,446**	34,065
Office lease payments	**7,349**	7,274
Amortisation of land use rights	**8,306**	6,342
Donations to governmental charity	**8,358**	5,236
Auditor's remuneration	**2,000**	2,000

8 Other losses/(gains) – net

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

9 Finance costs/(income) – net

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

10 Income tax expense

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

PRC corporate income tax

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

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), which is effective from 1 January 2008. Under the CIT Law, the corporate income tax rate applicable to the group entities located in the PRC is 25%.

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

PRC land appreciation tax ("LAT")

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

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

Overseas income tax

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

Hong Kong profits tax

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

11 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Group and held for the Share Award Scheme.

	Six months ended 30 June	
	2014	2013
Profit attributable to owners of the Company (RMB'000)	**758,823**	719,311
Weighted average number of ordinary shares in issue (thousand shares)	**3,958,425**	4,009,660
Basic earnings per share (RMB cents per share)	**19.170**	17.939

(b) Diluted

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

	Six months ended 30 June	
	2014	2013
Profit attributable to owners of the Company (RMB'000)	**758,823**	719,311
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**3,960,775**	4,010,528
– Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**3,958,425**	4,009,660
– Adjustment for share options and awarded shares (thousand shares)	**2,350**	868
Diluted earnings per share (RMB cents per share)	**19.158**	17.936

12 Dividends

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND OUTLOOK

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

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

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

BUSINESS REVIEW

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

Property Development

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

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

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

Distribution	Six months ended 30 June 2014 Sales area *sq.m.*	 Sales amount *RMB'000*	 Average selling price *RMB/sq.m.*
Commercial	106,179	1,429,091	13,459
Residential	324,708	2,259,971	6,960
Total	430,887	3,689,062	8,562

Investment Properties and Property Management Services

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

Hotel Development

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

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own development pipeline for the forthcoming three to five years. The Group positioned Shanghai as a core development region for the Group, while also actively seeking opportunities for land acquisition in Jiangsu Province, Zhejiang Province, Fujian Province and Shandong Province.

As at 30 June 2014, the Group had a land bank with a total GFA of approximately 12.1 million square meters, of which approximately 5.6 million square meters were properties under development, approximately 5.0 million square meters were properties held for future development and approximately 1.5 million square meters were malls in operation. The land bank will be used for the development of large-scale commercial and residential properties with supermarkets, department stores, cinema complexes, food courts and other leisure facilities, quality residential properties, furnished apartments and hotels.

During the period under review, the Group upheld cautious and stringent standards on land investment decision. The Group acquired six parcel lands, which are located in Shanghai municipality, Jiangsu Province, Fujian Province and Shandong Province.

FINANCIAL REVIEW

Revenue

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

Property Sales

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

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

		Six months ended 30 June 2014		
		GFA sold & delivered	**Amount sold & delivered**	**Average selling price**
		(sq.m)	*(RMB'000)*	*(RMB/ sq.m)*
Shanghai Hongqiao Powerlong City	Residential	62,392	940,200	15,069
Shanghai Caolu Powerlong City Plaza	Commercial	5,343	112,781	21,108
Suzhou Taicang Powerlong City Plaza	Commercial	585	4,295	7,342
Luoyang Powerlong City Plaza	Commercial	253	3,086	12,198
	Residential	124	393	3,169
Zhenjiang Powerlong City Plaza	Commercial	1,750	24,593	14,053
Wuxi Powerlong City Plaza	Commercial	190	1,200	6,316
Wuxi Yuqi Powerlong Riverside Garden	Residential	829	3,229	3,895
Suqian Powerlong City Plaza	Commercial	144	913	6,340
	Residential	248	768	3,097

		Six months ended 30 June 2014		
		GFA sold & delivered	**Amount sold & delivered**	**Average selling price**
		(sq.m)	*(RMB'000)*	*(RMB/ sq.m)*
Hangzhou Xiasha Powerlong City Plaza	Commercial	13,722	369,321	26,915
	Residential	561	14,795	26,373
Xinxiang Powerlong City Plaza	Commercial	35,134	183,087	5,211
	Residential	1,035	2,873	2,776
Changzhou Powerlong City Plaza	Commercial	15,522	111,549	7,187
	Residential	220	1,321	6,005
Yantai Haiyang Powerlong City	Commercial	137	710	5,182
Qingdao Licang Powerlong City Plaza	Commercial	70	1,565	22,357
	Residential	261	1,934	7,410
Qingdao Jimo Powerlong City Plaza	Commercial	55,688	353,933	6,356
	Residential	14,599	78,742	5,394
Quanzhou Anxi Powerlong City Plaza	Residential	1,298	4,221	3,252
Xiamen Powerlong Lakeside Mansions	Commercial	2,061	88,856	43,113
	Residential	19,279	578,246	29,994
Jinjiang Powerlong City Plaza	Commercial	18,533	140,130	7,561
	Residential	78,310	567,016	7,241
Chongqing Hechuan Powerlong City Plaza	Commercial	6,201	108,614	17,516
	Residential	14,217	68,838	4,842
Other projects	Commercial	203	3,383	16,665
	Residential	69	387	5,609
Total:		348,978	3,770,979	10,806
	Commercial	155,536	1,508,016	9,696
	Residential	193,442	2,262,963	11,698

Rental Income from Investment Properties and Income from Property Management Services

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

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

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

Income from Other Property Development Related Services

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

Cost of Sales

Cost of sales of the Group mainly represents the cost directly generated from the development of the Group's properties. It comprises cost of land use rights, construction costs, decoration costs, capitalized interest expenses and business taxes. Cost of sales for the six months ended 30 June 2014 increased by approximately 29.6% to approximately RMB3,131 million (for the six months ended 30 June 2013: RMB2,415 million) as compared with that in the corresponding period in 2013, mainly due to the increase in total costs as a result of the increase in unit development costs of properties sold and delivered during the period under review.

Gross Profit and Margin

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

Fair Value Gains of Investment Properties

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

Selling and Marketing Costs and Administrative Expenses

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

Share of Profit of Investments Accounted for Using the Equity Method

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

Income Tax Expense

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

Profit Attributable to Owners of the Company

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds raised from issue of senior notes, which were used as working capital and investment in development projects.

The Group's cash and cash equivalents and restricted cash amounted to RMB4,790 million in total as at 30 June 2014 (31 December 2013: RMB4,813 million).

Borrowings

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

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

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

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

Credit Policy

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

Pledge of Assets

As at 30 June 2014, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of RMB25,467 million to secure borrowings of the Group (31 December 2013: RMB23,695 million). The total secured borrowings as at 30 June 2014 amounted to RMB13,542 million (31 December 2013: RMB11,191 million).

Financial Guarantees

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

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

Commitment

(1) Commitments for property development expenditures

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

(2) Operating leases commitments

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

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

Material Acquisition and Disposal

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

Employees and Emolument Policy

As at 30 June 2014, the Group employed a total of 5,976 employees (for the six months ended 30 June 2013: 5,362 employees). The total staff costs of the Group incurred during the period under review was approximately RMB267 million (six months ended 30 June 2013: RMB204 million). The Group adopted a performance-based rewarding system to motivate its staff. The Group also provided different types of training programmes for its staff to improve their skills and expertise.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil).

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures for enhancing investor confidence and the Company's accountability. Throughout the six months ended 30 June 2014, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") as set forth in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as its code of conduct for dealings in securities of the Company by the Directors. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code and all Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2014.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float throughout the period ended 30 June 2014.

AUDIT COMMITTEE

The Company has established an audit committee ("**Audit Committee**") in compliance with Rule 3.21 of Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls and set out the written terms of reference for the committee. The Audit Committee comprises three members who are the independent non-executive Directors of the Company, namely Mr. Ngai Wai Fung, Mr. Mei Jian Ping and Ms. Nie Mei Sheng.

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

PUBLICATION OF INTERIM REPORT

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

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

Hong Kong, 26 August 2014

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