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 2016

RESULTS HIGHLIGHTS

- For the six months ended 30 June 2016, contracted sales amounted to approximately RMB7,509 million, representing an increase of approximately 6.1% over the corresponding period in 2015;

- For the six months ended 30 June 2016, revenue amounted to approximately RMB6,225 million, representing an increase of approximately 31.7% over the corresponding period in 2015;

- For the six months ended 30 June 2016, rental income from investment properties and income from property management services amounted to approximately RMB616 million, representing an increase of approximately 22.2% over the corresponding period in 2015;

- For the six months ended 30 June 2016, profit for the period was approximately RMB1,208 million, increased by approximately 5.7% over the corresponding period in 2015;

- For the six months ended 30 June 2016, core earnings (excluding the profit attributable to fair value gains on investment properties for the period under review) was approximately RMB780 million, increased by approximately 26.2% over the corresponding period in 2015;

- For the six months ended 30 June 2016, gross profit margin amounted to 37.2%, representing an increase as compared with 32.3% for the corresponding period in 2015.

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 2016, together with the comparative figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**30 June 2016 Unaudited** ***RMB'000***	31 December 2015 Audited *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**2,519,783**	2,354,664
Land use rights		**1,077,116**	1,033,527
Investment properties	*3*	**30,038,660**	28,370,318
Investments accounted for using equity method		**2,067,378**	1,523,949
Deferred income tax assets		**369,909**	394,724
Available-for-sale financial assets		**318,000**	318,000
Prepayments		**661,876**	407,880
		37,052,722	34,403,062
Current assets			
Properties under development		**13,316,483**	13,010,714
Completed properties held for sale		**9,722,693**	9,086,095
Trade and other receivables	*4*	**2,437,442**	2,392,543
Prepayments		**676,081**	671,529
Prepaid taxes		**368,086**	356,048
Available-for-sale financial assets		**16,234**	16,491
Restricted cash		**1,186,995**	1,085,889
Cash and cash equivalents		**5,982,179**	5,639,843
		33,706,193	32,259,152
Total assets		**70,758,915**	66,662,214

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

	Note	30 June 2016 Unaudited *RMB'000*	31 December 2015 Audited *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium		**2,681,721**	2,979,696
Other reserves		**658,105**	656,386
Retained earnings		**17,910,263**	16,808,903
		21,250,089	20,444,985
Perpetual Capital Instruments		**1,311,151**	1,305,161
Non-controlling interests		**1,036,118**	1,008,383
Total equity		**23,597,358**	22,758,529
LIABILITIES			
Non-current liabilities			
Borrowings	*5*	**19,808,469**	16,635,538
Deferred income tax liabilities		**3,829,748**	3,685,327
Derivative financial instruments		**164,997**	170,907
		23,803,214	20,491,772
Current liabilities			
Trade and other payables	*6*	**10,734,600**	9,950,897
Advances from customers		**4,475,935**	4,563,340
Current income tax liabilities		**3,067,014**	2,815,776
Borrowings	*5*	**5,080,794**	6,010,951
Derivative financial instruments		**–**	70,949
		23,358,343	23,411,913
Total liabilities		**47,161,557**	43,903,685
Total equity and liabilities		**70,758,915**	66,662,214

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June **2016** **Unaudited** ***RMB'000***	2015 Unaudited *RMB'000*
Revenue	*2*	**6,224,713**	4,728,402
Cost of sales	*7*	**(3,912,165)**	(3,202,764)
Gross profit		**2,312,548**	1,525,638
Fair value gains on investment properties – net	*3*	**571,426**	701,316
Selling and marketing costs	*7*	**(227,377)**	(209,604)
Administrative expenses	*7*	**(444,025)**	(350,854)
Other gains – net	*8*	**53,760**	13,010
Exchange gains – net		**1,620**	5,139
Operating profit		**2,267,952**	1,684,645
Finance (costs)/income – net	*9*	**(289,501)**	2,587
Share of profit of investments accounted for using equity method		**138,063**	41,799
Profit before income tax		**2,116,514**	1,729,031
Income tax expenses	*10*	**(908,340)**	(585,537)
Profit for the period		**1,208,174**	1,143,494
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets		**(257)**	1,148
Total other comprehensive income for the period, net of tax		**(257)**	1,148
Total comprehensive income for the period		**1,207,917**	1,144,642

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Six months ended 30 June	
		2016	2015
		Unaudited	Unaudited
	Note	***RMB'000***	*RMB'000*
Profit attributable to:			
Owners of the Company		**1,101,360**	1,030,458
Holders of Perpetual Capital Instruments		**70,155**	72,754
Non-controlling interests		**36,659**	40,282
		1,208,174	1,143,494
Total comprehensive income attributable to:			
Owners of the Company		**1,101,103**	1,031,606
Holders of Perpetual Capital Instruments		**70,155**	72,754
Non-controlling interests		**36,659**	40,282
		1,207,917	1,144,642
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	*11*		
– Basic		**27.869**	26.075
– Diluted		**27.807**	26.032

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation and accounting policies

The Interim Financial Information has been prepared in accordance with HKAS 34 "Interim Financial Reporting". The Interim Financial Information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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

(a) Amended standards and interpretations adopted by the Group

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

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

(b) The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted:

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

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

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

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 PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

Segment results represent the profit earned by each segment without other losses, unallocated operating costs, finance costs, share of results of associates and joint ventures and income tax expenses. Other property development related services comprise hotels, KTVs and department store businesses. The segment results and other segment items for the six months ended 30 June 2016 are as follows:

	Property development	Property investment	Property management services	Other property development related services	Elimination	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross segment revenue	**5,452,803**	**316,598**	**323,698**	**156,448**	**–**	**6,249,547**
Inter-segment revenue	**–**	**–**	**(24,834)**	**–**	**–**	**(24,834)**
Revenue	**5,452,803**	**316,598**	**298,864**	**156,448**	**–**	**6,224,713**
Segment results	**1,804,450**	**644,762**	**32,359**	**(101,573)**	**–**	**2,379,998**
Other gains – net						**53,760**
Share of profit of investments accounted for using equity method						**138,063**
Unallocated operating costs						**(165,806)**
Finance costs – net						**(289,501)**
Profit before income tax						**2,116,514**
Income tax expenses						**(908,340)**
Profit for the period						**1,208,174**
Capital expenditure	**197,516**	**1,111,394**	**959**	**95,022**	**–**	**1,404,891**
Depreciation	**10,568**	**–**	**1,924**	**54,932**	**–**	**67,424**
Amortisation of land use rights recognised as expenses	**–**	**–**	**–**	**17,164**	**–**	**17,164**
Fair value gains on investment properties – net	**–**	**571,426**	**–**	**–**	**–**	**571,426**

The segment results and other segment items for the six months ended 30 June 2015 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Gross segment revenue	4,073,434	259,886	258,416	151,411	–	4,743,147
Inter-segment revenue	–	–	(14,745)	–	–	(14,745)
Revenue	4,073,434	259,886	243,671	151,411	–	4,728,402
Segment results	1,051,714	818,763	1,710	(49,183)	–	1,823,004
Other gains – net						13,010
Share of profit of investments accounted for using equity method						41,799
Unallocated operating costs						(151,369)
Finance income – net						2,587
Profit before income tax						1,729,031
Income tax expenses						(585,537)
Profit for the period						1,143,494
Capital expenditure	280,105	1,318,073	966	136,791	–	1,735,935
Depreciation	8,897	–	2,286	54,559	–	65,742
Amortisation of land use rights recognised as expenses	–	–	–	9,095	–	9,095
Fair value gains on investment properties – net	–	701,316	–	–	–	701,316

Segment assets and liabilities as at 30 June 2016 are as follows:

	Property development ***RMB'000***	**Property investment** ***RMB'000***	**Property management services** ***RMB'000***	**Other property development related services** ***RMB'000***	**Elimination** ***RMB'000***	**Group** ***RMB'000***
Segment assets	**33,253,055**	**31,005,916**	**809,043**	**5,115,048**	**(4,712,194)**	**65,470,868**
Other assets						**5,288,047**
Total assets						**70,758,915**
Segment liabilities	**9,515,544**	**1,893,852**	**855,455**	**4,039,881**	**(4,712,194)**	**11,592,538**
Other liabilities						**35,569,019**
Total liabilities						**47,161,557**
Interest in joint ventures						**2,032,693**
Interest in an associate						**34,685**

Segment assets and liabilities as at 31 December 2015 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Segment assets	30,808,047	29,339,716	769,988	3,824,129	(3,052,907)	61,688,973
Other assets						4,973,241
Total assets						66,662,214
Segment liabilities	9,416,333	1,760,445	785,398	2,350,775	(3,052,907)	11,260,044
Other liabilities						32,643,641
Total liabilities						43,903,685
Interest in joint ventures						1,488,849
Interest in an associate						35,100

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

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

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the 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 2016			
Opening amount as at 1 January 2016	**22,286,985**	**6,083,333**	**28,370,318**
Additions	**157,681**	**953,713**	**1,111,394**
Transfers	**1,059,018**	**(1,059,018)**	**–**
Fair value gains – net	**106,258**	**465,168**	**571,426**
Disposal	**(14,478)**	**–**	**(14,478)**
Closing amount as at 30 June 2016	**23,595,464**	**6,443,196**	**30,038,660**
Six months ended 30 June 2015			
Opening amount as at 1 January 2015	19,138,427	5,243,169	24,381,596
Additions	5,302	1,312,771	1,318,073
Transfers	1,434,411	(1,434,411)	–
Fair value (losses)/gains – net	(563,993)	1,265,309	701,316
Closing amount as at 30 June 2015	20,014,147	6,386,838	26,400,985

4 Trade and other receivables

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

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

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

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

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

As at 30 June 2016, trade receivables of RMB44,210,000 (31 December 2015: RMB94,251,000) were past due but not impaired. As the Group normally holds collateral of the properties before collection of the outstanding balances, the Group considers that the past due trade receivables would be recovered and no provision was made.

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

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

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

5 Borrowings

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

6 Trade and other payables

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

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

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

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

8 Other gains – net

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

9 Finance costs/(income) – net

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

10 Income tax expenses

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

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.

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

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: Pre-IPO Share Option Scheme and Share Award Scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period ended 30 June 2016) based on the monetary value of the subscription rights attached to outstanding share options under the two schemes. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the two schemes.

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

As for the Pre-IPO Share Option, as the average market share price of the ordinary shares during the period ended 30 June 2016 was lower than the subscription price, which will have no impact on adjusting the weighted average number of the ordinary shares (six months ended 30 June 2015: same).

12 Dividends

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

BUSINESS REVIEW

For the six months ended 30 June 2016, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) property management services; and (iv) other property development related services. During the period under review, property development remained the main revenue stream of the Group.

Property Development

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

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

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

Distribution	For the six months ended 30 June 2016 Sales area *sq.m.*	 Sales amount *RMB'000*	 Average selling price *RMB/sq.m.*
Commercial	300,928	4,990,129	16,582
Residential	392,857	2,518,473	6,410
Total	693,815	7,508,602	10,822

Investment Properties and Property Management Services

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

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

Hotel Development

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

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own development pipeline for the forthcoming three to five years. The Group adhered to the development strategy of "Focus on Shanghai and Intensive Development in Yangtze River Delta", sophisticated planning and selectively acquires projects.

As at 30 June 2016, the Group had a quality land bank amounting to a total GFA of approximately 8.1 million square meters, of which approximately 5.5 million square meters were properties under development and construction, approximately 2.6 million square meters were properties held for future development and approximately 2.2 million square meters were shopping malls in operation. The land bank under development will be used for the development of large-scale commercial and residential properties with supermarkets, department stores, cinema complexes, food courts, leisure facilities, quality residential properties, furnished apartments, office buildings and hotels.

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

OUTLOOK

In the second half of 2016, according to the development blueprint "Five-year Plan" formulated at the beginning of the year, the Group will strictly adhere to the development strategy of "Focus on Shanghai and Intensive Development in Yangtze River Delta", open up new channels to obtain quality lands and press on "Delivery of Quality Products, Efficiency Enhancement and Launch of Benchmark Projects", the business strategy of the Group throughout the year. The Group will strictly supervise the quality of the newly-commenced projects to ensure the successful opening of two benchmark projects in Shanghai Qibao and Hangzhou Binjiang. "Reducing Inventories" remains the main focus of the annual sales of the Group. In terms of sales, the sales channels in the commercial and office business will be persistently renewed. The Group is confident in realizing the annual sales target of RMB15,000 million for the full year of 2016.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises of property sales, rental income from investment properties, income from property management services and other income from property development related services. For the six months ended 30 June 2016, the Group recorded a total revenue of approximately RMB6,225 million (for the six months ended 30 June 2015: RMB4,728 million), representing an increase of approximately 31.7% as compared with the corresponding period in 2015. This was mainly attributable to the increase in property sales, rental income from investment properties and income from property management services.

Property Sales

During the period under review, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. Revenue from projects sold and delivered during the six months ended 30 June 2016 amounted to approximately RMB5,453 million (for the six months ended 30 June 2015: RMB4,073 million), representing an increase of approximately 33.9% as compared with the corresponding period in 2015. This was mainly attributable to an increase in delivered GFA as compared to the corresponding period last year.

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

		For the six months ended 30 June 2016		
		GFA sold & delivered *(sq.m)*	**Amount sold & delivered** *(RMB'000)*	**Average selling price** *(RMB/sq.m)*
Shanghai Caolu Powerlong Plaza	Commercial	3,757	35,098	9,341
Shanghai Fengxian Powerlong Plaza	Commercial	13,764	242,729	17,635
Shanghai Hongqiao Powerlong City	Commercial	32,639	500,268	15,328
	Residential	2,203	17,842	8,818
Shanghai Qibao Powerlong City	Commercial	2,599	84,369	32,457
Shanghai Qingpu Powerlong Plaza	Commercial	16,428	465,743	28,351
Shanghai Lingang Powerlong Plaza	Commercial	5,621	124,312	22,116
Shanghai Baoshan Powerlong Plaza	Commercial	1,729	53,654	31,037
Shanghai Jiading Powerlong Plaza	Commercial	25,952	572,163	22,047
Hangzhou Xiasha Powerlong Plaza	Commercial	957	68,747	71,819
	Residential	619	11,297	18,256
Hangzhou Fuyang Powerlong Plaza	Commercial	14,304	90,101	6,299
	Residential	6,869	70,137	10,211
Hangzhou Binjiang Powerlong City	Commercial	2,981	102,910	34,523
Yuqi Powerlong Plaza	Residential	13,318	57,467	4,315
Shandong Dongying Powerlong Plaza	Commercial	7,752	50,456	6,508
	Residential	101,031	679,073	6,721
Qingdao Jiaozhou Powerlong Plaza	Commercial	5,505	40,115	7,287
	Residential	1,548	9,654	6,237

		For the six months ended 30 June 2016		
		GFA sold & delivered *(sq.m)*	Amount sold & delivered *(RMB'000)*	Average selling price *(RMB/sq.m)*
Yantai Penglai Powerlong Plaza	Commercial	7,846	74,653	9,515
	Residential	8,923	58,982	6,610
Quanzhou Yongchun Powerlong Plaza	Commercial	2,298	13,176	5,735
	Residential	12,802	64,982	5,076
Quanzhou Jinjiang Powerlong Plaza	Commercial	1,290	7,539	5,844
	Residential	3,323	19,805	5,960
Xiamen Powerlong One Mall	Commercial	42,874	1,190,361	27,764
Xinxiang Powerlong Plaza	Commercial	3,029	15,124	4,993
	Residential	128,022	584,631	4,567
Other Projects	Commercial	12,277	73,060	5,951
	Residential	13,037	74,358	5,704
Total		495,117	5,452,803	11,013
	Commercial	203,601	3,804,575	18,686
	Residential	291,516	1,648,228	5,654

Rental Income from Investment Properties and Income from Property Management Services

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

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

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

Income from Other Property Development Related Services

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

Cost of Sales

Cost of sales mainly represents the cost directly related to the development of the Group's properties. It comprises cost of land use rights, construction costs, decoration costs, capitalized interest expenses and business taxes. For the six months ended 30 June 2016, cost of sales amounted to approximately RMB3,912 million (for the six months ended 30 June 2015: RMB3,203 million), representing an increase of approximately 22.1% as compared to the amount in the corresponding period in 2015, mainly due to the increase in total costs as a result of the increase in total GFA of properties sold and delivered during the period under review.

Gross Profit and Margin

For the six months ended 30 June 2016, gross profit increased to RMB2,313 million (for the six months ended 30 June 2015: RMB1,526 million), representing an increase of approximately 51.6% as compared with the corresponding period in 2015. Gross profit margin rose from 32.3% in the corresponding period in 2015 to 37.2% for the six months ended 30 June 2016, mainly due to the increase in properties with a higher gross profit delivered during the period under review.

Fair Value Gains of Investment Properties

For the six months ended 30 June 2016, the Group recorded revaluation gains of approximately RMB571 million (for the six months ended 30 June 2015: RMB701 million), representing a decrease of approximately 18.5% over the amount in the corresponding period in 2015. The decrease in revaluation gains were mainly due to difference in location of properties revaluated for the period under review as compared to the corresponding period in 2015.

Selling and Marketing Costs and Administrative Expenses

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

Share of Profit of Investments Accounted for Using Equity Method

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

Income Tax Expenses

Income tax expenses amounted to RMB908 million (for the six months ended 30 June 2015: RMB586 million) for the six months ended 30 June 2016, representing an increase of approximately 54.9% as compared with the corresponding period in 2015, primarily due to 1) the increase in LAT caused by more sales of commercial properties with higher gross margin during the period; and 2) higher effective tax rate of corporate income tax due exchange losses and premium of early redemption of senior notes are not tax deductible.

Profit Attributable to Owners of the Company

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

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

Core earnings (excluding the profit attributable to fair value gains on investment properties during the period under review) for the six months ended 30 June 2016 reached approximately RMB780 million (for the six months ended 30 June 2015: RMB618 million), increased by approximately 26.2% as compared with that in the corresponding period in 2015.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

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

The Group's cash and cash equivalents and restricted cash amounted to RMB7,169 million in total as at 30 June 2016 (as at 31 December 2015: RMB6,726 million).

Borrowings

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

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

As at 30 June 2016, the Group's net gearing ratio (which is calculated by dividing total borrowings less cash and cash equivalents and restricted cash over total equity) was 75.1% (as at 31 December 2015: 70.0%).

Total interest expenses for the six months ended 30 June 2016 amounted to RMB842 million, representing an increase of approximately 5.1% as compared to RMB801 million in the corresponding period in 2015, mainly due to the Group has raised more borrowings with lower interest rates in the PRC during the period. The effective interest rate decreased from 7.55% for 2015 to 6.07% for 2016, which was mainly due to the tightened control over finance costs by the management.

Credit Policy

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

Pledge of Assets

As at 30 June 2016, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of RMB26,246 million (as at 31 December 2015: RMB27,191 million) to secure borrowings of the Group. The total secured borrowings as at 30 June 2016 amounted to RMB16,346 million (as at 31 December 2015: RMB16,328 million).

Contingent Liabilities

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

Financial Guarantees

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

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

Commitments

(1) *Commitments for property development expenditures*

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

(2) *Operating leases commitments*

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

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

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. The major non-RMB financial assets or liabilities as at 30 June 2016 are the Group's borrowing denominated in US$ or HK$ totalling RMB3,898 million. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pay to shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

MATERIAL ACQUISITION AND DISPOSAL

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

EMPLOYEES AND EMOLUMENT POLICY

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

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures for enhancing investor confidence in the Company and the Company's accountability. Throughout the six months ended 30 June 2016, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code as set forth in Appendix 14 to the 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

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

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. After specific inquiry to all Directors, it is confirmed that all Directors have complied with the required standard set out in the Model Code for the six months ended 30 June 2016. Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with guidelines on securities transactions on no less exacting terms than the Model Code. No incident of non-compliance was noted by the Company to date.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and to the best knowledge of the Directors, throughout the six months ended 30 June 2016, the Company has maintained a sufficient public float of more than 25% of the Company's total number of issued shares as required under the Listing Rules.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2016 with the Company's management. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2016 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, 10 August 2016

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. Zhang Hong Feng; the non-executive Director is Ms. Hoi Wa Fan; and the independent non-executive Directors are Dr. Ngai Wai Fung, Dr. Mei Jian Ping and Dr. Ding Zu Yu.