

Interim Report 2010 Fantasia Holdings Group Co., Limited
Stock Code:1777

花 幟 年
FANTASIA



Make Life in Style

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花群中 FANTASIA



Grand Valley



DIRECTORS

Executive Directors
 Mr. Pan Jun (Chairman)
 Ms. Zeng Jie
 Mr. Feng Hui Ming
 Mr. Chan Sze Hon

Independent Non-Executive Directors

Mr. Ho Man
 Mr. Liao Martin Cheung Kong, JP
 Mr. Huang Ming
 Mr. Xu Quan

COMPANY SECRETARY

Mr. Chan Sze Hon

AUTHORIZED REPRESENTATIVES

Mr. Chan Sze Hon
 Mr. Feng Hui Ming

AUDIT COMMITTEE

Mr. Ho Man (Committee Chairman)
 Mr. Liao Martin Cheung Kong, JP
 Mr. Huang Ming
 Mr. Xu Quan

REMUNERATION COMMITTEE

Mr. Huang Ming (Committee Chairman)
 Mr. Ho Man
 Mr. Liao Martin Cheung Kong, JP
 Mr. Xu Quan
 Mr. Pan Jun

NOMINATION COMMITTEE

Ms. Zeng Jie (Committee Chairman)
 Mr. Ho Man
 Mr. Liao Martin Cheung Kong, JP
 Mr. Huang Ming
 Mr. Xu Quan
 Mr. Pan Jun

AUDITORS

Deloitte Touche Tohmatsu
 Certified Public Accountants

COMPLIANCE ADVISOR

Partners Capital International Limited

PRINCIPAL BANKERS

Agricultural Bank of China
 China Construction Bank Corporation
 China Merchants Bank Co., Limited
 China Minsheng Banking Corp., Limited
 Huaxia Bank
 Industrial and Commercial
 Bank of China Limited
 The Hongkong and Shanghai Banking
 Corporation Limited

LEGAL ADVISORS

As to Hong Kong Law
 Sidley Austin

As to PRC Law

Commerce & Finance Law Offices

As to Cayman Islands Law

Conyers Dill & Pearman

REGISTERED OFFICE

Cricket Square
 Hutchins Drive
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 Grand Cayman KY1-1111
 Cayman Islands

CORPORATE HEAD OFFICE IN HONG KONG

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 Top Glory Tower
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 Causeway Bay
 Hong Kong

CORPORATE HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA

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 No. 6021 Shennan Boulevard
 Shenzhen 518040, Guangdong Province
 China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman)
 Limited
 Butterfield House
 68 Fort Street
 P.O. Box 609
 Grand Cayman KY1-1107
 Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
 Services Limited
 17M Floor, Hopewell Centre
 183 Queen's Road East
 Wanchai
 Hong Kong

LISTING INFORMATION

Share Listing
 The Company's ordinary shares
 The Stock Exchange of Hong Kong
 Limited
 Stock Code: 01777

Senior Notes Listing

The Company's 14%, 5 years
 senior notes
 The Singapore Exchange Securities
 Trading Limited

WEBSITE

<http://www.cnfantasia.com>

Honours and Awards

ON THE COMPANY LEVEL

In January 2010, Fantasia Holdings Group Co., Limited received two awards from Soufun.com (搜房網), namely "Popular Enterprises in Shenzhen Real Estate 2009" (2009年深圳人氣房企) and the "Most Influential Real Estate Enterprise Brand in Shenzhen 2009" (2009年深圳最具影響力的品牌房企);

In January 2010, Fantasia Group (China) Co., Ltd. was awarded the "2009 Top Ten Brand Developers in Shenzhen" (2009深圳十大品牌開發商) by Shenzhen Economic Daily;

In January 2010, Dongguan Fantasia Real Estate Investment Co., Ltd. was awarded "2009 Outstanding Contribution Award of Liaobu Town (寮步鎮2009年度突出貢獻獎)" by the People's Government of Liaobu Town, Dongguan City;

In January 2010, Fantasia (Chengdu) Development Co., Ltd. was awarded the most prestigious award in real estates, Excellent Development Enterprise 2009 (2009年度優秀開發企業獎) "Golden Tripod" (金鼎獎) by Chengdu Real Estate Bureau;

In January 2010, Fantasia (Chengdu) Development Co., Ltd. was awarded "2009 • Example of China • the Fifth Rank of Top 20 out of Top 50 Non-local Real Estate Company in Western China (Sichuan) Ranking" (2009 • 榜樣中國 • 華西TOP 50強四川房地產綜合實力20強 (外來品牌) 第五名) jointly by Sichuan Daily Press Group (四川日報報業集團), West China Metropolis Daily Press (華西都市報社) and the Committee for Top 50 Real Estate Company in terms of Comprehensive Strength in Sichuan (四川房地產TOP50強綜合實力排行榜組委會);

In January 2010, Fantasia (Chengdu) Development Co., Ltd. was awarded "Pioneer Brand Enterprise Over 10 Years" (地產十年 • 品牌先鋒企業) jointly by Chengdu Media Group and Chengdu Evening News Press (成都晚報社);

In March 2010, Fantasia Group (China) Co., Ltd. was honored to be one of the "2010 China Top 100 Real Estate Developers" (2010年中國房地產百強企業) chosen by China Real Estate Top 10 Research Team;

In March 2010, Fantasia Group (China) Co., Ltd. was awarded "2010 Low-carbon Model of China's Real Estate Enterprise" (中國房地產低碳榜樣企業) by China Real Estate Association and China Index Research Institute (中國指數研究院);

In March 2010, Fantasia (Chengdu) Development Co., Ltd. was awarded "2009 Chengdu Property Market Top Ten Brand Enterprise" (2009成都樓市十大品牌企業) by 2009 China (Chengdu) Property Market Overall Ranking List (2009中國(成都)樓市總評榜) of Chengdu Business Daily;

In March 2010, Fantasia Chengdu Ecological Tourism Development Co., Ltd. was awarded "2009 Chengdu Property Market City Operation Prize" (2009成都樓市城市運營大獎) by 2009 China (Chengdu) Property Market Overall Ranking List (2009中國(成都)樓市總評榜) of Chengdu Business Daily;

In March 2010, Shenzhen Xingyan Property Consultancy Co., Ltd. Chengdu Branch was awarded "Chengdu Marketing and Planning for Real Estate 2009" (2009成都樓市營銷策劃大獎) by 2009 China (Chengdu) Property Market Overall Ranking List (2009中國(成都)樓市總評榜) of Chengdu Business Daily.

In April 2010, Shenzhen Xingyan Property Consultancy Co., Ltd. was honored to be one of the "2010 China Top 100 Real Estate Agencies" (2010中國房地產策劃代理百強企業) selected by China Real Estate Top 10 Research Team;

In May 2010, Chengdu Tonghe Real Estate Development Co., Ltd was awarded "2009 Outstanding Taxation Contribution Enterprise" (2009年度納稅突出貢獻企業) by Municipal Committee of Jinjiang District, Chengdu City of the CPC and the People's Government of Jinjiang District, Chengdu City.



In May 2010, Shenzhen Kangnian Technology Company Limited was awarded “2009 Top 100 Tax-paying Enterprise” (2009年度納稅百強企業) by the People’s Government of Futian District, Shenzhen City.

In June 2010, Fantasia Holdings Group Co., Limited was listed in “2010 Top 50 China’s Real Estate Companies” (2010年中國房地產上市公司50強) published by China Real Estate Assessment Center (中國房地產測評中心), which demonstrates that in terms of integrated strength, including scale and strength, profitability, operational capacity, ability to compensate, ability to growth potential, Fantasia has become one of the top 50 listed companies in China’s real estate market.

In June 2010, Fantasia Holdings Group Co., Limited was awarded “2010 Outstanding Chinese Property Stock” (2010年度傑出內房股) by Economic Digest, a Hong Kong financial media company.

ON THE PROJECT LEVEL

In January 2010, Shenzhen Future Plaza (深圳香年廣場) was awarded “2009 Shenzhen Best Base for Entrepreneurial Headquarters” (2009深圳最佳企業總部基地) by Shenzhen Commercial Press (深圳商報);

In January 2010, Shenzhen Love Forever (深圳花郡) was accredited “2009 Shenzhen TOP 20 Housing Brand” (2009深圳二十大品牌樓盤) by Shenzhen Commercial Press;

In January 2010, Shenzhen Love Forever Phase II (Hua Xiang) (深圳花郡二期花鄉) was awarded “The Most Anticipated Property Project in Shenzhen 2010” (2010年深圳最受期待樓盤) by Soufun.com;

In January 2010, Chengdu Meinian International Plaza (成都美年國際廣場) was awarded “Most Influential City Complex 2009” (2009年度最具影響力城市綜合體) jointly by Sichuan Daily Press Group, West China Metropolis Daily Press (華西都市報社) and the Committee for Top 50 Real Estate Companies in Sichuan in terms of Comprehensive Strength (四川房地產TOP50強綜合實力排行榜組委會);

In January 2010, Chengdu Hailrun Plaza (成都喜年廣場) was awarded the most prestigious award in real estates, Chengdu Real Estate Excellent Project 2009 (2009年成都房地產優秀項目) “Golden Tripod” (金鼎獎) by Chengdu Real Estate Bureau;

In March 2010, Meinian International Plaza in Chengdu (成都美年廣場) was awarded “2009 Chengdu Property Market Most Investment Worthy Property” (2009成都樓市最具投資價值物業) by 2009 China (Chengdu) Property Market Overall Ranking List (2009中國(成都)樓市總評榜) of Chengdu Business Daily;

In March 2010, Chengdu Hailrun Plaza (成都喜年廣場) was awarded “2009 Chengdu Property Market Most Investment Worthy Property” (2009成都樓市最具投資價值物業) by 2009 China (Chengdu) Property Market Overall Ranking List (2009中國(成都)樓市總評榜) of Chengdu Business Daily;

In March 2010, Chengdu Mont Conquerant Project (成都君山項目) was awarded “2009 Most Influential High-end Property in Chengdu Property Market” (2009成都樓市最具影響力高端物業) by 2009 China (Chengdu) Property Market Overall Ranking List (2009中國(成都)樓市總評榜) of Chengdu Business Daily.

In March 2010, Shenzhen Meinian Plaza (深圳美年廣場) was awarded “2010 China Real Estate Index System – The Best Garden-Commercial Complex in South China” (2010中國房地產指數系統華南最佳園林式商務綜合體) by China Real Estate Association and China Index Research Institute (中國指數研究院).

In March 2010, Shenzhen Love Forever (深圳花郡) was awarded “2010 China’s Real Estate Low-carbon Show Flat” (2010中國房地產低碳示範樓盤) by Soufun.com and the Organizing Committee of the 10th China Real Estate Industry Development Annual Conference.

In March 2010, Shenzhen Meinian Plaza (深圳美年廣場) was awarded “2010 China’s Real Estate Low-carbon Show Flat” (2010中國房地產低碳示範樓盤) by Soufun.com and the Organizing Committee of the 10th China Real Estate Industry Development Annual Conference.

In March 2010, Shenzhen Funian Plaza (深圳福年廣場) was awarded “2010 China’s Real Estate Low-carbon Show Flat” (2010中國房地產低碳示範樓盤) by Soufun.com and the Organizing Committee of the 10th China Real Estate Industry Development Annual Conference.

In April 2010, Tianjin Hailrun Plaza (天津喜年廣場) was awarded “Seariver Cup (Structure)” (結構海河杯) by Tianjin Construction Industry Association (天津市建築業協會).

Social Responsibility



“VOYAGE TO HAPPINESS” (幸福之旅) COMMUNITY ART ACTIVITY

On 8 June 2010, the fourth “Fantasia – Voyage to Happiness” Exhibition was opened in Beyong Art Space of the Beijing Art Zone 798. Artists Zhao Ruheng, Zhang Xiaogang, Wang Guangyi, Yu Hong, well-known poets Xi Chuan, Zhai Yongming, novelists Li Rui, dramatist Meng Jinghui attended the opening ceremony. Ms Jiang Jie, the person-in-charge of the activity and a distinguished artist, launched the installation art exhibit entitled “Pink Utopia”, to show the hopes and aspiration towards a wonderful life.

During the opening ceremony, Fantasia’s Chairman and the Chief Executive Officer Pan Jun, who is also the mastermind of the activity, says, “Fantasia promotes the concept of “art in real estate”, not only by incorporating artistic elements in the style of architecture and concepts, but also by building and operating art galleries in its projects in order to promote the development of public art. For example, art galleries are on the blueprints of the projects of Mont Conquerant and Meinian International Plaza that are currently being developed in Chengdu. From promoting the concept of “art in real estate” to organizing the art community activity of “Voyage to Happiness”, Fantasia has spared no endeavor to imbue public with the sense of appreciating the wonderful and marvelous things in life through exploring and discussing the meaning of “happiness”.”

“Fantasia – Voyage to Happiness” is a one of the series of community art activities organized by Fantasia Group since 2006. The fourth “Fantasia – Voyage to Happiness” art activity was launched in Beijing last year and we have the honor to invite Jiang Jie, the famous artist, as the person-in-charge of the activity this year. During the past year, she carried out a spate of art programs entitled “Different Faces with Different Views” (千百張面孔的千百個方向) and interviewed numerous elites in China’s cultural and art circle, including artists, musicians, novelists, poets, film directors, philosophers and public intellectuals, to discuss the relationship between their works and happiness. After the interviews, Jiang Jie showcased the observation and reflection on the meaning of “happiness” within the contemporary Chinese cultural and art circle through a solo exhibition.





FANTASIA HOPE PRIMARY SCHOOL

Since donating funds for building the Hope Primary School in Ji'an County, Jiangxi in 2006, Fantasia has contributed almost RMB3 million for improving the teaching, learning and living environment for nearly 1,000 teachers and students. In the meantime, Fantasia has formulated a "New Pillar" (新棟樑) Teaching Support Scheme and established a special teacher incentive fund in order to improve the quality of teaching. Under such incentive scheme, a differential nurturing program for outstanding teachers will be implemented in three years time (from 2009 to 2011) and new teachers, core teachers and outstanding middle-aged and elderly teachers of the Hope Primary School will be honored. On 7 April 2010, a prize-presenting ceremony of the 1st "Fantasia Outstanding Teacher Incentive Fund" was held in Fantasia Hope Primary School in Ji'an County, and a total of 6 teachers were awarded.





Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present the interim results of Fantasia Holdings Group Co., Limited as at 30 June 2010.

For the six months ended 30 June 2010, the Group recorded operating revenue and net profit of RMB1,918 million and RMB430 million, respectively, which represent an increase of 42.8% and 97.6% over the first half of last year. Net profit attributable to owners of the Company during the half year was RMB411 million, up 74.5% as compared to the first half of last year.

MARKET AND BUSINESS REVIEW

During the first half of 2010, China's real estate market again resumed its cyclical nature. In sharp contrast to the rapid recovery demonstrated in 2009, the market has plunged into deep sales slump under the prevailing industrial adjustment during the first half of 2010. The macro-economic measures introduced in late 2009 have been further strengthened in the first half of 2010. In particular, the China government and some local authorities have continued to introduce more measures on the regulation of real estate market which are more stringent in nature and encompassing the areas of credits, settlement, payment and levying of land appreciation tax and market order, of which, the most severe one is significantly raising the ratio of down payment and interest rate of loans for domestic residents who purchase two or more commodity houses. Some local governments have even implemented restrictions that prohibit a household from purchasing more than one house during a particular period of time. Under the huge pressure of adjustment, China's real estate market was deeply sluggish and the transaction volumes of residential commodity houses of the country have declined in May and June, representing year-on-year decreases of 3.45% and 3.19% respectively. An even more significant decrease for the transaction volume of commodity houses of the five top-tier cities, namely Beijing, Shanghai, Shenzhen, Guangzhou and Hangzhou, in May and June was also recorded, with a year-on-year decrease of 72% while a year-on-year decrease of 34.23% was recorded in the transaction volume of commodity houses for the 13 key cities¹ throughout the country in the first half of 2010.

¹ According to the information of CREIS, the 13 key cities are Beijing, Shanghai, Shenzhen, Tianjin, Chongqing, Hangzhou, Nanjing, Wuhan, Chengdu, Suzhou, Qingdao, Xiamen, and Fuzhou.

Under the current adjustment, since the regulation of the government on the mortgage loan of the commercial property remained unchanged, the residential and commercial property markets experienced contrasting structural changes with the commercial property market suffering less under the adjustment.

In the first half of 2010, although the sales of residential products of the Group decreased 33% year-on-year, sales of Urban Complexes recorded an increase of 89% due to the leading position of the Group in the urban complexes segment. We have confidence that our strength in possessing diversified product lines of Urban Complexes and residential property could enhance our ability to resist market fluctuation comparing with single residential product developers. At the same time, we foresee that China will gradually transform into an affluent consuming society in the next decade. We believe that the capability in developing commercial integrated properties, with Urban Complexes being the most typical category, delivering ancillary high-end services and maintaining outstanding operating capacity will become the core competitive strengths among real estate enterprises in the future. The growing professional hotel management companies, business management companies and construction engineering companies of the Group will further improve the Group's capability to serve high-end customers and boost the attractiveness and value of our properties. In the next 5 to 10 years, we will continue to adhere to our two core product strategies, namely "urban complex developments plus boutique upscale residence developments", to further enhance our leading business position in the area of Urban Complexes, in order to achieve more dazzling growth while enhancing our business stability persistently.

In the first half of 2010, notwithstanding the uncertainties and adjustments of the market, Fantasia has indeed seen more business opportunities. We foresaw the adjustments the market might face with sharp insight and reallocated our capital resources at an earlier stage to maintain a stronger cash position. Under the prerequisite of adequately assuring the business and financial securities of the Company, we have extended our business coverage in core cities within strategic regions through acquiring low-cost premium land bank in a sound and prudent manner. We have also established and developed our sales force with our consistently high standard in cities we newly forayed into and maintained relatively rapid and well-planned growth of our development business, while promoting our sales in a flexible and aggressive approach and constantly enhancing our capability in delivering high-end services in order to keep the Company on the healthy and stable track of development.

STRATEGIC LAYOUT AND LAND BANK

The Group adheres to its strategy of focusing on the development in the four major regions, the Yangtze River Delta, the Pearl River Delta, the Chengdu-Chongqing Economic Zone and the Beijing-Tianjin Metropolitan Area. During the reporting period, the Group utilized its strong cash position to further expand its strategic layout in these four major regions, while the venturing into the three core cities, Dali Wuxi and Guilin, has expanded the Company's business coverage from seven cities to ten cities and enabled the Company to attain a more balanced business profile. The Group has newly acquired land bank in Dali, Wuxi, Tianjin, Dongguan and Guilin with an aggregate planned gross floor area of approximately 1,412,267 square meters. We have also entered into a framework agreement with respect to a project in Guilin with an aggregate planned gross floor area of 1,631,736 square meters. As of 30 June 2010, the total planned gross floor area of the land bank of the Group was approximately 13,470,610 square meters and the planned gross floor area of attributable land bank was approximately 13,354,552 square meters. Included in the above were properties with a planned gross floor area of approximately 6,813,757 square meters for which land use right certificates have been obtained and properties with a planned gross floor area of approximately 6,656,853 square meters with respect to which framework agreements have been entered into.

STRONG FINANCIAL POSITION

We adhere to the principle that financial stability is the essential foundation for the sustainable development of an enterprise. During the reporting period, the Company has maintained sufficient cash flow. As of 30 June 2010, the Group held cash in the amount of RMB3,631 million, while net gearing ratio was 42%. In the second half of 2010, the Group will continue to stick to our conservative cash flow management policy to guarantee the stable operation of the Company.

As a precautionary measure, we have issued a five-year term guaranteed senior note with a principal amounted to US\$120 million during the reporting period. The issuance of debentures has further consolidated the cash reserves of the Group, optimized the capital structure of the Group, secured a fortress level of liquidity under the prevailing adjustment in the industry and laid a solid foundation for the Group to grasp opportunities in merger and acquisition brought about by the industrial adjustment.

The Group will also continue to explore various financing channels and optimize the capital structure of the Group in order to provide a stronger capital base for the Group to pursue long-term development.

PROSPECT AND DEVELOPMENT

In the first half of 2010, in addition to the continuous low level of transaction volume in the market, the market has yet entered into a stable and balanced state, therefore the development of China's real estate market in the second half of 2010 may not be optimistic. Meanwhile, we will also be affected by several external uncertainties, such as the slowing down of the Chinese economic growth, the prolonged recovery of the United States and European economies, and the ambiguous direction in Chinese regulatory policies towards the real estate industry. As a result, China's real estate market may encounter a longer period of adjustment and the capital pressure of the industry will become more obvious as the industrial adjustment intensifies.

During the market adjustment process, we expect that the segments of commercial property and residential property will maintain their contrasting structural characteristics. We believe that the Group could leverage on its leading business development strength in the Urban Complexes to acquire more favorable opportunities in sales and development.



Although China's real estate market has again plunged into the downturn, we are still optimistic about the prospect of the China's real estate market since the general trend of urbanization in China remains unchanged. As the real estate industry is cyclical in nature, we may have to face fluctuations, peaks and troughs in the market frequently. An outstanding enterprise must not be confused by market swings; take impulsive measures in peak period and ignore the strong demand that still exists under the unchangeable progress of urbanization of China during lean times due to pessimism. It should also be well aware of the opportunities and factors that support the sustainable development of China's real estate industry and enterprises in the next 10 or more years, and deliver the best products to create and satisfy customers' demands. We will continue to cope with the challenges and fluctuation that are inevitable in the process of urbanization of China with cautiousness and rational measures.

We will be well prepared for market adjustment that may last for half-year to 1 year or more by managing our financial position and business with our consistently sound and prudent approach, meanwhile, we will maintain a relatively rapid pace of development according to our established strategic targets, continue to capture the opportunity to acquire low-cost premium lands in the strategic regions calmly and cautiously, and make timely adjustment to our business strategies by closely observing the market changes in order to allow the Company to develop in a healthy way.

APPRECIATION

The development of Fantasia was attributed to the continued support and trust of our shareholders, investors, partners and customers, and the contribution and creation of the excellent value of all staff of the Group. In the future, we hope to continue to cooperate with our business partners in order to develop Fantasia into a safe, high-growth, high-return and respectful enterprise, which are the enterprise's core value and target that we have always been pursuing.

Pan Jun
Chairman

25 August 2010

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly consists of revenue derived from (i) the sales of our developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services and (v) the provision of hotel management and related services. For the six months ended 30 June 2010, turnover of the Group amounted to approximately RMB1,918 million, representing an increase of 42.8% from approximately RMB1,343 million for the corresponding period in 2009. Profit and total comprehensive income for the six months ended 30 June 2010 attributable to the owners of the Company was approximately RMB411 million, representing an increase of 74.5% from approximately RMB236 million for the corresponding period in 2009.

Property Development

We recognize revenue from the sale of a property when the significant risks and rewards of ownership have been transferred to the purchaser, which is when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue from property development represents proceeds from sales of our properties held for sales. Revenue derived from property development increased by 44.0% to approximately RMB1,854 million for the six months ended 30 June 2010 from approximately RMB1,287 million for the corresponding period in 2009. This increase was due primarily to an increase in total gross floor area ("GFA") and an increase in the average selling price of properties sold to our customers.

The table below sets forth the total revenue derived from each of the projects and the aggregate GFA of properties sold in the first half of 2010 and 2009.

	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Total	GFA sold	Average	Total	GFA sold	Average
	Revenue		Selling	Revenue		Selling
	RMB'000	Sq. m.	Price	RMB'000	Sq. m.	Price
Chengdu Hailun Plaza (成都喜年廣場)	1,133,053	89,995	12,590	–	–	–
Town on the Water (雲海間)	235,995	20,317	11,616	–	–	–
Shenzhen Future Plaza (深圳香年廣場)	219,041	7,388	29,647	284,165	15,812	17,971
Dongguan Mont Conquerant (東莞君山)	195,815	18,095	10,822	–	–	–
Grand Valley (大溪谷)	34,936	7,161	4,879	28,776	7,012	4,104
Flower Harbor (花港家園)	28,962	1,000	28,950	69,124	7,241	9,547
Chengdu Love Forever (成都花郡)	5,920	2,134	2,773	724,903	105,927	6,843
Fantasia Town (花樣城)	–	–	–	180,502	59,512	3,033
	1,853,722	146,090	12,689	1,287,470	195,504	6,585



Chengdu Meinian International Plaza

Property Investment

Revenue generated from property investment remained stable at approximately RMB8 million for the six months ended 30 June 2010 (six months ended 30 June 2009: approximately RMB5 million). The rental market was stable during both periods.

Property Agency Services

Revenue derived from property agency services decreased by 45.0% to approximately RMB12 million for the six months ended 30 June 2010 from approximately RMB22 million for the corresponding period in 2009. The decrease was due primarily to the decrease in the aggregate sale price of the properties of other developers in which our property agency services business sold in the first half of 2010 as a result of the stronger fluctuation in general real estate activities in 2010 as compared to corresponding period in 2009.

Property Operation Services

Revenue derived from property operation services increased by 54.3% to approximately RMB40 million for the six months ended 30 June 2010 from approximately RMB26 million for the corresponding period in 2009. This increase was due primarily to an increase in the GFA of properties that we managed during the first half of 2010.

Hotel Management Business

Revenue derived from hotel services increased by 77.2% to approximately RMB3 million for the six months ended 30 June 2010 from approximately RMB2 million for the corresponding period in 2009. This increase was due primarily to an increase in occupancy rate of the hotel during the first half of 2010.

Gross Profit and Margin

Gross profit increased by 71.2% to approximately RMB952 million for the six months ended 30 June 2010 from approximately RMB556 million for the corresponding period in 2009, while our gross margin increased to 49.7% for the six months ended 30 June 2010 from 41.4% for the corresponding period in 2009. This increase was in line with the increase in the total revenue in the six months ended 30 June 2010 and our change in proportion in product mix.

Other Income, Gain and Losses

Other income, gain and losses decreased by 36.3% to approximately RMB5 million for the six months ended 30 June 2010 from approximately RMB8 million for the corresponding period in 2009. This decrease was primarily due to the fact that the increase in foreign exchange loss has offset other income.

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Dongguan Môt Conquerant

Selling and Distribution Expenses

Our selling and distribution expenses increased by 67.3% to approximately RMB58 million for the six months ended 30 June 2010 from approximately RMB35 million for the corresponding period in 2009. This increase was due primarily to an increase in general sales, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold in the first half of 2010 as compared to that in the same period of 2009.

Administrative Expenses

Our administrative expenses increased by 34.6% to approximately RMB121 million for the six months ended 30 June 2010 from approximately RMB90 million for the corresponding period in 2009. This increase was due primarily to an increase in professional fee and other relevant expenses relating to the senior notes issued in May 2010 and the increase in salary expenses resulting from the increase in the size of the Group.

Finance Costs

Our finance costs increased by 346.7% to approximately RMB68 million for the six months ended 30 June 2010 from approximately RMB15 million for the corresponding period in 2009. This increase was due primarily to the interest expenses resulting from the senior notes issued and an increase in bank borrowings.

Income Tax Expenses

Our income tax expenses increased by 112.2% to approximately RMB415 million for the six months ended 30 June 2010 from approximately RMB196 million for the corresponding period in 2009. This increase was due primarily to an increase in enterprises income tax and land appreciation tax as a result of increase in properties sold in the first half of 2010 as compared to that in the same period of 2009.

Profit and Total Comprehensive Income Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased by 74.5% to approximately RMB411 million for the six months ended 30 June 2010 from approximately RMB236 million for the corresponding period in 2009. This increase was due primarily to an increase in properties sold in the first half of 2010 as compared to that in the same period of 2009 and the effect of properties revaluation. Our net profit margin reached 21.5% for the six months ended 30 June 2010.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

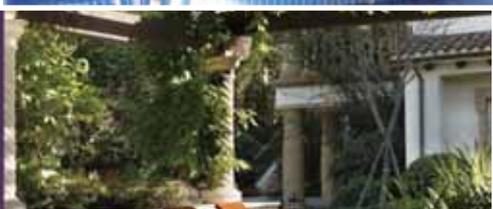
Cash Position

As at 30 June 2010, the Group's bank balances and cash was approximately RMB3,631 million (31 December 2009: approximately RMB3,886 million), representing a slightly decrease of 6.6% as compared to that as at 31 December 2009. A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits would be released upon completion of the development of the relevant properties in which such deposits relate to. As at 30 June 2010, the Group's restricted cash was approximately RMB54 million (31 December 2009: approximately RMB190 million), representing a decrease of 71.7% as compared to that as at 31 December 2009.

Current Ratio and Gearing Ratio

As at 30 June 2010, the Group had current ratio (being current assets over current liabilities) of approximately 1.95 compared to that of 1.87 as at 31 December 2009. The Group had gearing ratio of approximately 0.42 while the Group was in a net cash positions as at 31 December 2009 after the successful listing during November 2009. The gearing ratio was measured by net debt (aggregated bank borrowings and senior notes net of bank balances and cash and restricted cash) over the equity attributable to owners of the Company. The total debt (being aggregated bank borrowings and senior notes) over total assets ratio continued to be healthy, maintaining at 38.9% (31 December 2009: 30.0%) as at 30 June 2010.

花鲜甲 FANTASIA



Grand Valley

Borrowings and Charges on the Group's Assets

As at 30 June 2010, the Group had an aggregate bank borrowings and senior notes of approximately RMB4,557 million and approximately RMB806 million, respectively. Amongst the bank borrowings, approximately RMB1,430 million were repayable within 1 year and approximately RMB3,127 million were repayable between 2 and 5 years. The senior notes were repayable between 2 and 5 years.

As at 30 June 2010, a substantial part of the bank borrowings were secured by land use rights and properties of the Group. The senior notes were jointly and severally guaranteed by certain subsidiary companies of the Group and by pledge of their shares.

Exchange Rate Risk

The Group mainly operates in The People's Republic of China (the "PRC"). Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. Appreciation in RMB would have a positive effect on the value on paying interest and repayment of foreign currency bank borrowings and senior notes. During the six months ended 30 June 2010, though the exchange rates of RMB against U.S. dollar and the Hong Kong dollar kept on increasing, the directors of the Company (the "Directors") expects that any fluctuation of RMB's exchange rate will not have any material adverse effect on the operation of the Group.

Commitments

As at 30 June 2010, the Group had committed to pay the premium on land acquisitions and on the acquisition of subsidiaries amounted to approximately RMB481 million (31 December 2009: nil).

Contingent Liabilities

As at 30 June 2010, the Group had provided guarantees amounting to approximately RMB2,010 million (31 December 2009: approximately RMB1,626 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the buyer obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts is recognized in the financial statement for the six months ended 30 June 2010 as the default risk is low.

Employees and Remuneration Policies

As at 30 June 2010, the Group has approximately 3,227 employees, of which 502 employees were involved in the property development sector, 376 in the property agency services sector, 2,266 in the property operation services sector and 83 in the hotel services sector. Total staff costs, including directors' emoluments, for the six months ended 30 June 2010 amounted to approximately RMB88 million (six months ended 30 June 2009: approximately RMB49 million). Remuneration is determined by reference to their performance, skill, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme. As at 30 June 2010, no options had been granted, exercised or cancelled under the share option scheme adopted on 27 October 2009.

INTERIM DIVIDEND

The Directors had resolved that no interim dividend be paid for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

花鲜·中 FANTASIA



Shenzhen Love Forever

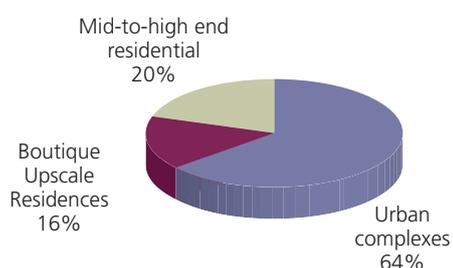
BUSINESS REVIEW

Operation

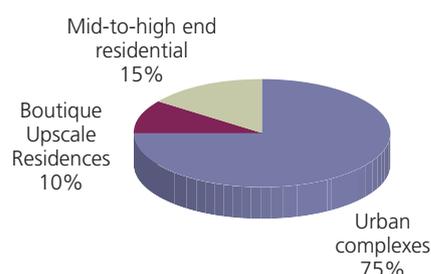
Contract Sales

During the reporting period, the new policies promulgated by the central government in April has made the property market become more prudent and the transaction volume has reduced in the property market of the PRC, and its impact on the property market in the first-tier cities was more significant. Residential property market was seriously affected while the impact on commercial properties was relatively less. Benefited from the edges on the Group's multi product lines of "urban complexes and boutique upscale residences", its target positioning in the high-end market as well as the flexible sales strategy, the Group recorded an outstanding achievement in the sales of urban complexes and this has driven the overall sales results. In the first half of 2010, the Group realized a contract sales of RMB 1,393 million and a contract sales area of 117,861 square meters, in which RMB1,036 million and 76,091 square meters were attributable to the sales of urban complexes. The high-end value of urban complexes has allowed the Group to achieve a year-on-year growth in the value of contract sales by 29% in the first half of 2010, notwithstanding the year-on-year decrease of contract sales area of 17%.

THE PROPORTION OF CONTRACT SALES AREA ATTRIBUTABLE TO DIFFERENT CATEGORIES OF PRODUCTS



THE PROPORTION OF CONTRACT SALES ATTRIBUTABLE TO DIFFERENT CATEGORIES OF PRODUCTS



On top of its multi-product lines, benefited from the market diversification, the Group also achieved outstanding sales results. For the first half of 2010, the sales was mainly attributable to the sales of Love Forever and Future Plaza in Shenzhen, Meinian International Plaza and Hailrun Plaza in Chengdu and Hailrun Plaza in Tianjin. The brilliant sales in Chengdu and Tianjin has highlighted our further enhancement in our brand profile in regions beyond Shenzhen. In addition, the contribution of the four major regions has become more balanced. As compared with 2009, the share of the revenue of contract sales from the Yangtze River Delta and Beijing-Tianjin Metropolitan Area has increased to 17% in the first half of 2010 from 11%.

花群中 FANTASIA

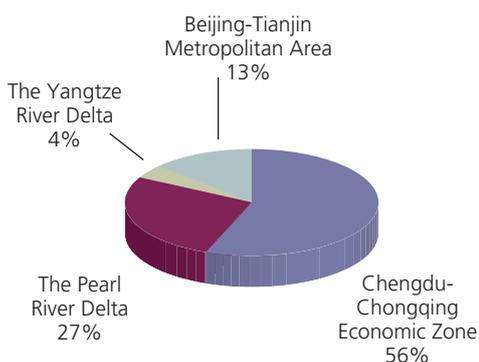


Tianjin Hailun Plaza

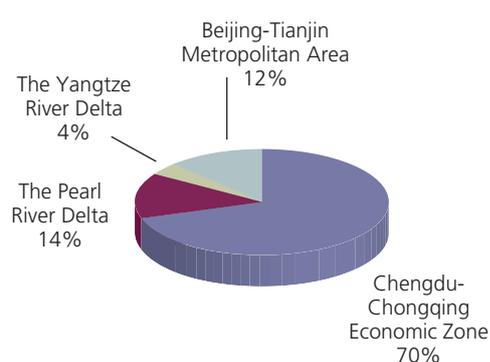
The breakdown of the Company's contract sales in the four major regions in the first half year of 2010

Region	Contract Sales		Contract Sales Area	
	RMB' million	Percentage	sq. m.	Percentage
Chengdu-Chongqing Economic Zone	777	56%	82,858	70%
The Pearl River Delta	376	27%	15,955	14%
The Yangtze River Delta	56	4%	4,784	4%
Beijing-Tianjin Metropolitan Area	184	13%	14,264	12%
Total	1,393	100%	117,861	100%

THE CONTRACT SALES DISTRIBUTION IN THE FOUR MAJOR REGIONS IN THE FIRST HALF OF 2010



THE DISTRIBUTION OF THE CONTRACT SALES AREA IN FOUR MAJOR REGIONS IN THE FIRST HALF OF 2010



Project Development

In the first half of 2010, the Group has achieved steady progress in the project development under the schedule of project sales and delivery. With the expansion of the scale of construction projects, the Group has further improved its professional standard of project planning, cost control and project management.

During the reporting period, the Group had an area of 75,824 square meters for new development projects and an area of 60,743 square meters for completed projects. The total gross floor area of projects under construction (representing the projects under construction or completed in the first half of 2010) was 1,384,584 square meters and provided approximately 1,248,545 square meters of saleable areas.

Management Discussion and Analysis

New Development Projects

During the first half year of 2010, the Group had 2 projects or phases of projects which were newly developed, with total gross floor area of 75,824 square meters.

The breakdown for new development projects for the first half of 2010

Project serial number	Project name	Project location	Nature of land	Estimated completion date	Company's interest	Planned gross floor area
						sq.m.
Chengdu-Chongqing Economic Zone						
1	Stage 1 of Phase 2 of Mont Conquerant	Laojun Mountain, Xinjin County	Residential, commercial and facilities	December 2011	100%	12,699
2	Phase 2.1.2 of Grand Valley	Pujiang County	Residential, commercial and ancillary	December 2010	100%	63,125
Total						75,824

Completed Projects

During the first half year of 2010, the Group had two completed projects or phases of projects in Dongguan and Yixing, with a total gross floor area of approximately 60,743 square meters and provided approximately 60,125 square meters of saleable area. So far, the Group has achieved contract sales area of approximately 38,208 square meters with respect to the above projects and annual contract sales area clinched during the first half year of 2010 was approximately 4,784 square meters. Approximately 7,095 square meters would be held by the Group for investment purpose, while the remaining 14,822 square meters were held for sales.

The breakdown of completed projects during the first half year of 2010

Project serial number	Project name	Gross floor area	Gross saleable area	Area held for sale		Area held for investment or hotel development	Contract sales area during the first half year of 2010
				Area for sale	Contract sales area		
		sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.
Dongguan							
1	Phase 1 of Mont Conquerant	19,945	19,885	1,790	18,095	0	0
Yixing							
1	Town on the Water	40,798	40,240	13,032	20,113	7,095	4,784
Total		60,743	60,125	14,822	38,208	7,095	4,784

Note 1: Completed projects refer to projects or phases of projects completed during the first half year of 2010;

Note 2: Contract sales area refers to the accumulated area subject to signed sales contracts as at 30 June 2010;

Projects under Construction

As at 30 June 2010, the Group had a total of 10 projects or phases of projects under construction, with a total planned gross floor area of approximately 1,323,841 square meters, planned gross saleable area was approximately 1,188,420 square meters. So far, the Group has achieved contract sales of approximately 234,711 square meters with respect to the above projects and annual contract sales area clinched during the first half year of 2010 was approximately 76,131 square meters. Approximately 953,709 square meters were held by the Group for sale purpose, which provided the driving force for the rapid development of the sales of the Group for the next 1 to 2 years.

Urban complex developments and boutique upscale residence developments are the core products of the Group. At present, the Group held 4 urban complex developments under construction, namely Meinian International Plaza in Chengdu, Chengdu Future Plaza, Tianjin Hailun Plaza and Guilin Zhongding, with an aggregate planned gross floor area of approximately 811,692 square meters, representing about 62% of the gross floor area of projects under construction. The Group also owned three boutique upscale residence developments under construction, namely Grand Valley in Puijiang County, Chengdu, Chengdu Mont Conquerant and Dongguan Mont Conquerant, with an aggregate gross floor area of about 266,200 square meters, representing approximately 21% of the gross floor area of projects under construction.

The breakdown of projects under construction during the first half year of 2010

Project serial number	Project name	Project location	Nature of land	Proportion of interest	Estimated completion date	Gross floor area	Gross saleable area	Area held for sale		Area held for investment or hotel development	Contract sales area during the first half year of 2010	Product category
								Area for sale	Contract sales area			
						sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	
Shenzhen												
1	Love Forever	Xincheng Avenue, Baoan Central District	Residential	52%	South: December 2010 North: December 2011	132,336	100,233	47,826	52,407	0	7,387	Mid-to-high end residential
Chengdu												
1	Future Plaza	Jianshe Road, Shuangtu and Minle Villages High-technology Zone	Commercial and service	100%	October 2012	243,839	235,246	235,246	0	0	0	Urban complex
2	Phase 2.1 of Grand Valley	Intersection of Jinhua and Qixin Villages, Heshan Town, Puijiang County	Residential, commercial and ancillary	100%	December 2010	79,958	79,958	74,942	5,016	0	4,184	Boutique upscale residence
3	Phase 1 of Mont Conquerant	Yongshang Town, Xinjin County	Residential, commercial	100%	November 2010	50,560	48,176	36,186	11,990	0	2,433	Boutique upscale residence
	Stage 1 of Phase 2 of Mont Conquerant				December 2011	12,699	12,699	12,699	0	0	0	Boutique upscale residence
4	Phase 1.2 and 2 of Fantasia Town	Jinma Town, Wenjiang District	Residential and associated commercial	100%	October 2011	113,613	110,368	94,725	15,643	0	11,948	Mid-to-high end residential
5	Meinian International Plaza (Phase 1.1-1.3)	Fuhepang, High-technology District	Residential, commercial	100%	Phase 1.1, 1.2: December 2010 Phase 1.3: December 2011	424,440	413,611	303,349	110,262	0	35,915	Urban complex

Management Discussion and Analysis

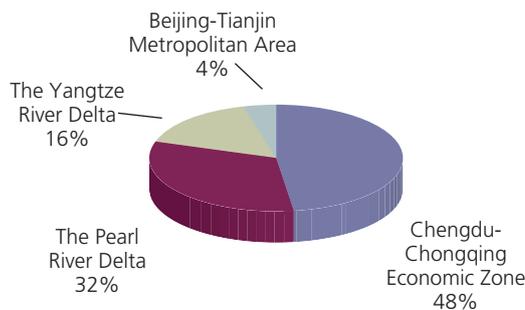
Project serial number	Project name	Project location	Nature of land	Proportion of interest	Estimated completion date	Gross floor area	Gross saleable area	Area held for sale		Area held for investment or hotel development	Contract sales area during the first half year of 2010	Product category
								Area for sale	Contract sales area			
						sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	
Tianjin												
1	Hairun Plaza	Jiefang South Road, Jinnan District	Construction purpose (including office building and commercial purpose)	60%	Phase 1: December 2010 Phase 2: June 2011	131,341	79,043	39,650	39,393	0	14,264	Urban complex
Dongguan												
1	Phase 2 of Mont Conquerant	Huangkeng Village, Liabu Town, Dongguan City	Residential and commercial	100%	June 2011	122,983	97,014	97,014	0	0	0	Boutique upscale residence
Guilin												
1	Guohua Project (Zhongding Project)	Xicheng Main Road, Lingui New District, Guilin	Composite land use	100%	September 2010	12,072	12,072	12,072	0	0	0	Urban complex
Total						1,323,841	1,188,420	953,709	234,711	0	76,131	

Note: Contract sales area refers to the accumulated area subject to signed sales contracts as at 30 June 2010.

Future Development Projects

As at 30 June 2010, the Group had 14 future development projects or phases of projects, with a planned gross floor area of approximately 5,489,916 square meters, of which, the total planned gross floor area of 5 projects in Chengdu-Chongqing Economic Zone was approximately 2,630,296 square meters, with a proportion of approximately 48%; and the total planned gross floor area of 5 projects in the Pearl River Delta was approximately 1,755,853 square meters, with a proportion of approximately 32%; while the 2 projects in Yangtze River Delta had a total planned gross floor area of approximately 871,201 square meters, with a proportion of approximately 16% and the 2 projects in Beijing-Tianjin Metropolitan Area had a total planned gross floor area of approximately 232,566 square meters, with a proportion of approximately 4%.

Chart showing the distribution of projects for future development



The breakdown of future development projects

Project serial number	Project name	Project location	Nature of land	Our interest in the project	Total GFA <i>sq. m.</i>	Average price of floor area <i>(RMB/sq.m.)</i>
Chengdu						
1	Meinia International Plaza (except phases 1.1 – 1.3)	High-Technology Zone, South of Chengdu	Office, commercial, hotel and car park spaces	100%	449,845	669
2	Fantasia Town (except phases 1.2 and 2)	Wenjiang District	Residential and its associated commercial	100%	370,149	81
3	Mont Conquerant (except phases 1 and stage 1 of phase 2)	Laojun Mountain, Xin Jin County	Residential, commercial and facilities	100%	283,685	825
4	Grand Valley (except phases 1.1, 1.2 and 2.1)	Pu Jiang County	Residential, commercial and facilities	100%	1,462,129	284
Subtotal					2,565,808	–
Shenzhen						
1	Funian Plaza	Futian District	Warehouse	100%	67,908	2,179
Subtotal					67,908	–
Huizhou						
1	Endless Blue	Huangyuyong, Daya Bay	Residential and car park spaces	100%	168,545	312
2	Huiyang Fantasia Special Town	Adjacent to Huiyang bus terminus at Huinan Avenue	Residential and car park spaces	100%	586,000	423
Subtotal					754,545	

Management Discussion and Analysis

Project serial number	Project name	Project location	Nature of land	Our interest in the project	Total GFA <i>sq.m.</i>	Average price of floor area <i>(RMB/sq.m.)</i>
Dongguan						
1	Dongguan Wonderland	Huangjiang Town, Dongguan City	Residential and commercial	100%	333,400	923
Subtotal					333,400	
Tianjin						
1	Yingcheng Lake Project	The south of Yingcheng Reservoir in Hangu District	Residential, office and commercial	100%	168,339	766
2	Chentang Project	Southern side of Dongjiang Road in Hexi District	R&D design	100%	64,227	1,870
Subtotal					232,566	
Suzhou						
1	Suzhou Taihu Lake Project	Suzhou Taihu National Tourism Vacation Zone	Accommodation and dining, residential	100%	533,121	1,522
Subtotal					533,121	
Wuxi						
1	Wuxi Project	Intersection at Jincheng Road and Chunyang Road	Residential, commercial and ancillary	100%	338,080	1,523
Subtotal					338,080	
Yunnan						
1	Dali Project	Xiaguan Town, Dali City	City and town residential land use (with commercial service)	100%	64,488	808
Subtotal					64,488	
Guilin						
1	Guohua Project (Dihao Project)	Lingui New District, Guilin Xicheng Main Road	Residential and commercial	100%	600,000	390
Subtotal					600,000	
Total					5,489,916	

Our Land Bank

During the reporting period, the Company continued to implement scientific and prudent approach in its land bank strategy and further extended the strategic region coverage of its land bank. During the first half of 2010, land-use permit has been obtained for the Group's Suzhou project, the gross planned construction area of which is 533,121 square meters. The Group also acquired a total of 8 land plots in Dali, Wuxi, Tianjin, Dongguan and Guilin, the gross planned construction area of which is 1,412,267 square meters. Such an initiative has further extended the strategic coverage of the 4 regions. Meanwhile, the Company has entered into a framework agreement with respect to a project with a total planned construction area of 1,631,736 square meters. The above projects with confirmed rights and under framework agreements are expected to provide saleable area of approximately 3,349,005 square meters.

As at 30 June 2010, the total area of the Group's land bank amounted to approximately 13,470,610 square meters, and the entitled construction area of land bank amounted to approximately 13,354,552 square meters. Included in the above were properties with a planned gross floor area of approximately 6,813,757 square meters and the land use right certificates of which have been granted, while framework agreements in respect of properties with a planned gross floor area of approximately 6,656,853 square meters have been entered into.

The breakdown of our land bank by regions as at 30 June 2010

Region	Projects under construction	Projects for future development	Projects under framework agreements	Aggregate gross floor area of land bank	Proportion
	<i>sq.m.</i>	<i>sq.m.</i>	<i>sq.m.</i>	<i>sq.m.</i>	
Chengdu-Chongqing Economic Zone				8,469,268	62.9%
Chengdu	925,109	2,565,808	3,917,332	7,408,249	
Dali		64,488	996,531	1,061,019	
The Pearl River Delta				3,654,980	27.1%
Shenzhen	132,336	67,908		200,244	
Dongguan	122,983	333,400		456,383	
Huizhou		754,545		754,545	
Guilin	12,072	600,000	1,631,736	2,243,808	
Beijing-Tianjin metropolitan region				418,907	3.1%
Tianjin	131,341	232,566		363,907	
Beijing			55,000	55,000	
The Yangtze River Delta				927,455	6.9%
Suzhou		533,121	56,254	589,375	
Wuxi		338,080		338,080	
Total	1,323,841	5,489,916	6,656,853	13,470,610	100.0%

Note: Aggregate gross floor area of land bank refers to the aggregate planned gross floor area of projects under construction, future development projects and framework agreement projects.

Management Discussion and Analysis

Property Operation Services

As at 30 June 2010, the Group managed a total of 179 projects in four major cities and regions, namely Shenzhen, Chengdu, Huizhou and Dongguan, the area contracted for management and under management totaled 12 million square meters, representing a year-on-year growth of 15%. With the Group's effort in extending the coverage of property management business to regions beyond Shenzhen, during the reporting period, we have committed to optimize the regionalized operation, and strengthen the application of intelligence technologies in property management and the construction of informationalized platform while persistently improving the operation efficiency. In terms of regional expansion, the Group has initiated the expansion of property management business in the Yangtze River Delta and has established a property management branch office in Shanghai. Meanwhile, to further enhance the service capability of the Group's two core property products, the Group has also initiated the work in building a multiple-brand system for property management services. Fantasia International as the brand name for providing top-notch property management services is being established with a view to providing first-class property management services to high-end customers.

Property Agency Business

During the reporting period, the Group's property agency business was subject to serious pressure under the shrinkage of the transaction volume of the property market. Nevertheless, we have proactively expanded our business by extending our business coverage to areas with strong development potential, such as Zhongshan and Guiyang in the Pearl River Delta and the South-western regions and we have undertaken 34 new projects during the first half of the year. The Group has acted as the agent for a total of 27 projects in Chengdu, Shenzhen, Dongguan and several cities in Anhui Province. The sales area under our agency services was approximately 204,955 square meters while the amount of which has exceeded RMB 1,478 million. Besides, we have fully initiated the application of CRM system and intelligence management system and we believe that such an initiative would enhance our services provided to customers and our capability in information management, and thereby improve our competitive edges.

Hotel Management Business

During the reporting period, the Group's hotel management business has achieved steady progress and has devised initial plans on the formulation of Group's hotel brand name and on the hotel management system. While acquiring the talents on hotel management, the Group has also expanded the hotel management team with the expansion of business. The Group expects that Town on the Water, a boutique hotel in Yixing, will commence trial operation in the second half of the year and the design and renovation work for another two hotels will be undertaken during the year. Nine boutique hotels will be developed under boutique upscale residences and urban complexes projects developed by the Group within three years. We believe that the commencement of the operation of various boutique hotels will not only allow the Group to have a more balanced source of revenue and sustainable cash inflow, but will also enhance the Group's capability in providing high-end services which would in turn improve the Group's integrative competitive edges in high-end products.

Construction of Informationalized System

During the period, the Group has reformulated the plan on the construction of its informationalized system for establishing an integrative and highly-efficient information management platform. Currently, we are in progress of formulating the construction of major system models, such as office automation, financial management, cost management, contract purchase, sales management and customer services.

Business Outlook

Notwithstanding the uncertainties prevailing in the property market in the second half of 2010, we see the bottoming-out of the low transaction volume resulted from the macro-control policies and the market has gradually resumed confidence from the panic.

In the second half of 2010, the Group expects that six projects or project phases, with a planned total floor area of 486,000 square meters will be completed, including Phase 1 of Love Forever in Shenzhen, Phase 2.1 of Grand Valley, Phase 1 of Mont Conquerant in Chengdu, Phase 1.1 and 1.2 of Meinian International Plaza in Chengdu, Phase 1 of Hailrun Plaza in Tianjin and Guilin Zhongding Project.

Supported by the ready availability of cash, the Group will steadily increase the area under construction and launch new projects to the market in the second half of the year and it is expected that the total planned floor area of the new projects undertaken in the second half of the year shall reach approximately 900,000 square meters and the aggregate saleable area for the projects launched to the market in the second half of the year shall be approximately 700,000 square meters.

In terms of land bank, the Group, while maintaining a prudent approach, will closely monitor the land development opportunities in the four strategic regions. Meanwhile, the Group will selectively acquire prime land projects at competitive prices on the basis of its business development and market conditions.

Disclosure of Interests

Dongguan Mont Conquerant

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION SHARES

As of 30 June 2010, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Director	Long/short position	Nature of interests	Number of issued ordinary shares held	Approximate percentage of shareholding
Ms. Zeng Jie	Long position	Interest of controlled corporation	3,174,795,000	65.14%
	Short position	Interest of controlled corporation	470,205,000	9.65%

Note: Fantasy Pearl International Limited ("Fantasy Pearl") is owned as to 80% by Ice Apex Limited ("Ice Apex") and 20% by Graceful Star Overseas Limited ("Graceful Star"). While Ice Apex is wholly owned by Ms. Zeng Jie, Ms. Zeng Jie is deemed to be interested in the shares of the Company held by and short position of Fantasy Pearl for the purpose of Part XV of the SFO.

Long Positions in Associated Corporation

Name of Director	Nature of interest	Name of associated corporation	No. of shares of debentures	Description of shares or debentures	Percentage of that associated corporation's issued share capital
Ms. Zeng Jie	Corporate Interest ⁽¹⁾	Fantasy Pearl	80 shares	No par value	80%
Mr. Pan Jun	Corporate Interest ⁽²⁾	Fantasy Pearl	20 shares	No par value	20%

Notes:

- (1) These are shares held by Ice Apex in Fantasy Pearl and Ice Apex is wholly owned by Ms. Zeng Jie.
- (2) These are shares held by Graceful Star in Fantasy Pearl and Graceful Star is wholly owned by Mr. Pan Jun.

Save as disclosed above, as at 30 June 2010, none of the Directors and chief executives of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As of 30 June 2010, so far as the Directors are aware, the following persons or institutions have beneficial interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, Cap 571 of the Laws of Hong Kong, or who is directly and/ or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Nature of Interest	Number of shares	Approximate percentage of interest in our Company as at 30 June 2010
Fantasy Pearl	Beneficial interest ⁽¹⁾	3,174,795,000	65.14%
	Short Position	470,205,000	9.65%
Ice Apex	Interest of controlled corporation ⁽²⁾	3,174,795,000	65.14%
	Short Position	470,205,000	9.65%
Ms. Zeng Jie	Interest of controlled corporation	3,174,795,000	65.14%
	Short Position	470,205,000	9.65%
Fantasia (Cayman) Ltd ("Fantasia (Cayman)")	Beneficial interest ⁽³⁾	170,403,750	3.50%
	Security Interest ⁽³⁾	470,205,000	9.68%
Goldman Sachs RE Investments Holdings Limited	Interest of controlled corporation ⁽⁴⁾	640,608,750	13.18%
The Goldman Sachs Group, Inc ("Goldman Sachs")	Interest of controlled corporation	639,311,438	13.12%
Fantasia Holding (Cayman) Ltd	Interest of controlled corporation ⁽⁵⁾	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A	Interest of controlled corporation ⁽⁶⁾	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Coopertief U.A	Interest of controlled corporation ⁽⁷⁾	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Company	Interest of controlled corporation ⁽⁸⁾	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Company Voteco, LLC	Interest of controlled corporation ⁽⁹⁾	640,608,750	13.18%

Disclosure of Interests

Name of shareholder	Nature of Interest	Number of shares	Approximate percentage of interest in our Company as at 30 June 2010
Goldman Sachs Developing Markets Real Estate Partners (US), L.P	Interest of controlled corporation ⁽¹⁰⁾	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC	Interest of controlled corporation ⁽¹¹⁾	640,608,750	13.18%
Goldman, Sachs & Co	Interest of controlled corporation ⁽¹²⁾	640,608,750	13.18%
Wellluck Properties Ltd ("Wellluck")	Beneficial Interest ⁽¹³⁾	56,801,250	1.16%
	Security Interest ⁽¹³⁾	470,205,000	9.68%
Rich Fame Investments Ltd	Interest of controlled corporation ⁽¹⁴⁾	527,006,250	10.84%
HSBC NF China Real Estate Fund L.P.	Interest of controlled corporation ⁽¹⁵⁾	527,006,250	10.84%
HSBC NF China Investors Limited	Interest of controlled corporation ⁽¹⁶⁾	527,006,250	10.84%
HSBC NF China Holdings Limited	Interest of controlled corporation ⁽¹⁷⁾	527,006,250	10.84%
HSIL Investments Limited	Interest of controlled corporation ⁽¹⁸⁾	527,006,250	10.84%
HSBC Property Funds (Holdings) Limited	Interest of controlled corporation ⁽¹⁹⁾	527,006,250	10.84%
HSBC Specialist Investments Limited	Interest of controlled corporation ⁽²⁰⁾	527,006,250	10.84%
HSBC Global Asset Management Limited	Interest of controlled corporation ⁽²¹⁾	527,006,250	10.84%
HSBC Investment Bank Holdings plc	Interest of controlled corporation ⁽²²⁾	527,006,250	10.84%
HSBC Holdings plc	Interest of controlled corporation	527,006,250	10.84%
Nan Fung Consolidated Investments Ltd	Interest of controlled corporation ⁽²³⁾	527,006,250	10.84%
Nan Fung China Development Holdings Limited	Interest of controlled corporation ⁽²⁴⁾	527,006,250	10.84%
Nan Fung Enterprises Limited	Interest of controlled corporation ⁽²⁵⁾	527,006,250	10.84%
Crosby Investment Holdings Inc	Interest of controlled corporation ⁽²⁶⁾	527,006,250	10.84%
CHEN Wai Wai Vivien	Interest of controlled corporation	527,006,250	10.84%
Golden Success Profits Limited	Interest of controlled corporation ⁽²⁷⁾	527,006,250	10.84%
Sheng Fung Company Limited	Interest of controlled corporation ⁽²⁸⁾	527,006,250	10.84%
CHEN Din Hwa	Interest of controlled corporation	527,006,250	10.84%
CHEN Yang Foo Oi	Family interest ⁽²⁹⁾	527,006,250	10.84%

Notes:

- (1) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the shares held by and short position of Fantasy Pearl for the purpose of Part XV of the SFO. Graceful Star is entitled to a pre-emptive right over shares in the capital of Fantasy Pearl pursuant to an agreement made between, among others, Ms. Zeng Jie, Mr. Pan Jun, Ice Apex and Graceful Star.
- (2) Ice Apex is wholly owned by Ms. Zeng Jie. Ms. Zeng Jie is deemed to be interested in the shares held by Ice Apex for the purpose of Part XV of the SFO.
- (3) Fantasia (Cayman) is owned as to 46.67% by Fantasia Holding (Cayman) Ltd and as to 53.33% by Goldman Sachs RE Investments Holdings Limited. Fantasia Holding (Cayman) Ltd and Goldman Sachs RE Investments Holdings Limited are each deemed to be interested in the shares in which Fantasia (Cayman) is interested for the purpose of Part XV of the SFO.
- (4) Goldman Sachs RE Investments Holdings Limited is a wholly owned subsidiary of Goldman Sachs. Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs RE Investments Holdings Limited is interested for the purpose of Part XV of the SFO.
- (5) Fantasia Holding (Cayman) Ltd is owned as to 36.0508% by Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A. and as to 57.8879% by Goldman Sachs Developing Markets Real Estate Coopertief U.A.. Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A. and Goldman Sachs Developing Markets Real Estate Coopertief U.A. are each deemed to be interested in the shares in which Fantasia Holding (Cayman) Ltd is interested for the purpose of Part XV of the SFO.
- (6) Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A. is owned as to more than one-third by Goldman Sachs Developing Markets Real Estate Partners (US), L.P. and as more than one-third by Goldman Sachs. Each of Goldman Sachs Developing Markets Real Estate Partners (US), L.P. and Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A. is interested for the purpose of Part XV of the SFO.
- (7) Goldman Sachs Developing Markets Real Estate Coopertief U.A. is owned as to more than one-third by Goldman Sachs Developing Markets Real Estate Company and as to more than one-third by Goldman Sachs. Each of Goldman Sachs Developing Markets Real Estate Company and Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Coopertief U.A. is interested for the purpose of Part XV of the SFO.
- (8) All of the voting shares of Goldman Sachs Developing Markets Real Estate Company are owned by Goldman Sachs Developing Markets Real Estate Company Voteco, LLC. Goldman, Sachs & Co, a wholly-owned subsidiary of Goldman Sachs held by Goldman Sachs directly and indirectly through intermediate subsidiaries, is the investment manager to Goldman Sachs Developing Markets Real Estate Company. Each of Goldman Sachs Developing Markets Real Estate Company Voteco, LLC and Goldman, Sachs & Co is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Company is interested for the purpose of Part XV of the SFO.
- (9) Goldman Sachs Developing Markets Real Estate Company Voteco, LLC is wholly owned by Goldman Sachs. Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Company Voteco, LLC is interested for the purpose of Part XV of the SFO.
- (10) The general partner of Goldman Sachs Developing Markets Real Estate Partners (US), L.P. is Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC. Goldman, Sachs & Co., a wholly-owned subsidiary of Goldman Sachs, held by Goldman Sachs directly and indirectly through intermediate subsidiaries, is the investment manager to Goldman Sachs Developing Markets Real Estate Partners (US), L.P.. Each of Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC. and Goldman, Sachs & Co. is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Partners (US), L.P. is interested for the purpose of Part XV of the SFO.
- (11) Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC is wholly owned by Goldman Sachs. Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC is interested for the purpose of Part XV of the SFO.
- (12) Goldman, Sachs & Co., is a wholly-owned subsidiary of Goldman Sachs, held by Goldman Sachs directly and indirectly through intermediate subsidiaries. Goldman Sachs is deemed to be interested in the shares in which Goldman, Sachs & Co., is interested for the purpose of Part XV of the SFO.
- (13) Wellluck is wholly owned by Rich Fame Investment Ltd. Rich Fame Investment Ltd is deemed to be interested in the shares in which Wellluck is interested for the purpose of Part XV of the SFO.

Disclosure of Interests

- (14) Rich Fame Investment Ltd is owned as to 80% by HSBC NF China Real Estate Fund LP. HSBC NF China Real Estate Fund LP is deemed to be interested in the shares in which Rich Fame Investment Ltd is interested for the purpose of Part XV of the SFO.
- (15) The general partner of HSBC NF China Real Estate Fund LP is HSBC NF China Investors Ltd. HSBC NF China Investors Ltd is deemed to be interested in the shares in which HSBC NF China Real Estate Fund LP is interested for the purpose of Part XV of the SFO.
- (16) HSBC NF China Investors Ltd is wholly owned by HSBC NF China Holdings Ltd. HSBC NF China Holdings Ltd is deemed to be interested in the shares in which HSBC NF China Investors Ltd is interested for the purpose of Part XV of the SFO.
- (17) HSBC NF China Holdings Ltd is owned as to 50% by HSIL Investments Ltd and as to 50% by Nan Fung Consolidated Investments Ltd. Each of HSIL Investments Ltd and Nan Fung Consolidated Investments Ltd is deemed to be interested in the shares in which HSBC NF China Holdings Ltd is interested for the purpose of Part XV of the SFO.
- (18) HSIL Investments Ltd is wholly owned by HSBC Property Funds (Holding) Ltd. HSBC Property Funds (Holdings) Ltd is deemed to be interested in the shares in which HSIL Investments Ltd is interested for the purpose of Part XV of the SFO.
- (19) HSBC Property Funds (Holdings) Ltd is wholly owned by HSBC Specialist Investments Ltd. HSBC Specialist Investments Ltd is deemed to be interested in the shares in which HSBC Property Funds (Holdings) Ltd is interested for the purpose of Part XV of the SFO.
- (20) HSBC Specialist Investments Ltd is wholly owned by HSBC Global Asset Management Ltd. HSBC Global Asset Management Ltd is deemed to be interested in the shares in which HSBC Specialist Investments Ltd is interested for the purpose of Part XV of the SFO.
- (21) HSBC Global Asset Management Ltd is wholly owned by HSBC Investment Bank Holdings plc. HSBC Investment Bank Holdings plc is deemed to be interested in the shares in which HSBC Global Asset Management Ltd is interested for the purpose of Part XV of the SFO.
- (22) HSBC Investment Bank Holdings plc is wholly owned by HSBC Holdings plc. HSBC Holdings plc is deemed to be interested in the shares in which HSBC Investment Bank Holdings plc is interested for the purpose of Part XV of the SFO.
- (23) Nan Fung Consolidated Investments Ltd is owned by 50% by Nan Fung China Development Holdings Ltd and as to 50% by Golden Success Profits Ltd. Each of Nan Fung China Development Holdings Ltd and Golden Success Profits Ltd is deemed to be interested in the shares in which Nan Fung Consolidated Investments Ltd is interested for the purpose of Part XV of the SFO.
- (24) Nan Fung China Development Holdings Ltd is wholly owned by Nan Fung Enterprises Ltd. Nan Fung Enterprises Ltd is deemed to be interested in the shares in which Nan Fung China Development Holdings Ltd is interested for the purpose of Part XV of the SFO.
- (25) Nan Fung Enterprises Ltd is wholly owned by Crosby Investment Holdings Inc. Crosby Investment Holdings Inc is deemed to be interested in the shares in which Nan Fung Enterprises Ltd is interested for the purpose of Part XV of the SFO.
- (26) Crosby Investment Holdings Inc is wholly owned by CHEN Wai Wai Vivien. CHEN Wai Wai Vivien is deemed to be interested in the shares in which Crosby Investment Holdings Inc is interested for the purpose of Part XV of the SFO.
- (27) Golden Success Profits Ltd is wholly owned by Sheng Fung Co. Ltd. Sheng Fung Co. Ltd is deemed to be interested in the shares in which Golden Success Profits Ltd is interested for the purpose of Part XV of the SFO.
- (28) Sheng Fung Co. Ltd is wholly owned by CHEN Din Hwa. CHEN Din Hwa is deemed to be interested in the shares in which Sheng Fung Co. Ltd is interested for the purpose of Part XV of the SFO.
- (29) CHEN Yang Foo Oi is the spouse of CHEN Din Hwa and is deemed to be interested in the shares in which CHEN Din Hwa is interested for the purpose of Part XV of the SFO.

Save as disclosed above, as of 30 June 2010, no other shareholder, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognized the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance.

The Board comprises four executive Directors and four independent non-executive Directors. The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances, and has full and timely access to all relevant information in relation to the Group's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess respectively professional qualifications and related management experience in the areas of financial accounting, law, global economy and real estate and have contributed to the Board with their professional opinions.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Code on Corporate Governance") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for the following deviation:

- Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Pan Jun is the chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Pan and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code regarding directors' securities transactions during the six months ended 30 June 2010 and all Directors confirmed that they have complied with the Model Code.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The audit committee of the Company currently comprises four independent non-executive Directors, including Mr. Ho Man, Mr. Liao Martin Cheung Kong JP, Mr. Huang Ming and Mr. Xu Quan, while Mr. Ho Man is the chairman of the audit committee. The audit committee is to review important accounting policies, supervise the Company's financial reporting processes, monitor the performance of the external auditor and the internal audit department, review and evaluate the effectiveness of the Company's financial reporting procedures and internal control and ensure the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board.

The audit committee together with the management of the Company has reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2010.

In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the six months ended 30 June 2010 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in compliance with the Listing Rules. The remuneration committee currently comprises an executive Director, Mr. Pan Jun, and four independent non-executive Directors, Mr. Huang Ming, Mr. Ho Man, Mr. Liao Martin Cheung Kong JP and Mr. Xu Quan, while Mr. Huang Ming is the chairman of the committee. The remuneration committee is responsible for advising the Board on the remuneration policy and framework of the Company's Directors and senior management member(s), as well as reviewing and determining the remuneration of all executive Directors and senior management member(s) with reference to the Company's objectives from time to time.

NOMINATION COMMITTEE

The Company has established a nomination committee in compliance with the Listing Rules. The nomination committee currently comprises two executive Directors, Ms. Zeng Jie and Mr. Pan Jun, and four independent non-executive Directors, Mr. Ho Man, Mr. Liao Martin Cheung Kong JP, Mr. Huang Ming and Mr. Xu Quan, while Ms. Zeng Jie is the chairman of the committee. The nomination committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the committee in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

SHARE OPTION SCHEME

On 27 October 2009, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company. Eligible participants of Scheme include, without limitation, Directors and employees of the Group. No share option has been granted or agreed to be granted to any person or exercised by any person under the Scheme since its adoption.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company is empowered by the applicable laws of the Cayman Islands and its articles of association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares during the six months ended 30 June 2010.

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF FANTASIA HOLDINGS GROUP CO., LIMITED

花樣年控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 38 to 62, which comprise the condensed consolidated statement of financial position of Fantasia Holdings Group Co., Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 August 2010

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 RMB'000 (unaudited)	2009 RMB'000 (audited)
Revenue	3	1,917,520	1,342,994
Cost of sales		(965,244)	(786,858)
Gross profit		952,276	556,136
Other income, gains and losses	4	4,843	7,601
Change in fair value of investment properties		133,861	(10,019)
Selling and distribution expenses		(57,811)	(34,561)
Administrative expenses		(121,046)	(89,899)
Finance costs	5	(67,576)	(15,127)
Share of results of associates		–	(1,227)
Profit before taxation		844,547	412,904
Income tax expense	6	(414,875)	(195,537)
Profit and total comprehensive income for the period	7	429,672	217,367
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		411,324	235,650
Non-controlling interests		18,348	(18,283)
		429,672	217,367
Earnings per share – Basic (RMB)	9	0.08	0.06

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	307,883	163,530
Investment properties	11	1,114,223	581,368
Interests in associates		14,759	12,941
Advance to an associate	12	72,374	72,396
Prepaid lease payments	13	783,520	164,457
Premium on prepaid lease payments	14	592,792	45,794
Prepayment	3	54,521	70,586
Deposit paid for acquisition of land use rights	15	10,000	–
Deposits paid for acquisition of subsidiaries	16	239,998	423,000
Deposits paid for acquisition of a property project		–	352,056
Deferred tax assets	22	149,146	88,818
Goodwill	24(b)	5,375	–
		3,344,591	1,974,946
CURRENT ASSETS			
Properties for sales		5,276,002	4,576,936
Prepaid lease payments	13	15,106	4,704
Premium on prepaid lease payments	14	9,645	1,428
Deposits paid for acquisition of land use rights	15	616,600	–
Trade and other receivables	17	858,166	987,961
Amounts due from customers for contract works		3,957	3,808
Tax recoverable		43,694	17,503
Restricted bank deposits		53,630	189,712
Bank balances and cash		3,577,640	3,696,488
		10,454,440	9,478,540
CURRENT LIABILITIES			
Trade and other payables	18	953,007	873,797
Deposits received for sale of properties		2,004,166	2,380,242
Amount due to a related party	19	100,522	1,519
Tax payable		871,536	544,877
Borrowings-due within one year	20	1,430,440	1,266,320
		5,359,671	5,066,755
NET CURRENT ASSETS		5,094,769	4,411,785
TOTAL ASSETS LESS CURRENT LIABILITIES		8,439,360	6,386,731

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Amount due to a related party	19	–	99,340
Borrowings-due after one year	20	3,127,000	2,173,750
Senior notes	21	805,551	–
Deferred tax liabilities	22	68,034	32,280
		4,000,585	2,305,370
		4,438,775	4,081,361
CAPITAL AND RESERVES			
Share capital	23	429,389	429,389
Reserves		3,677,094	3,340,870
Equity attributable to owners of the Company		4,106,483	3,770,259
Non-controlling interests		332,292	311,102
		4,438,775	4,081,361

The condensed consolidated financial statements on pages 38 to 62 were approved and authorised for issue by the Board of Directors on 25 August 2010 and are signed on its behalf by:

Pan Jun
DIRECTOR

Chan Sze Hon
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Contribution reserve	Statutory reserves	Discretionary reserves	Accumulated profits	Total		
	RMB'000	RMB'000 (Note i)	RMB'000	RMB'000	RMB'000 (Note ii)	RMB'000 (Note ii)	RMB'000	RMB'000		
At 1 January 2009 (audited)	9	734,890	(595)	40,600	29,008	1,477	340,575	1,145,964	300,393	1,446,357
Profit and total comprehensive income for the period	-	-	-	-	-	-	235,650	235,650	(18,283)	217,367
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	16,000	16,000
At 30 June 2009 (audited)	9	734,890	(595)	40,600	29,008	1,477	576,225	1,381,614	298,110	1,679,724
At 1 January 2010 (audited)	429,389	2,556,336	(595)	40,600	31,120	1,477	711,932	3,770,259	311,102	4,081,361
Profit and total comprehensive income for the period	-	-	-	-	-	-	411,324	411,324	18,348	429,672
Acquisition of a subsidiary (note 24(b))	-	-	-	-	-	-	-	-	42	42
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	2,800	2,800
Dividends paid to shareholders of the Company	-	(75,100)	-	-	-	-	-	(75,100)	-	(75,100)
At 30 June 2010 (unaudited)	429,389	2,481,236	(595)	40,600	31,120	1,477	1,123,256	4,106,483	332,292	4,438,775

Notes:

- (i) Pursuant to article 16 of the Company's Article of Association, the Group is permitted to pay out final dividend for the year ended 31 December 2009 from share premium account.
- (ii) The statutory reserves and discretionary reserves relate to subsidiaries in the People's Republic of China (the "PRC") and are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and increase capital upon approval from the relevant authorities.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 RMB'000 (unaudited)	2009 RMB'000 (audited)
OPERATING ACTIVITIES			
Profit before taxation		844,547	412,904
Adjustments for:			
Change in fair value of investment properties		(133,861)	10,019
Release of prepayment		19,193	–
Interest income		(5,252)	(1,014)
Imputed interest income on non-current interest-free advance to an associate		(1,796)	–
Finance costs		67,576	15,127
Net foreign exchange loss		5,272	106
Share of results of associates		–	1,227
Other non-cash-items		8,936	4,723
Operating cash flows before movements in working capital		804,615	443,092
Increase in properties for sales		(115,378)	(235,857)
Increase in deposits paid for acquisition of land use rights		(616,600)	–
Increase in trade and other receivables		(220,272)	(130,796)
Increase in prepayment		–	(68,007)
(Increase) decrease in amounts due from customers for contract works		(149)	174
Increase in trade and other payables		61,809	298,357
Decrease in deposits received on sale of properties		(376,076)	(240,983)
Other operating cash flows		(269,680)	(136,885)
NET CASH USED IN OPERATING ACTIVITIES		(731,731)	(70,905)
INVESTING ACTIVITIES			
Deposit paid for acquisition of land use rights		(10,000)	–
Deposit paid for acquisition of subsidiaries		(239,998)	–
Acquisition of assets and liabilities through acquisition of subsidiaries (net of cash and cash equivalents acquired)	24(a)	(923,100)	–
Purchases of property, plant and equipment		(90,494)	(1,611)
Prepaid lease payments paid		(52,096)	–
Additions to investment properties		(40,221)	(39,358)
Acquisition of business (net of cash and cash equivalents acquired)	24(b)	(1,407)	–
Decrease (increase) in restricted bank deposits		136,082	(11,424)
Interest received		5,252	1,014
Proceeds from disposal of property, plant and equipment		216	362
Proceeds from disposal of investment properties		–	3,229
Advance to associates		–	(8,400)
Repayment from related parties		–	3,666
Advance to a director		–	(13,306)
NET CASH USED IN INVESTING ACTIVITIES		(1,215,766)	(65,828)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 RMB'000 (unaudited)	2009 RMB'000 (audited)
FINANCING ACTIVITIES			
New borrowings raised		1,766,100	1,302,000
Net proceeds from the issuance of senior notes	21	794,076	–
Contribution from non-controlling shareholders		2,800	16,000
Repayment of borrowings		(645,000)	(229,550)
Dividends paid to shareholders of the Company		(75,100)	–
Repayment to a related party		(337)	–
Repayment to directors		–	(53,458)
NET CASH FROM FINANCING ACTIVITIES		1,842,539	1,034,992
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(104,958)	898,259
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3,696,488	303,046
Effect of foreign exchange rate changes		(13,890)	(376)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, (represented by bank balances and cash)		3,577,640	1,200,929

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 17 October 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 25 November 2009.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost convention, except for the investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except as described below.

Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

Besides, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010. The application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no material impact on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of those new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Sales of properties	1,853,722	1,287,470
Rental income from investment properties	8,402	5,454
Property agency services	12,310	22,396
Property operation services	40,122	26,001
Hotel services	2,964	1,673
	1,917,520	1,342,994

Included in revenue, which is under property development segment, is an amount of Nil (six months ended 30 June 2009: RMB88,007,000) in respect of completed properties sold in exchange for the advertising spaces provided by the customers. The prepaid advertising spaces of RMB54,521,000 (31 December 2009: RMB70,586,000) and RMB30,471,000 (31 December 2009 : RMB33,599,000) are recorded in prepayment under non-current assets and trade and other receivables under current assets, respectively for such arrangement.

Included in revenue from property operation services is an amount of RMB12,636,000 (six months ended 30 June 2009: RMB8,478,000) in respect of the installation contract revenue.

The segment information reported externally was analysed on the basis of their products and services supplied by the Group's operating divisions which is consistent with the internal information that is regularly reviewed by the directors, the chief operating decision maker, for the purposes of resources allocation and assessment of performance.

Inter-segment revenue are eliminated on consolidation.

The Group has five operating segments as follows:

Property development – developing and selling of properties in the PRC

Property investment – leasing of investment properties

Property agency services – provision of property agency and other related services

Property operation services – provision of property management and other related services

Hotel services – provision of hotel management and other related services

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, interest income, imputed interest income on non-current interest-free advance to an associate, exchange difference, share of results of associates, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

3. REVENUE AND SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

Six months ended 30 June 2010 (unaudited)

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel services RMB'000	Total RMB'000
External segment revenues	1,853,722	8,402	12,310	40,122	2,964	1,917,520
Inter-segment revenues	4,329	–	16,467	7,736	5	28,537
Segment result	785,531	137,706	3,996	17,777	(2,912)	942,098

Inter-segment revenues are charged at prevailing market rate.

Six months ended 30 June 2009 (audited)

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel services RMB'000	Total RMB'000
External segment revenues	1,287,470	5,454	22,396	26,001	1,673	1,342,994
Inter-segment revenues	–	–	5,814	1,569	–	7,383
Segment result	447,898	(5,238)	4,475	7,640	(580)	454,195

Inter-segment revenues are charged at prevailing market rate.

Reconciliation:

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (audited)
Profit or loss:		
Segment result	942,098	454,195
Elimination of inter-segment result	(1,142)	(754)
Unallocated amounts:		
Unallocated income	7,048	1,014
Unallocated corporate expenses	(35,881)	(25,197)
Finance costs	(67,576)	(15,127)
Share of results of associates	–	(1,227)
Profit before taxation	844,547	412,904

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

3. REVENUE AND SEGMENT INFORMATION (continued)

The following is an analysis of the Group's assets by operating segments:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Assets:		
Property development	8,120,898	6,170,342
Property investment	1,120,260	938,989
Property agency services	11,903	12,022
Property operation services	94,003	60,533
Hotel services	344,251	193,285
Total segment assets	9,691,315	7,375,171
Total unallocated assets	4,107,716	4,078,315
Group's total assets	13,799,031	11,453,486

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (audited)
Interest income	5,252	1,014
Imputed interest income on non-current interest-free advance to an associate	1,796	–
Government grant (note)	2,958	5,868
Net foreign exchange loss	(5,272)	(106)
Gain on disposal of property, plant and equipment	209	49
Others	(100)	577
Fair value change on held-for-trading investments	–	199
	4,843	7,601

Note: The amount represents the grants received from the relevant PRC government to encourage the development of real estate industry. The subsidies are unconditional and granted on a discretionary basis to the Group during the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

5. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Interest on:		
– borrowings wholly repayable within five years	128,562	37,317
– borrowings not wholly repayable within five years	–	2,833
– senior notes	15,771	–
– amount due to a related party	3,526	1,522
– loans from shareholders	–	40,991
Less: Amount capitalised in properties for sales under development	(72,864)	(67,536)
Amount capitalised in construction in progress under property, plant and equipment	(7,419)	–
	67,576	15,127

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
The income tax expenses comprises:		
PRC taxes		
Enterprise income tax	204,894	122,877
Land appreciation tax	234,555	102,396
	439,449	225,273
Deferred tax (note 22)		
Current year	(20,465)	(25,912)
Overprovision in prior years	(4,109)	(3,824)
	(24,574)	(29,736)
	414,875	195,537

For the six months ended 30 June 2010, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 22% to 25% (six months ended 30 June 2009: ranged from 20% to 25%).

No provision for Hong Kong Profits Tax has been made in the condensed consolidated statement of comprehensive income as the Group had no assessable profit arising in Hong Kong for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)

Profit for the period has been arrived at after charging:

Release of prepaid lease payments	3,056	56
Release of premium on prepaid lease payments	1,878	–
Depreciation of property, plant and equipment	4,211	4,413

8. DIVIDENDS

Final dividend of HK\$1.75 cents per share for the year ended 31 December 2009, amounting to approximately RMB75,100,000, was paid during the six months ended 30 June 2010.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2010.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for the period is based on the following data:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)

Earnings:

Earnings for the purpose of basic earnings per share

(Profit for the period attributable to owners of the Company)	411,324	235,650
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Number of shares:

Weighted average number of ordinary shares for the purpose of basic earnings per share

	4,873,889	3,645,000
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No diluted earnings per share is presented as the Company did not have any potential ordinary shares in issue during both periods or at the end of the reporting period.

For the six months period ended 30 June 2009, the weighted average number of ordinary shares has been adjusted to reflect shares issued pursuant to the capitalisation issue on 27 October 2009.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

10. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the period is summarised as follows:

	RMB'000
Carrying amounts as at 1 January 2009 (audited)	50,504
Additions	1,611
Depreciation for the period	(4,413)
Disposal of property, plant and equipment	(313)
Carrying amounts as at 30 June 2009 (audited)	47,389
Carrying amounts as at 1 January 2010 (audited)	163,530
Transfer from properties for sales under development (Note)	48,468
Acquisition of assets and liabilities through acquisition of subsidiaries (note 24(a))	362
Acquisition of business (note 24(b))	875
Additions	98,866
Depreciation for the period	(4,211)
Disposal of property, plant and equipment	(7)
Carrying amounts as at 30 June 2010 (unaudited)	307,883

Note: During the six months ended 30 June 2010, RMB48,468,000 was transferred from properties for sales under development as a result of change in business plan to operate hotel business as approved by the management of the Group.

11. INVESTMENT PROPERTIES

	Completed RMB'000	Under development RMB'000	Total RMB'000
At 1 January 2009 (audited)	476,079	–	476,079
Additions	–	39,358	39,358
Disposals	(3,229)	–	(3,229)
Net change in fair value recognised in profit or loss	(10,019)	–	(10,019)
At 30 June 2009 (audited)	462,831	39,358	502,189
At 1 January 2010 (audited)	496,996	84,372	581,368
Transfer from deposits paid for acquisition of a property project	50,086	301,970	352,056
Acquisition of assets and liabilities through acquisition of subsidiaries (note 24(a))	6,717	–	6,717
Additions	–	40,221	40,221
Transfer upon completion of construction work	29,432	(29,432)	–
Net change in fair value recognised in profit or loss	16,001	117,860	133,861
At 30 June 2010 (unaudited)	599,232	514,991	1,114,223

11. INVESTMENT PROPERTIES (continued)

At 30 June 2010, the fair values of the Group's completed investment properties of approximately RMB599,232,000 (31 December 2009: RMB496,996,000) and under development of approximately RMB465,328,000 (31 December 2009: RMB26,602,000) at the end of the reporting period were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited. Jones Lang LaSalle Sallmanns Limited is a firm of independent qualified professional valuers not connected with the Group, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations of completed investment properties were arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The valuations of investment properties under development has been arrived at using the capitalisation of net income derived from the properties located nearby, taking into account the construction costs that would be expended to complete the development to reflect the quality of the completed development.

At 30 June 2010, the Group has concluded the fair value of certain investment properties under development of approximately RMB49,663,000 (31 December 2009: RMB57,770,000) cannot be measured reliably, therefore, these investment properties under development continued to be measured at cost less accumulated impairment loss until such time as fair value can be determined reliably or construction is completed.

The investment properties are held under medium-term lease in the PRC.

12. ADVANCE TO AN ASSOCIATE

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Dongguan Zuoting Youyuan Industry Investment Company Limited	72,374	72,396

The amount represents the advance to an associate which are non-trade nature and will not be recoverable within one year from the end of respective reporting period and therefore considered as a non-current asset. The amount is unsecured and measured at amortised cost using the effective interest method at the borrowing rate of 4.96% (31 December 2009: 4.96%) per annum.

13. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments relate to land situated in the PRC and held under medium-term leases. The prepaid lease payments are amortised over the period of the remaining lease term on a straight-line basis.

The movements in prepaid lease payments during the period is summarised as follows:

	RMB'000
Carrying amounts as at 1 January 2009 (audited)	1,673
Amortisation during the period	(56)
Carrying amounts as at 30 June 2009 (audited)	1,617
Carrying amounts as at 1 January 2010 (audited)	169,161
Additions	52,096
Acquisition of assets and liabilities through acquisition of subsidiaries (note 24(a))	675,204
Amortisation during the period (Note a)	(4,009)
Transfer to properties for sales under development (Note b)	(93,826)
Carrying amounts as at 30 June 2010 (unaudited)	798,626

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

13. PREPAID LEASE PAYMENTS (continued)

Notes:

- During the six months ended 30 June 2010, amortisation charge of approximately RMB953,000 provided for the leasehold land is capitalised to construction in progress under property, plant and equipment.
- During the six months ended 30 June 2010, RMB93,826,000 was transferred to properties for sales under development upon commencement of the related construction work.

Analysed for reporting purposes as:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Non-current asset	783,520	164,457
Current asset	15,106	4,704
	<hr/> 798,626	<hr/> 169,161

14. PREMIUM ON PREPAID LEASE PAYMENTS

Premium on prepaid lease payments of the Group represent the excess of the consideration payable over the principal amount of the prepaid lease payments in respect of a leasehold land in the PRC under medium-term lease acquired through purchase of subsidiaries during the period and are amortised over the period of the remaining lease term on a straight-line basis.

The movements in premium on prepaid payments during the period is summarised as follows:

	RMB'000
Carrying amounts as at 1 January 2010 (audited)	47,222
Acquisition of assets and liabilities through acquisition of subsidiaries (note 24(a))	603,601
Amortisation during the period	(1,878)
Transfer to properties for sales under development (Note)	(46,508)
Carrying amounts as at 30 June 2010 (unaudited)	<hr/> 602,437

Note: During the six months ended 30 June 2010, RMB46,508,000 was transferred to properties for sales under development upon commencement of the related construction work.

Analysed for reporting purposes as:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Non-current asset	592,792	45,794
Current asset	9,645	1,428
	<hr/> 602,437	<hr/> 47,222

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

15. DEPOSITS PAID FOR ACQUISITION OF LAND USE RIGHTS

During the six months ended 30 June 2010, the Group has made deposits of approximately RMB626,600,000 in relation to acquisition of land use rights from independent third parties. An amount of approximately RMB10,000,000 relates to acquisition of land use right for hotel operation and is therefore classified as non-current assets. The remaining amount of approximately RMB616,600,000 relates to land use rights acquired for development of properties for sales in the ordinary course of business and is therefore classified as current assets. At the date these condensed consolidated financial statements were authorised for issue, the acquisition of land use rights has not been completed.

16. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

During the year six months ended 30 June 2010, the Group has made deposits of approximately RMB239,998,000 in relation to the acquisition of 100% equity interests in Guilin Wanhao Property Development Limited (桂林萬豪房地產開發有限公司) and 100% equity interests in Guilin Juhao Property Development Limited (桂林聚豪房地產開發有限公司) from independent third parties. The aforesaid companies do not have any business activities except for holding land. At the date these condensed consolidated financial statements were authorised for issue, the acquisition has not been completed.

At 31 December 2009, the Group has made deposits of approximately RMB423,000,000 in relation to the acquisition of 100% equity interests in Suzhou Huawanli Real Estate Company Limited (蘇州市花萬里房地產開發有限公司) ("Suzhou Huawanli") and 100% equity interests in Suzhou LKN Real Estate Company Limited (蘇州林甲岩房產發展有限公司) ("Suzhou LKN") from independent third parties. The aforesaid companies are principally engaged in the PRC property development. The aforesaid transaction was completed on 20 April 2010 as disclosed in note 24(a).

17. TRADE AND OTHER RECEIVABLES

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Trade receivables	256,695	105,301
Other receivables	123,798	85,048
Deposit for the auction in respect of the sale of land	60,000	143,000
Deposit for acquisition of properties for sales	–	352,056
Prepayments and other deposits	190,656	99,591
Prepayments of construction materials for properties for sales under development	129,591	143,433
Other tax prepayment	97,426	59,532
	858,166	987,961

Other than cash sales, the Group generally allows an average credit period of 30 days to 90 days to its trade customers.

The following is an aged analysis of trade receivables of the Group net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
0 – 30 days	153,969	86,481
31-90 days	83,999	10,634
91 days – 180 days	14,053	4,082
181 days – 365 days	3,820	1,465
Over 1 year	854	2,639
	256,695	105,301

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

18. TRADE AND OTHER PAYABLES

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Trade payables	688,683	652,710
Other payables	160,676	111,253
Other taxes payables	51,208	34,906
Payroll payable	18,999	26,503
Welfare payable	2,760	2,813
Retention payable	26,268	27,996
Accruals	4,413	17,616
	953,007	873,797

The following is an aged analysis of the Group's trade payables and retention payable presented based on the invoice date at the end of the reporting period:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
0 – 60 days	340,039	536,031
61-180 days	189,787	50,392
181 days – 365 days	78,484	66,287
1-2 years	104,403	26,283
2-3 years	1,156	275
Over 3 years	1,082	1,438
	714,951	680,706

19. AMOUNT DUE TO A RELATED PARTY

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Tianjin Songjiang Group Company Limited ("Songjiang Group") (note)	100,522	100,859
Analysed for reporting purposes as:		
Current liabilities	100,522	1,519
Non-current liabilities	–	99,340
	100,522	100,859

Note: Songjiang Group held 40% equity interests in a subsidiary of the Company. Pursuant to the agreement entered into between the Group and Songjiang Group in April 2009, the full amount with Songjiang Group has changed to interest bearing which carried fixed interest rate at 7.02% per annum with effect from 10 April 2009 and is fully repayable on 9 April 2011.

The balance represents the advance from a related party which is non-trade nature.

20. BORROWINGS

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Bank loans	3,697,440	2,994,070
Other loans	860,000	446,000
	4,557,440	3,440,070
Secured	3,479,340	3,044,070
Unsecured	1,078,100	396,000
	4,557,440	3,440,070

During the current period, the Group obtained new borrowings amounting to approximately RMB1,766,100,000 (six months ended 30 June 2009: RMB1,302,000,000).

The new borrowings raised are denominated in Renminbi, Hong Kong Dollars and United States Dollars. The new borrowings raised in the current period are either having variable interest rate at Hong Kong Interbank Offering Rate plus 2.0%, variable interest rate at London Interbank Offered Rate plus 1%, variable interest rate at Benchmark Borrowing Rate of the PRC plus 6.6% or minus 0.27%, and fixed interest rate at a range from 4.5% to 6.5% per annum.

The new borrowings raised in both periods are repayable in instalments over a period from within one year to more than 1 year but not exceeding 5 years. The proceeds were used to finance the development of properties.

21. SENIOR NOTES

On 12 May 2010, the Company issued senior notes in an aggregate principal amount of US\$120,000,000 (the "Notes"). The issue price is 98.264% of the principal amount of the Notes. The Notes are listed on the Singapore Exchange Securities Trading Limited. The Notes carry interest of 14% per annum and interest is payable semi-annually on 12 May and 12 November in arrears. The Notes will mature on 12 May 2015, unless redeemed earlier.

At any time, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus applicable premium as defined in the offering memorandum of the Company dated 5 May 2010 ("Applicable Premium") as of, and accrued and unpaid interest, if any (but not including) the redemption date.

Application Premium is the greater of (1) 1% of the principal amount of such Notes and (2) the excess of the amount equivalent to the principal amount and related interest up to 12 May 2015 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 12 May 2013, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 114% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The Notes contain a liability component and the above early redemption options:

- (i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 14.89% per annum to the liability component since the Notes were issued.

- (ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 30 June 2010.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

21. SENIOR NOTES (continued)

The movements of the liability component in the Notes during the period are set out below:

	RMB'000
Net proceeds on the date of issuance	794,076
Exchange gains	(4,296)
Interest expenses (note 5)	15,771
Carrying amounts as at 30 June 2010	805,551

The fair value of the Notes at 30 June 2010 amounted to approximately RMB814,840,000. The fair value is calculated using the market price of the Notes at the end of reporting period (or the nearest day of trading).

22. DEFERRED TAXATION

The following is the major deferred taxation (assets) liabilities recognised and movement thereon during the current accounting period:

	Fair value adjustment of investment properties RMB'000	Temporary difference on accruals RMB'000	Tax losses RMB'000	Others (note) RMB'000	Total RMB'000
At 1 January 2010 (audited)	77,909	(6,934)	(47,749)	(79,764)	(56,538)
Charge (credit) to profit or loss	33,465	(616)	(7,656)	(45,658)	(20,465)
Underprovision of deferred tax assets	–	–	–	(4,109)	(4,109)
At 30 June 2010 (unaudited)	111,374	(7,550)	(55,405)	(129,531)	(81,112)

Note: Others mainly represents the deductible temporary difference arising from land appreciation tax provision.

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred taxation assets and liabilities have been offset. The following is the analysis of the deferred taxation balances for financial reporting purposes:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Deferred tax assets	(149,146)	(88,818)
Deferred tax liabilities	68,034	32,280
	(81,112)	(56,538)

At 30 June 2010, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was approximately RMB855,999,000 (31 December 2009: RMB721,481,000). No liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

23. SHARE CAPITAL

	Number of shares	Nominal value HK\$
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2010 and 30 June 2010	8,000,000,000	800,000,000
Issued and fully paid:		
At 1 January 2010 and 30 June 2010	4,873,888,750	487,388,875
		RMB'000
Shown in the condensed consolidated statement of financial position		429,389

24. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of assets and liabilities through acquisition of subsidiaries

For the six months ended 30 June 2010

On 20 April 2010, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Suzhou Huawanli from independent third parties at a consideration of approximately RMB219,215,000.

On 20 April 2010, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Suzhou LKN from independent third parties at a consideration of approximately RMB226,383,000.

On 30 June 2010, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Dongguan Huaqianli Property Development Company Limited (東莞市花千里房地產開發有限公司) from independent third parties at a consideration of approximately RMB10,000,000.

On 30 June 2010, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Shenzhen Gaohua Investment Limited (深圳市高華投資有限公司) and its subsidiaries from independent third parties at a consideration of approximately RMB200,000,000.

In addition to the consideration set out above, the Group made an aggregate payment of RMB722,250,000 owed by the acquirees to the respective vendors as at the date of the acquisition.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

24. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of assets and liabilities through acquisition of subsidiaries (continued)

For the six months ended 30 June 2010 (continued)

The above transactions were accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transactions are summarised below:

	RMB'000
Net assets acquired	
Property, plant and equipment	362
Investment properties	6,717
Prepaid lease payments	675,204
Premium on prepaid lease payments	603,601
Completed properties for sales	15,460
Properties for sales under development	51,442
Other receivables	4,889
Tax recoverable	1,468
Bank balances and cash	31,748
Other payables	(13,043)
	1,377,848
Total consideration satisfied by:	
Cash	954,848
Transfer from deposits paid for acquisition of subsidiaries	423,000
	1,377,848
Net cash outflow arising on acquisition	
Cash consideration paid	(954,848)
Bank balances and cash acquired	31,748
	(923,100)

(b) Acquisition of business

For the six months ended 30 June 2010

On 31 March 2010, the Group acquired 75% equity interests in Shenzhen Hui Gang Property Management Company Limited 深圳市滙港物業管理有限公司 ("Shenzhen Hui Gang") from an independent third party at a consideration of approximately RMB5,500,000. Shenzhen Hui Gang is principally engaged in provision of property operation services and was acquired with the objective of expansion of property operation services.

Consideration transferred

	RMB'000
Cash	5,500

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and have been recognised as an expense in the period within the "administrative expenses" line item in the condensed consolidated statement of comprehensive income.

24. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of business (continued)

Assets and liabilities recognised at the date of acquisition

	Carrying amount before acquisition and fair value RMB'000
Net assets acquired	
Property, plant and equipment	875
Other receivables	228
Bank balances and cash	4,093
Trade and other payables	(4,950)
Tax payable	(79)
	167

The other receivables acquired with a fair value of approximately RMB228,000 had gross contractual amounts of approximately RMB228,000.

Non-controlling interests

The non-controlling interest in Shenzhen Hui Gang of RMB42,000 was measured by reference to the proportionate share of the acquiree's net identifiable assets at the acquisition date.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	5,500
Plus: non-controlling interests	42
Less: fair value of net identifiable assets acquired	(167)
Goodwill arising on acquisition	5,375

Goodwill arose on the acquisition of Shenzhen Hui Gang because the acquisition included the assembled workforce of Shenzhen Hui Gang as at acquisition date. These assets could not be separately recognised from goodwill because they are not capable of being separated from Shenzhen Hui Gang and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	(5,500)
Bank balances and cash acquired	4,093
	(1,407)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

24. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of business (continued)

Impact of acquisition on the results of the Group

Included in the profit for the interim period is approximately RMB662,000 attributable by Shenzhen Hui Gang. Revenue for the period includes approximately RMB2,030,000 in respect of Shenzhen Hui Gang.

Had the acquisition of Shenzhen Hui Gang been effected at 1 January 2010, the revenue of the Group for the six months ended 30 June 2010 would have been approximately RMB1,919,297,000, and the profit for the period would have been approximately RMB430,296,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2010, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Shenzhen Hui Gang been acquired at the beginning of the current reporting period, the directors have calculated depreciation and amortisation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

25. OTHER COMMITMENTS

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Construction commitments in respect of properties for sales, investment properties and hotels contracted for but not provided in the condensed consolidated financial statements	2,076,534	1,060,410
Commitments in respect of the acquisition of subsidiaries contracted for but not provided in the condensed consolidated financial statements	436,000	–
Commitments in respect of the acquisition of land use rights contracted for but not provided in the condensed consolidated financial statements	44,847	–

26. CONTINGENT LIABILITIES

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	2,009,517	1,626,282

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate.

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

27. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks as securities against general banking facilities granted to the Group:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Investment properties	504,527	301,535
Prepaid lease payments	36,805	67,643
Property, plant and equipment	10,753	91,395
Properties for sales	2,736,128	2,552,991
	3,288,213	3,013,564

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

28. RELATED PARTY DISCLOSURES

- (a) During the period, in addition to those disclosed in notes 12 and 19, the Group had significant transactions with related parties as follows:

Related parties	Relationship	Transactions	Six months ended 30 June	
			2010 RMB'000 (unaudited)	2009 RMB'000 (audited)
Huidong Dayawan San Jiao Zhou Company Limited 惠東大亞灣三角洲島俱樂部有限公司 ("San Jiao Zhou")	Company controlled by Ms. Zeng Jie, a director of the Company	Management service fee received	250	250
Shenzhen Xi Fu Hui Club Management Company Limited 深圳喜福會私人會所管理有限公司	Company controlled by Ms. Zeng Jie, a director of the Company	Property rental income received	150	150

During the six months ended 30 June 2009, the Group pledged certain land use rights which was included in properties for sales under development amounting to RMB51,000,000 to a bank for loan granted to Shenzhen Funian Property Real Estate Company Limited (深圳市富年置業有限公司), an entity that a director of the Company, Ms Zeng Jie, has controlling and beneficial interests. The pledge was released in the second half of 2009.

During the six months ended 30 June 2009, San Jiao Zhou, an entity that a director of the Company, Ms Zeng Jie, has controlling and beneficial interests, pledged its land use rights to a bank for loan granted to the Group. The pledge was released in the second half of 2009.

During the six months ended 30 June 2010, the Group sold certain properties to its key management personnel of the Group, at a consideration of approximately RMB2,472,000 (six months ended 30 June 2009: RMB5,498,000).

- (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period is as follows:

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (audited)
Short-term benefit	26,905	11,841
Post-employment benefit	579	305
	27,484	12,146

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