

花 瓣 年
FANTASIA

Fantasia Holdings Group Co., Limited Interim Report 2012
Stock Code: 1777

FANTASIA



让生活更有风格

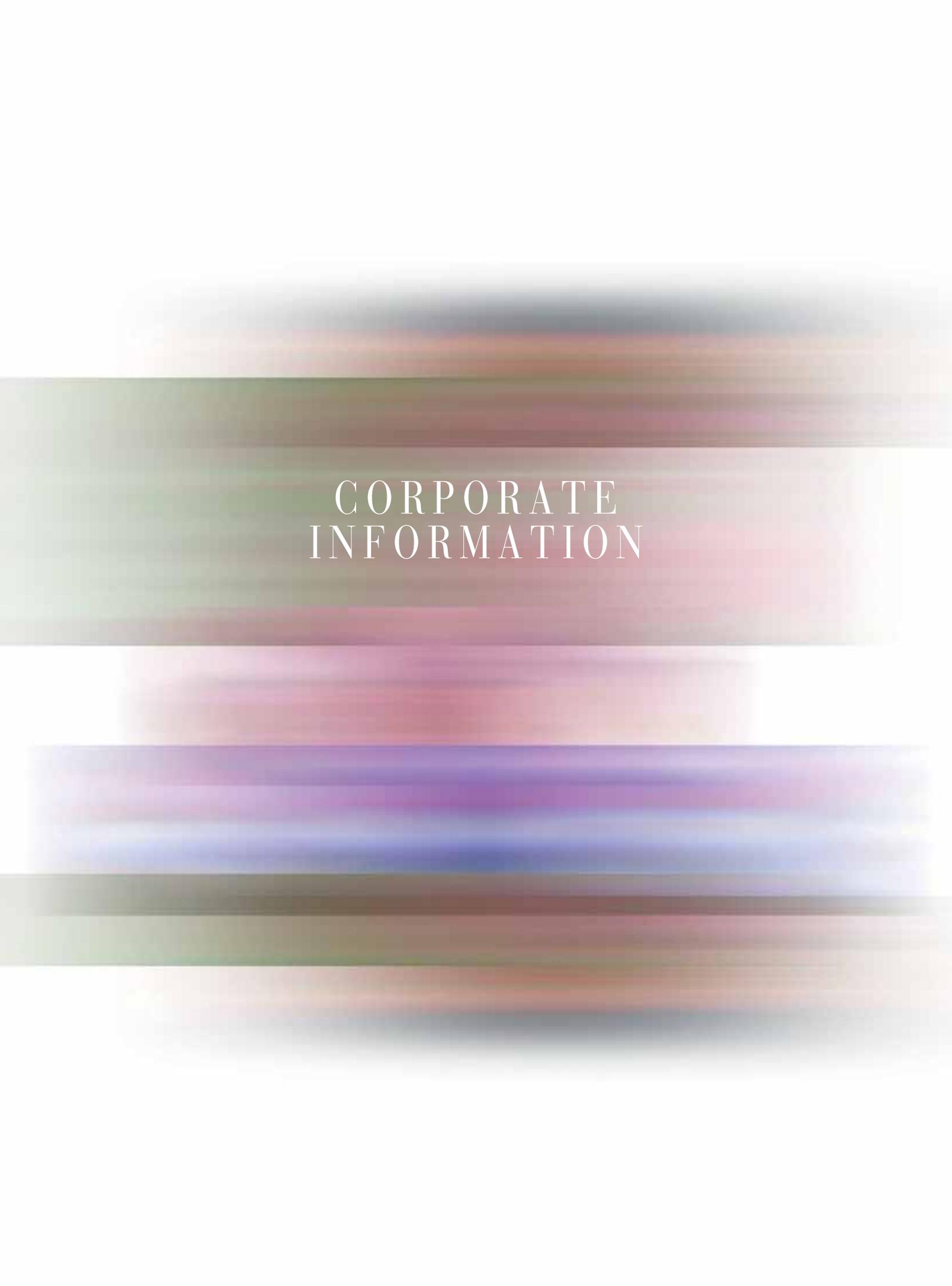
Make Life in Style

FANTASIA

让生活更有风格

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CORPORATE
INFORMATION

DIRECTORS

Executive Directors

Mr. Pan Jun (Chairman)
Ms. Zeng Jie, Baby
Mr. Feng Hui Ming
Mr. Chan Sze Hon
Mr. Lam Kam Tong

Independent Non-Executive Directors

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

COMPANY SECRETARY

Mr. Lam Kam Tong

AUTHORIZED REPRESENTATIVES

Mr. Chan Sze Hon
Mr. Lam Kam Tong

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

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

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank Corporation
China Everbright Bank Co., Limited
China Merchants Bank Co., Limited
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
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE HEAD OFFICE IN HONG KONG

Room 1103
Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

F/27, Block A, Hailrun Complex
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



FANTASIA

On company level:

1. In January 2012, Dongguan Fantasia Real Estate Investment Co., Ltd. was awarded “Outstanding Contribution Award 2011” (2011年度突出貢獻獎) by Liaobu Town Committee of the CPC (中共寮步鎮委員會) and the People’s Government of Liaobu Town (寮步鎮人民政府);
2. In January 2012, Dongguan Fantasia Real Estate Investment Co., Ltd. was awarded “Outstanding Enterprise of Real Estate Development Companies 2011” (2011年度房地產開發企業先進單位) awarded by Dongguan Housing and Urban-Rural Construction Bureau (東莞市住房和城鄉建設局);
3. In January 2012, Guilin Fantasia Real Estate Development Co., Ltd. won the honour of “The Top 20 Tax-payers in Guilin Real Estate Industry 2011” (桂林市房地產業2011年納稅20強) awarded by Guilin Real Estate Association (桂林市房地產業協會);
4. In February 2012, Suzhou Huawanli Real Estate Development Co., Ltd. was awarded “Major Tax-payer 2011” (2011年度納稅大戶) by the People’s Government of Wuzhong District in Suzhou City (蘇州市吳中區人民政府);
5. In March 2012, Fantasia Group (China) Co., Ltd. won the honour of “China Top 100 Real Estate Developers 2012” (2012中國房地產百強企業) awarded by Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所), Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Research Institute (中國指數研究所);
6. In March 2012, Fantasia Holdings Group Co., Limited won the honour of “China Top 100 Real Estate Developers 2012” (2012年中國房地產開發企業100強) awarded by China Real Estate Research Institute (中國房地產研究會), China Real Estate Association (中國房地產業協會) and China Real Estate Assessment Center (中國房地產評測中心);
7. In April 2012, Fantasia Group (China) Co., Ltd. won the honour of “China Top 100 Real Estate Developers for Four Consecutive Years from 2009 to 2012” (2009-2012連續四年中國房地產百強企業) awarded by China Real Estate Top 10 Research Team (中國房地產TOP 10研究所);
8. In May 2012, Fantasia Holdings Group Co., Limited won the honour of “Top 50 China Real Estate Listed Companies in terms of Comprehensive Strength 2012” (2012年中國房地產上市公司綜合實力五十強) awarded by China Real Estate Research Institute (中國房地產研究會), China Real Estate Association (中國房地產業協會) and China Real Estate Assessment Center (中國房地產評測中心);
9. In May 2012, Fantasia Group (China) Co., Ltd. won the honour of “Most Influential Real Estate Brand in Shenzhen, Dongguan, and Huizhou 2011” (2011年深莞惠地產最具影響力品牌) awarded by Shenzhen Media Group (深圳廣播電影電視集團);

10. In June 2012, Shenzhen Color Life Services (Group) Co., Limited won the honour of “Top 10 Growth Enterprise in Property Services Companies in 2012” (2012中國物業服務百強企業成長性TOP 10) and “China Top 100 Property Services Companies for Four Consecutive Years from 2009 to 2012” (2009-2012連續四年榮獲中國物業服務百強企業) awarded by China Real Estate Top 10 Research Team (中國房地產TOP10研究組);
11. In July 2012, Fantasia Holdings Group Co., Limited was awarded the “Award for Listed Real Estate Companies with the Best Investment Value 2012” (2012年度最具投資投資價值地產上市公司大獎) by 21ST CENTURY BUSINESS HERALD (《21世紀經濟報導》) and Golden Brick Award Selection Committee for Real Estate of China (中國地產金磚獎評選委員會);
12. In July 2012, Fantasia Group (China) Co., Ltd. was awarded the honour of the “Initiator of Mangrove Wetlands Preservation Foundation in Shenzhen” (深圳紅樹林濕地保護基金會發起人);
13. In July 2012, Fantasia Holdings Group Co., Limited won the honour of “Shenzhen Real Estate Development Company with the Best Brand Value” (深圳房地產開發最具品牌價值企業) awarded by Shenzhen Real Estate Association (深圳市房地產業協會);
14. In July 2012, Fantasia Holdings Group Co., Limited won the honour of “China Outstanding Real Estate Developer 2012” (2012年中國杰出房地產商) awarded by Economic Digest of Hong Kong (香港《經濟一週》).

On project level:

1. In January 2012, Wuxi Hailun Complex was awarded the honour of “Top 10 Most Anticipated Real Estate 2012” (2012年十大期待樓盤) by efw.cn (無錫e房網);
2. In January 2012, Guilin Fantasia Town was awarded the honour of “Guilin 2011 Top 20 Real Estate Sellers” (桂林市房地產業2011年銷售20強) by Guilin Real Estate Association (桂林房地產業協會);
3. In January 2012, Guilin Fantasia Town was awarded the honour of “The Best Real Estate Project Selected by Internet Users” (網友口碑最好樓盤) by guilin.house.sina.com (桂林新浪樂居);





Chengdu Grande Valley

4. In March 2012, Wuxi Love Forever was awarded the honour of “Top 10 Most Influential Famous Real Estates Project 2011” (2011年度最具影響力十大名盤) by Wuxi Daily Press Group (無錫日報報業集團);
5. In May 2012, Wuxi Love Forever was awarded the honour of 2012 “Most Popular Real Estate Among Newly-Wed Couples” (2012年度無錫婚房人氣樓盤冠軍) by House.QQ.com (騰訊房產);
6. In May 2012, Chengdu Hailrun Plaza was awarded the honour of “Five-star Commercial Building in Jinjiang District” (錦江區五星級商務樓宇) by Property Management Association for Commercial Buildings in Jinjiang District, Chengdu (成都市錦江區商務樓宇物業管理協會);
7. In May 2012, Shenzhen Funian Plaza was awarded the honour of “Renchenxingye Office Building” (壬辰興業寫字樓) by First (Ethnic Chinese) Human Settlement Science Forum Organization Committee (首屆(華人)人居環境科學論壇組委會);
8. In June 2012, Wuxi Hailrun Complex was awarded the honour of “Wuxi Car-owners’ Most Favored Real Estate” (無錫車友最喜愛樓盤) by Wuxi Radio and TV Group (無錫廣播電視集團);
9. In June 2012, the brand “U Hotel” was awarded “9th Golden Pillow Award of China Hotels: 2012 China Chained Boutique Hotel Brand with the Most Development Potential” (第九屆中國酒店金枕頭獎：2012年度中國最具發展潛力精品連鎖酒店品牌) by 21st Century Business Herald (《21世紀經濟報導》);
10. In June 2012, U Hotel was awarded the honour of China Green Hotel 4A (中國綠色飯店4A) by China Green Hotel Working Committee (全國綠色飯店工作委員會).

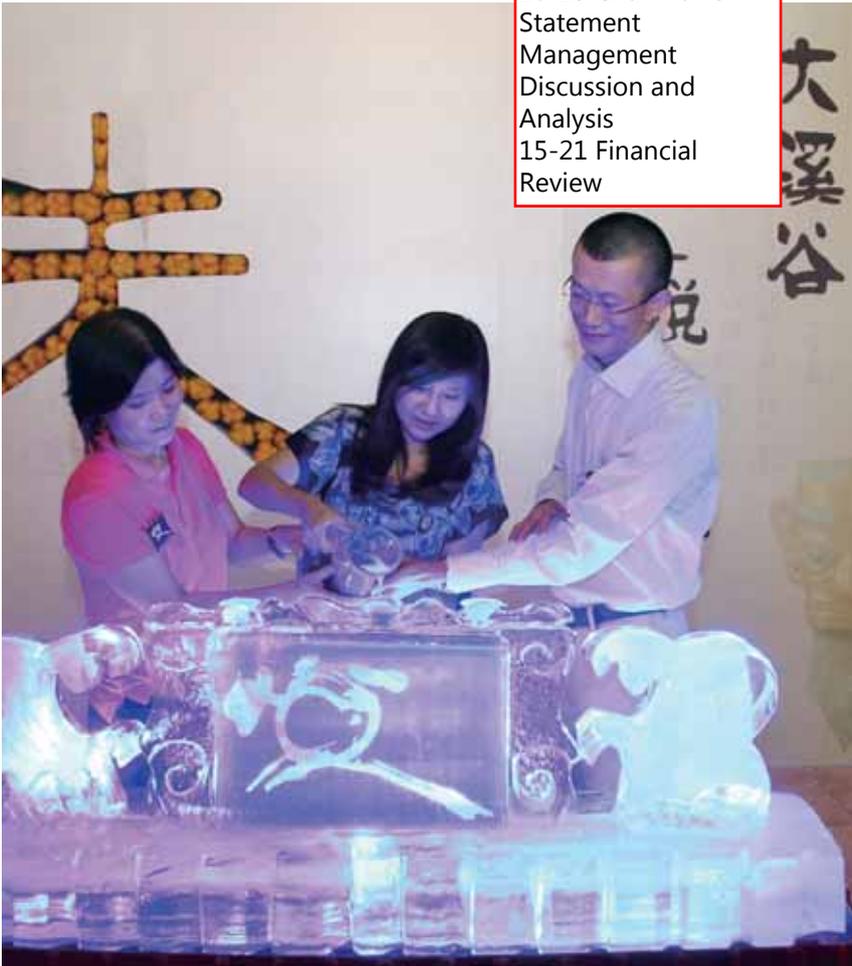
Social Responsibility

In the first half of 2012, to better fulfill corporate citizen responsibilities, Fantasia officially established corporate citizenship office, responsible for the planning, coordinating and implementation of social welfare duties. During the period, manual cuisine photographing activity under the theme of "Cuisine in China" was formally launched in the sixth "Fantasia – Voyage to Happiness" and shooting was firstly completed in Chengdu. Fantasia continued to pay attention to the improvement of hardware and software facilities of Fantasia Hope Primary School in Ji'an County, and was dedicated to build up New Hope Mode in rural education. Fantasia planned to initiate the recruitment of volunteers internally and externally and implement such scheme.

Voyage to Happiness

In April 2012, the sixth "Fantasia – Voyage to Happiness", the large annual welfare activity of Fantasia, was officially launched in Beijing, Fantasia worked with a renowned cuisine author, Shu Qiao, and embarked on the voyage for discovering the domestic manual cuisine under the theme of Cuisine in China. In June, Shu Qiao firstly finished photographing in Chengdu and continued to seek traditional craftsmanship of manual cuisine in Dali and Nanjing, digged out cultural background, ingredients and cooking methods of different cuisine, held in-depth interview with chefs and local people, and finally presented the whole process of traditional craftsmanship and background of cuisine in documentaries and books under "Cuisine in China" series to arouse people's attention and awareness of health and organic food while exploring the possibility of inheriting the traditional manual cuisine.

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Donation for Education

During the past six years, Fantasia has always paid attention to and supported the development of rural education and has always sought to explore the New Hope Mode of rural education while making donation to build, and provide support to Fantasia Hope Primary School in Ji'an County. In the first half of 2012, the Company continued to carry out the activities such as new pillars teaching support and the grant of funds to teachers, in addition to undertaking preparation for improving the hardware facilities for school garden and canteen. Following the donation of learning aid by Shenzhen Noah Company and the donation for building library by C'estbon Group, the charity work of Fantasia has aroused father attention from enterprises to hope schools. China Eastern Airlines Group has provided support to seven students in need with outstanding academic achievement and had paid family visit to students in need and made contribution in-kind. Fantasia also planned to consolidate resources, promoted New Hope Mode of rural education, implemented "Care for Migrant Rural Workers' Children Plan" and currently had already intended to cooperate with Central Communist Youth League in respect of Rainbow Houses project.

Volunteers

To encourage staff to take active part in social welfare activities and promote the better fulfillment of corporate citizen responsibilities, Fantasia made arrangements for the recruitment of volunteers and for the implementation of such scheme and activities. The scheme of new pillars teaching support is an attempt and made by Fantasia volunteers for gaining experience and since 2009, 31 new pillars joined the plan. The objective of Fantasia volunteer campaign is to attract more volunteers from the Company and from the public to allow them to experience the interest and the joy of life while helping others.

CHAIRMAN'S STATEMENT



Dear shareholders,

On behalf of the Board, I hereby present the interim results of Fantasia Holdings Group Co., Limited for the six months ended 30 June 2012 (the "Reporting Period").

MARKET AND BUSINESS REVIEW

For the six months ended 30 June 2012, the Group recorded revenue of RMB1,205 million, representing a decrease of 39.9% over the first half of last year. During the first half of 2012, the global economy is still overshadowed by the debt crisis in the Eurozone and the downturn of China's economic growth. To maintain the success in the macro control over the real estate market, the central government remained firm on its attitude over the macro control of the real estate market and has required local governments to strictly implement the control measures of "purchase restriction, loan restriction, price restriction" for curbing the speculative demand for residential properties.

Meanwhile, the central government has also extended its efforts on the fine tuning of the monetary policy and has put forward a series of policies for supporting first-time home buyers, including decreasing the deposit reserve rate and the benchmark rates for deposit and loan, to enhance the purchase capability of home buyers, to expand the domestic market demand and to promote the stable development of the Chinese economy. In view of such fine tuning of policies, positive responses from the real estate markets in the first and second-tier cities have been witnessed since the second quarter of the year, and the area of commodity houses sold

or the prices of newly built commodity houses have shown signs of rebounding to a normal state of stabilization. In contrast, in the third and fourth-tier cities that were originally the development focus of the developers in 2011, there shows signs of gradual saturation for the non-residential segment.

As an outstanding real estate enterprise, Fantasia carries out immediate adjustment and management on its development and sale strategies based on the changes of the real estate market from time to time. During the Reporting Period, the accumulated contract sales and the contract sales area in the first half of the year were RMB3,351 million and 388,921 square meters respectively, representing a decrease of 2% and an increase of 11% respectively as compared to the same period of last year.

FOCUS ON THE REAL ESTATE BUSINESS AND DEVELOP A PROPERTY FINANCE PLATFORM AND A PROPERTY SERVICE INDUSTRY TO PROVIDE VALUE-ADDED SERVICES

In 2012, the development of the real estate industry has entered into the so-called "second half of China's real estate" by the market players. The original marketing strategy of only pursuing sale volume has fallen behind the developing pace of the industry, and only the combination of value-added services and diversified property businesses can promote the healthy development of an enterprise. As such, by leveraging on the real estate business as a platform, the Group currently has been diversifying its businesses by exploring various strategic service businesses such as property community

service, boutique hotels, commercial management, cultural tourism as well as retirement life and health cultivation services to develop property projects. With different value-added services, the Group endeavors to provide customers with an interesting, innovative and tasteful space for experiencing and living.

Property Community Service

Color Life Service Group is a subsidiary of the Group and its business coverage on its property community service has extended to 23 core cities throughout the country. In response to the arrival of the time of cloud computing technology, the Group has initiated to promote the informationalized and networking mode (V2.0) of property community service in the industry to further enhance the efficiency of our community service, the duplication capability of property management and the seamless integration of the offline businesses with the online ones, for providing innovative and useful services with good quality and further expanding our business edges over the conventional property managers, most of whom are only specialized in fundamental property management. Meanwhile, Fantasia International Property Management, serving high-end property projects of the Group, has passed the "Integration of Three Standards", namely the certification of ISO9000, ISO14000 and OHSAS18000, and has gradually earned a good reputation from the customers for the Group's high-end projects.

Boutique Hotel Service

Fantasia Hotel Management Company signed a strategic alliance memorandum with Starwood Asia Pacific Hotels & Resorts Pte Ltd. (喜達屋亞太酒店及渡假酒店有限公司) in June 2012, pursuant to which, both parties will establish a long-term and friendly cooperation relationship in the fields of hotel development, construction and management. The two parties had cooperated on various occasions before, namely the successful introduction of Sheraton by Four Points into Guilin Fantasia Town, Chengdu Meinian Plaza and Grand Valley.

This year marks the fourth anniversary for Fantasia's entry into the hotel industry. In addition to strengthening its cooperation with internationally renowned hotel management companies, the Group has also started to build its own hotel brands, with 4 product lines of different grades planned so far, including our own brands "U" and "HYDE" while "U Hotel" in Shenzhen has already been put into service.

Commercial Hotel Service

To meet the development requirements of Fantasia's commercial projects, Fantasia Commercial Management Company has accomplished the communication and

research and the establishment of databases for hundreds of commercial brands and commercial players, and actively promoted the commercial planning and business solicitation of the Group's certain commercial projects, including Shenzhen Meinian Complex, Chengdu Meinian International Plaza, Guilin Fantasia Town, Shenzhen Love Forever and Wuxi Love Forever.

Cultural Tourism and Health Cultivation and Retirement Life Service

As to the cultural tourism and health cultivation and retirement life services, our early-stage R&D team had conducted a number of studies on successful cases, and the core members had participated in the preliminary trainings and completed the research and development of the business mode. Fantasia had also studied on the feasibility of setting up real estate projects for retirement services for certain projects to provide the target groups of customers with high-end retirement life service. We believe, by virtue of the increasingly stronger capabilities in services provision and business operation on the basis of the continuously expanding service and the commercial operation platform, Fantasia will become a leading competitive edge of the Group in the experience economy era.

INVEST PRUDENTLY AND OPERATE STABLY

While adhering to the principle of prudent investment and financial budgets, the Group will continuously pay close attention to its safe operation, and rigorous and prudent control over financial management in precaution of market contingencies. During the Reporting Period, the Group strictly enhanced the management of the balance of its three-tier cash flows for the headquarters, the project companies in different cities and the projects, and strived to ensure the security of the Group's cash flows through the and systematic strict management on financial budget, cost control, quick selling and payment collection as well as dynamic supervision and control over the cash flows at each tier. As of 30 June 2012, the Group's cash on hand was RMB1,438 million, representing a relatively stable financial position of the Company.

In terms of land investment, the land bank at present is sufficient, and the average land acquisition cost is only approximately RMB665 per square meter. The Group only considers land acquisition when proper research has been completed and as when appropriate.

TEAM MANAGEMENT CAPABILITY AND RESPONSIBILITIES OF CORPORATE CITIZEN

The Group believes that talents in management are great assets to every outstanding enterprise. To enhance the global management prospective and excellent leadership skills of the senior management of the Company, the Group, together with Cheung Kong Graduate School of Business, organized the first session of courses on management and administration for the senior management of Fantasia during the Reporting Period, and a total of 30 senior management members have participated in the courses and completed their studies in August. In the meanwhile, the Group has a deep understanding about the importance of education to the next generation in China in the long run, and has placed strong emphasis to the education and training of the children in rural areas. Since 2006, Fantasia has made donations and contributions to Hope Primary Schools and the education support programs. The Group has taken the initiative in the establishment of an education fund with a view to building an academy in the near future so as to make its share of contribution in the cultivation of future talents for the country. Fantasia also organizes various community art activities every year, to share with the public the joy and interest brought by art while persistently performing its responsibilities as a corporate citizen.

PROSPECT AND DEVELOPMENT

In the second half of 2012, as we expected early this year, the prospect of the global economy still remains unpromising shadowed by the prevalence of the European debt crisis, the slow recovery of the U.S.'s economy and the mid-to-long-term transformation of China's economy. Nevertheless, under the macro environment where the central government emphasizes to "insist on an unchanged control policy on real estates to facilitate the return of property prices to a reasonable level" while orderly loosening monetary policies to maintain the domestic demand, the trading volume and the prices of properties are expected to remain stable. Therefore, the Group plans to identify land lots in the first-tier cities like Beijing, Shanghai and Guangzhou, and further efforts will be made for the development of the Group in the first and second-tier cities, while expanding its land bank at reasonable terms. In the second half of 2012, the Group will also focus its efforts on promoting its sales, continuing to develop and sell urban complexes and maintaining a flexible and active responding strategy to strive for the realization of every single target of the whole year.

In the meanwhile of laying a foundation for our traditional property business, the Group will endeavor to explore the possibility of extending its business to the property financing industry by building a business platform which blends property business with our professional services while it will also capitalize on our successful experience in providing well-recognized community services with a view to undertaking strategic businesses such as diversified community services, boutique hotel, commercial hotel and cultural tourism and health cultivation and retirement life. These will provide brand new experience and hence create values for the customers, allowing Fantasia to become a pioneer in the property financing industry that provides "interesting, tasteful and colorful" living space.

ACKNOWLEDGE

In times of vigorous ups and downs of the real estate market, it is our staff, shareholders, investors and partners that have been struggling side by side with us to help Fantasia grow healthy and strong. I hereby wish to express my sincere gratitude to all the shareholders, Directors and partners for their confidence placed on us and their support to the development direction of Fantasia. Last but not least, I also would like to extend my gratitude to all the staff for their persistent efforts and support to the Group.

Pan Jun
Chairman

16 August 2012



Shenzhen Funian Plaza



MANAGEMENT
DISCUSSION
AND ANALYSIS



Chengdu Grande Valley

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 2012, turnover of the Group amounted to approximately RMB1,205 million, representing a decrease of 39.9% from approximately RMB2,005 million for the corresponding period in 2011. The decrease is primarily attributable to the reduction in the Group's total gross floor area delivered to purchasers as compared to the corresponding period in 2011, which was consistent with the Group's development schedule. It is expected that the Group's full year plan in 2012 for completion of sale properties for delivery will be completed and delivered to purchasers as scheduled.



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, i.e., 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 decreased by 45.2% to approximately RMB1,050 million for the six months ended 30 June 2012 from approximately RMB1,915 million for the corresponding period in 2011. During the period, only one new property development project was completed and this led to a significant decrease in total gross floor area (“GFA”) delivered 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 2012 and 2011.

	Six months ended 30 June 2012			Six months ended 30 June 2011		
	Total Revenue	GFA sold	Average Selling Price	Total Revenue	GFA sold	Average Selling Price
	RMB'000	Sq. m.	RMB	RMB'000	Sq. m.	RMB
Shenzhen Funian Plaza (深圳福年廣場)	298,849	8,498	35,169	–	–	–
Suzhou Lago Paradise (蘇州太湖天城)	216,404	18,239	11,865	–	–	–
Chengdu Meinian International Plaza (成都美年國際廣場)	146,234	18,356	7,966	216,715	16,477	13,153
Dongguan Mont Conquerant (東莞君山)	136,537	15,030	9,084	21,000	1,232	17,044
Shenzhen Meinian International Complex (深圳美年國際廣場)	130,628	4,058	32,190	641,740	24,060	26,673
Chengdu Grand Valley (成都大溪谷)	33,862	3,750	9,029	50,280	6,295	7,987
Chengdu Fantasia Town (成都花樣城)	22,705	2,702	8,404	–	–	–
Tianjin Hailun Plaza (天津喜年廣場)	22,009	1,768	12,446	892	175	5,090
Chengdu Mont Conquerant (成都君山)	16,156	2,671	6,050	26,557	2,757	9,631
Huizhou Fantasia Special Town (惠州別樣城)	3,724	237	15,680	–	–	–
Shenzhen Love Forever (深圳花郡)	1,013	72	14,120	907,529	44,903	20,211
Chengdu Love Forever (成都花郡)	–	–	–	21,865	6,048	3,615
Yixing Town on the Water (宜興雲海間)	–	–	–	11,311	965	11,719
Shenzhen Flower Harbor (深圳花港家園)	–	–	–	9,036	766	11,800
Chengdu Hailun Plaza (成都喜年廣場)	–	–	–	6,084	168	36,286
Sub-total	1,028,121	75,381	13,639	1,913,009	103,846	18,422
Other	21,544	–	–	1,653	–	–
Total	1,049,665	–	–	1,914,662	–	–

The development projects planned for completion in 2012 will be completed and delivered to purchasers in the second half of 2012 as scheduled.



Chengdu Grande Valley



Property Investment

Revenue generated from property investment increased by 239.6% to approximately RMB40 million for the six months ended 30 June 2012 from approximately RMB12 million for the corresponding period in 2011. The increase was primarily due to the continuing growth of the investment properties and the increase in occupancy rate.

Property Agency Services

Revenue derived from property agency services decreased by 57.4% to approximately RMB4 million for the six months ended 30 June 2012 from approximately RMB10 million for the corresponding period in 2011. Due to the restructuring of the Company's business, the property agency services business has been disposed of in January 2011 in order for the management to concentrate on the major business, but we maintained the property agency services business in the second hand market as a value added service in the property operation business team.

Property Operation Services

Revenue derived from property operation services increased by 39.4% to approximately RMB85 million for the six months ended 30 June 2012 from approximately RMB61 million for the corresponding period in 2011. This increase was primarily due to an increase in the GFA of properties that we managed during the first half of 2012.

Hotel Services

Revenue derived from hotel services increased by 221.4% to approximately RMB26 million for the six months ended 30 June 2012 from approximately RMB8 million for the corresponding period in 2011. This increase was primarily due to an increase in the number of hotels and occupancy rate of the hotels during the first half of 2012.

Gross Profit and Margin

Gross profit decreased by 52.3% to approximately RMB503 million for the six months ended 30 June 2012 from approximately RMB1,053 million for the corresponding period in 2011, while our gross profit margin maintained at a high level of 41.7% for the six months ended 30 June 2012 whereas it was 52.5% for the corresponding period in 2011. This decrease in gross profit was in line with the decrease in the total revenue for the six months ended 30 June 2012. On the other hand, the high gross margin for the six months ended 30 June 2011 was resulted from the contribution from our two Shenzhen projects, which were completed in 2011.

Other Income, Gain and Losses

Other income, gain and losses decreased by 74.8% to approximately RMB14 million for the six months ended 30 June 2012 from approximately RMB56 million for the corresponding period in 2011. The decrease was primarily due to the exchange loss resulting from the translation of our US senior notes, although there was an exchange gain resulting from the translation of our US senior notes and a gain from the disposal of a subsidiary in 2011.



Selling and Distribution Expenses

Our selling and distribution expenses decreased by 3.0% to approximately RMB127 million for the six months ended 30 June 2012 from approximately RMB131 million for the corresponding period in 2011. The decrease was in line with our decrease in contract sales during the reporting period.

Administrative Expenses

Our administrative expenses increased by 8.3% to approximately RMB155 million for the six months ended 30 June 2012 from approximately RMB143 million for the corresponding period in 2011. This increase was primarily due to the increase in number of offices and staff cost in new locations following our expansion.

Finance Costs

Our finance costs decreased by 58.0% to approximately RMB32 million for the six months ended 30 June 2012 from approximately RMB77 million for the corresponding period in 2011. Most of our bank loans were used for projects construction and the decrease in finance costs represented the increase in capitalization rate.

Income Tax Expenses

Our income tax expenses decreased by 5.0% to approximately RMB354 million for the six months ended 30 June 2012 from approximately RMB373 million for the corresponding period in 2011. This decrease was in line with the decrease in our total revenue, which in turn reduced the income tax and land appreciation tax in the first half of 2012.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company decreased by 59.7% to approximately RMB201 million for the six months ended 30 June 2012 from approximately RMB499 million for the corresponding period in 2011. This decrease was primarily due to a decrease in the accounting recognition of turnover for the six months ended 30 June 2012.



LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2012, the Group's bank balance and cash was approximately RMB1,438 million (31 December 2011: approximately RMB1,336 million), representing an increase of 7.6% as compared to that as at 31 December 2011. A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties which such deposits relate to. As at 30 June 2012, the Group's restricted cash was approximately RMB364 million (31 December 2011: approximately RMB315 million), representing an increase of 15.6% as compared to that as at 31 December 2011.

Current Ratio and Gearing Ratio

As at 30 June 2012, the Group has current ratio (being current assets over current liabilities) of approximately 1.44 compared to that of 1.51 as at 31 December 2011. The gearing ratio was 81.6% as at 30 June 2012 (31 December 2011: 74.2%). 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 29.0% (31 December 2011: 30.3%) as of 30 June 2012.

Borrowings and Charges on the Group's Assets

As at 30 June 2012, the Group had an aggregate bank borrowings and senior notes of approximately RMB5,292 million (31 December 2011: approximately RMB4,741 million) and approximately RMB757 million (31 December 2011: approximately RMB752 million), respectively. Amongst the bank borrowings, approximately RMB1,810 million (31 December 2011: approximately RMB1,896 million) will be repayable within one year, approximately RMB3,070 million (31 December 2011: approximately RMB2,153 million) will be repayable between two to five years and approximately RMB412 million (31 December 2011: approximately RMB692 million) will be repayable after five years. The senior notes were repayable between two to five years.

As at 30 June 2012, 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 its business in China. 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 2012, though the exchange rates of RMB against U.S. dollar and the Hong Kong dollar kept on increasing, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Commitments

As at 30 June 2012, the Group had committed payment for the land development expenditure and acquisition of subsidiaries amounting to approximately RMB43 million (31 December 2011: RMB98 million) and RMB9 million (31 December 2011: RMB5 million), respectively.

The Group did not have any committed payment for the land premium on land acquisition as at 30 June 2012 and as at 31 December 2011.

Contingent Liabilities

As at 30 June 2012, the Group had provided guarantees amounting to approximately RMB1,863 million (31 December 2011: approximately RMB2,479 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 purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the six months ended 30 June 2012 as the default risk is low.



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Employees and Remuneration Policies

As at 30 June 2012, the Group had approximately 6,691 employees (31 December 2011: approximately 6,929 employees). Total staff costs, including directors' emoluments, for the six months ended 30 June 2012 amounted to approximately RMB63 million (six months ended 30 June 2011: approximately RMB87 million). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice. Apart from salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for Chinese employees), a discretionary bonus program and a share option scheme.

The Company adopted a share option scheme (the "Scheme") on 27 October 2009. During the six months ended 30 June 2012, no share option was granted. Up to 30 June 2012, no share option had lapsed or been exercised. As at 30 June 2012, the outstanding share options were 74,230,000. Please refer to the paragraph headed "Share Option Scheme" in this report for further details.

INTERIM DIVIDEND

The Directors had resolved that no interim dividend be paid for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).



BUSINESS REVIEW

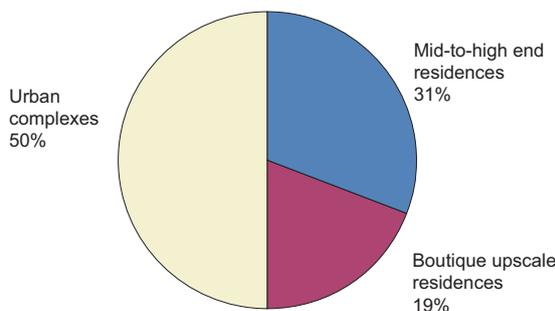
BUSINESS REVIEW

Contract Sales

During the six months ended 30 June 2012 (the "Reporting Period"), in order to maintain the success in the macro control over the real estate market, the central government of China remained firm on its attitude to the macro control over the real estate market and required local governments to strictly implement the control measures of "purchase restriction, loan restriction, price restriction" for curbing the speculative demands for properties. The Group carries out immediate adjustment and management on its development and sales strategies based on the changes of the real estate market from time to time.

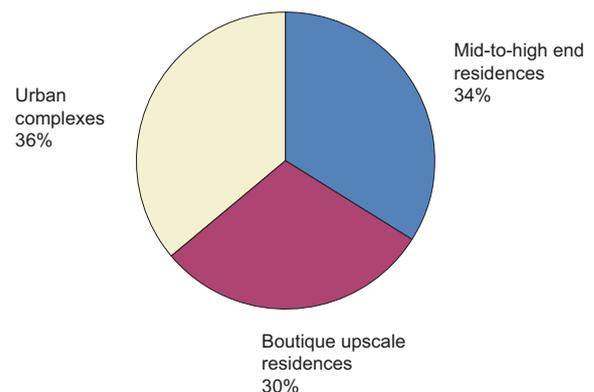
In the first half of 2012, the Group recorded contract sales of approximately RMB3,351 million and contract sales area of approximately 388,921 square meters, representing a decrease of 2% and an increase of 11% respectively over the same period in the last year, in which approximately RMB1,677 million and 138,128 square meters were attributable to the sales of urban complex projects, representing a decrease of 14% and 8% respectively over the same period in the last year, and approximately RMB633 million and 118,397 square meters were attributable to the sales of boutique upscale residence projects, representing an increase of 7% and 91% respectively over the same period in the last year.

The proportion of contract sales attributable to different categories of products



Tianjin Future Plaza

The proportion of contract sales area attributable to different categories of products

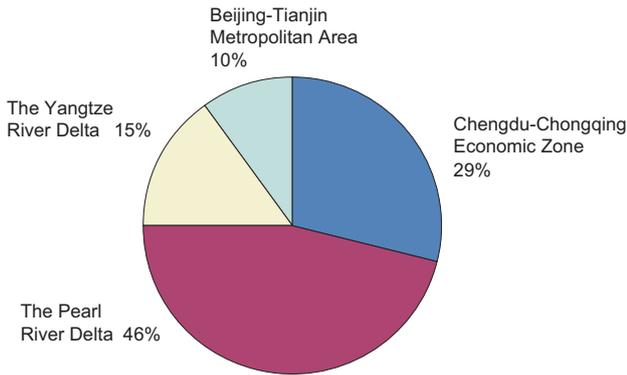


During the Reporting Period, the number of projects that provided sales contribution decreased as scheduled. In the first half of 2012, the contract sales were mainly derived from 12 projects in nine core cities, whilst there were 17 projects in eight core cities as in the corresponding period in 2011. Among the projects, in Guilin, phase one of Guilin Lakeside Eden, the Guilin CBD chief luxury lake-side villas, launched tiered villa units in June 2012, 70% of which was sold during the first month of its launch.

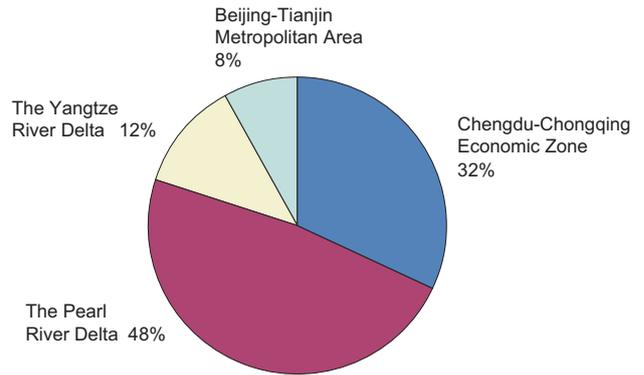
The breakdown of the Company's contract sales in the four major regions in the first half year of 2012

Region	Contract Sales		Contract Sales Area	
	RMB'000	Percentage	Sq.m.	Percentage
Chengdu-Chongqing Economic Zone	980,672	29	126,710	32
The Pearl River Delta	1,524,420	46	186,723	48
The Yangtze River Delta	504,778	15	45,498	12
Beijing-Tianjin Metropolitan Area	341,037	10	29,990	8
Total	3,350,907	100	388,921	100

The contract sales distribution in the four major regions in the first half of 2012



The contract sales area distribution in the four major regions in the first half of 2012



Chengdu Grande Valley



Grande Valley International Country Club

Project Development

In the first half of 2012, the Group strictly followed the three-level project management and control system to ensure the smooth progress in the project development. During the Reporting Period, one new property development project was completed which was consistent with the pace of the Group's schedule for the full year of 2012. The Group had an area of approximately 608,000 square meters for newly developed projects and an area of approximately 21,000 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 2012) was approximately 2.87 million square meters, the saleable area of which amounted to approximately 2.11 million square meters in total.

Newly Developed Projects

In the first half of 2012, the Group had six projects or phases of projects which were newly developed, with a total gross floor area of approximately 608,000 square meters.

The breakdown for newly developed projects for the first half of 2012

Project Serial number	Project name	Project location	Nature of land	Estimated completion date	Company's interest	Total GFA Sq.m.
Chengdu-Chongqing Economic Zone						
1	Phase 4.2 of Chengdu Fantasia Town	Wenjiang District, Chengdu City	Residential and commercial	2014	100%	161,355
2	Phase 2.1 of Chengdu Meinian International Plaza	Chengdu High-technology Zone, Chengdu City	Residential, commercial and education	2015	100%	82,906
The Pearl River Delta						
1	Phase 3 of Dongguan Wonderland	Huangjiang Town, Dongguan City	Residential and commercial	2014	100%	158,625
2	Phase 1.1 of Lakeside Eden	Lingui New District, Guilin City	Residential and commercial	2013	100%	37,635
3	Phase 3 of Fantasia Special Town	Huinan Road, Huizhou City	Residential and commercial	2014	100%	160,250
The Yangtze River Delta						
1	Yuhuatai Project	Yuhuatai District, Nanjing City	Wholesale and retail land use	2013	100%	6,766
Total						607,537



Chengdu Funian Plaza

Completed Projects

In the first half of 2012, Blocks 1 to 3 of Suzhou Lago Paradise Land Plot No. 6 were completed with a total gross floor area of approximately 21,000 square meters.

(Unit: square meters)

Serial number	Project name	Gross floor area	Total saleable area	Area held for sale to be contracted	Contracted	Area held by the Company	Contract sales area during the first half of 2012
Suzhou							
1	Blocks 1-3 of Suzhou Lago Paradise Land Plot No. 6	20,954	17,358	7,695	9,663	—	890
Total		20,954	17,358	7,695	9,663	—	890



Projects under Construction

As at 30 June 2012, the Group had 17 projects or phases of projects under construction, with a total planned gross floor area of approximately 2.85 million square meters and a planned gross saleable area of approximately 2.09 million square meters. As at 30 June 2012, the Group recorded cumulated contract sales of approximately 780,078 square meters with respect to the above projects, and contract sales area sold during the first half of 2012 was approximately 337,444 square meters.



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The breakdown of projects under construction as at 30 June 2012

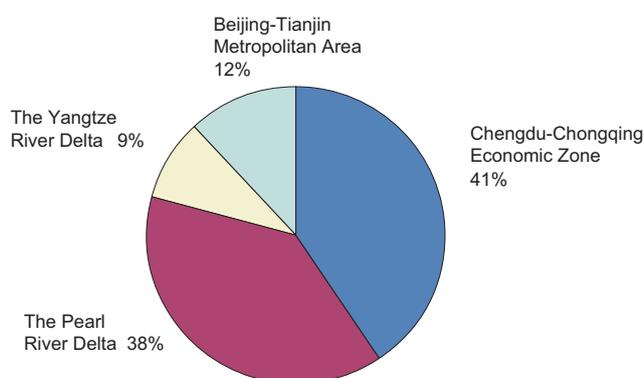
Serial number	Project name	Project location	Nature of land	Company's interest	Estimated completion date	Gross floor area	Gross saleable area	Area held for sales		Estimated to be held by the Company	Contract sales area during the first half of 2012	Project category
								Area for sale	Contract sales area			
						sq.m	sq.m	sq.m	sq.m	sq.m	sq.m	
Shenzhen												
1	Funian Plaza	Futian District, Shenzhen City	Warehouse	100%	2012	61,219	46,793	12,326	11,011	23,456	11,011	Urban complex
Huizhou												
1	Phase 2 and 3 of Fantasia Special Town	Huinan Road, Huizhou City	Residential and commercial	100%	Phase 2: 2012 Phase 3: 2014	340,892	159,199	42,871	116,328	-	54,447	Mid-to-high end residence
Dongguan												
1	Phase 1, 2 and 3 of Dongguan Wonderland	Huangjiang Town, Dongguan City	Residential and commercial	100%	Phase 1: 2012 Phase 2: 2013 Phase 3: 2014	318,764	257,033	139,915	117,118	-	60,275	Boutique upscale residence
Guilin												
1	Phase 1 of Fantasia Town	Lingui New District, Guilin City	Residential and commercial	100%	2012	440,931	330,646	155,052	105,071	70,523	42,254	Urban complex
2	Phase 1.1 of Lakeside Eden	Lingui New District, Guilin City	Residential and commercial	100%	2013	37,635	25,041	22,742	2,299	-	2,299	Boutique upscale residence
Chengdu												
1	Future Plaza	Chengdu High-technology Zone, Chengdu City	Commercial and service	100%	2012	244,614	194,151	107,833	77,318	9,000	22,280	Urban complex
2	Phase 2.1 of Belle Epoque	Laojunshan, Xinjin County, Chengdu City	Residential, commercial and ancillary	100%	2012	12,699	8,339	4,602	112	3,625	-	Boutique upscale residence
3	Phase 3, 4.1 and 4.2 of Fantasia Town	Wenjiang District, Chengdu City	Residential and commercial	100%	Phase 3: 2012 Phase 4.1: 2013 Phase 4.2: 2014	361,797	294,234	152,962	141,272	-	38,826	Mid-to-high end residence
4	Funian Plaza	Chengdu High-technology Zone, Chengdu City	Commercial and financial use land	100%	2013	180,168	132,150	73,778	58,372	-	23,831	Urban complex
5	Phase 2.1 of Meinian International Plaza	Chengdu High-technology Zone, Chengdu City	Residential, commercial and education	100%	2015	82,906	30,000	30,000	-	-	-	Urban complex

Serial number	Project name	Project location	Nature of land	Company's interest	Estimated completion date	Gross floor area	Gross saleable area	Area held for sales		Estimated to be held by the Company	Contract sales area during the first half of 2012	Project category
								Area for sale	Contract sales area			
						sq.m	sq.m	sq.m	sq.m	sq.m	sq.m	
Dali												
1	Human Art Wisdom	Xianguan Town, Dali City	City and town residential land use (with commercial service)	100%	2013	77,409	64,488	30,729	33,759	–	21,598	Mid-to-high end residence
Tianjin												
1	Future Plaza	Hexi District, Tianjin City	R & D design	100%	2012	55,080	45,849	13,822	32,027	–	18,005	Urban complex
2	Phase 1.1 of Love Forever	Wuqing District, Tianjin City	Residential land use	100%	2013	75,028	52,332	41,504	10,828	–	10,218	Boutique upscale residence
Suzhou												
1	Land 6 and 4 of Lago Paradise	Taihu National Tourism Vacation Zone, Suzhou City	Accommodation and dining, and residential	100%	2013	130,413	122,579	103,703	18,876	–	1,014	Boutique upscale residence
Wuxi												
1	Phase 1 and 2 of Love Forever	New District, Wuxi City	Residential, commercial and ancillary	100%	2012	318,660	242,050	191,460	50,590	–	26,289	Boutique upscale residence
2	Hailun Complex	Binhu District, Wuxi City	R&D design, business office and commercial	100%	2013	102,942	83,088	80,687	2,401	–	2,401	Urban complex
Nanjing												
1	Yuhuatai Project	Yuhuatai District, Nanjing City	Wholesale and retail land use	100%	2013	6,766	2,928	232	2,696	–	2,696	Urban complex
Total						2,847,922	2,090,900	1,204,218	780,078	106,604	337,444	

Projects held for Development

As at 30 June 2012, the Group had 12 projects or phases of projects held for development with a planned gross floor area of approximately 5.44 million square meters, of which, the total planned gross floor area of four projects in the Pearl River Delta was approximately 2.09 million square meters, with a proportion of approximately 38%; and the total planned gross floor area of the three projects in Chengdu-Chongqing Economic Zone was approximately 2.21 million square meters, with a proportion of approximately 41%; and the three projects in Yangtze River Delta had a total planned gross floor area of approximately 0.5 million square meters, with a proportion of approximately 9% and the two projects in Beijing-Tianjin Metropolitan Area had a total planned gross floor area of approximately 0.64 million square meters, with a proportion of approximately 12%.

The breakdown of projects held for development in four major regions



The breakdown of projects held for development as at 30 June 2012

Serial number	Project name	Project location	Nature of land	Company's interest	Gross floor area sq.m.	Average cost of floor area RMB/sq.m
Huizhou						
1	Love Forever	Huangyuyong, Daya Bay, Huizhou City	Residential and commercial	100%	168,545	312
2	Remaining phases of Fantasia Special Town	Huinan Road, Huizhou City	Residential and commercial	100%	172,690	423
subtotal					341,235	
Guilin						
1	Remaining phases of Fantasia Town	Lingui New District, Guilin City	Residential and commercial	100%	159,069	393
2	Remaining phases of Lakeside Eden	Lingui New District, Guilin City	Residential and commercial	100%	1,594,101	393
subtotal					1,753,170	
Chengdu						
1	Remaining phases of Meinian International Plaza	Chengdu High-technology Zone, Chengdu City	Residential, commercial and education	100%	366,939	669
2	Remaining phases of Belle Epoque	Laojunshan, Xinjin County, Chengdu City	Residential, commercial and ancillary	100%	283,685	823
3	Remaining phases of Grande Valley	Puijiang County, Chengdu City	Residential and commercial	100%	1,556,986	281
subtotal					2,207,610	
Tianjin						
1	Yingcheng Lake Project	Hangu District, Tianjin City	Residential, commercial and tourism	100%	168,339	766
2	Remaining phases of Love Forever	Hangu District, Tianjin City	City and town residential land use	100%	467,291	1,183
subtotal					635,630	
Suzhou						
1	Remaining phases of Lago Paradise	Taihu National Tourism Vacation Zone, Suzhou City	Accommodation and dining, and residential	100%	424,382	1,522
subtotal					424,382	



Grande Valley International Country Club

Serial number	Project name	Project location	Nature of land	Company's interest	Gross floor area	Average cost of floor area
					sq.m.	RMB/sq.m
Wuxi						
1	Remaining phases of Love Forever	New District, Wuxi City	Residential and commercial	100%	19,420	1,523
subtotal					19,420	
Nanjing						
1	Yuhuatai Project	Yuhuatai District, Nanjing City	Wholesale and retail land use	100%	59,731	4,337
subtotal					59,731	
Total					5,441,178	

LAND BANK

As at 30 June 2012, the total planned gross floor area of the Group's land bank amounted to approximately 13.25 million square meters, and planned gross floor area of attributable land bank amounted to approximately 13.79 million square meters. The total gross floor area of the land bank includes a planned gross floor area of approximately 8.29 million square meters with land use right and a planned gross floor area of approximately 4.96 million square meters with framework agreements.

The breakdown of land bank by regions as at 30 June 2012

Region	Projects under construction	Projects to be developed	Projects under framework agreements	Aggregate planned gross floor area of land bank	Proportion
	sq.m.	sq.m.	sq.m.	sq.m.	
Chengdu-Chongqing Economic Zone				8,081,065	61%
Chengdu	882,184	2,207,610	3,917,332	7,007,126	
Dali	77,409	–	996,531	1,073,940	
The Peral River Delta				3,293,846	25%
Shenzhen	61,219	–	–	61,219	
Huizhou	340,892	341,235	–	682,127	
Dongguan	318,764	–	–	318,764	
Guilin	478,566	1,753,170	–	2,231,736	
Beijing-Tianjin Metropolitan Area				765,738	6%
Tianjin	130,108	635,630	–	765,738	
The Yangtze River Delta				1,111,560	8%
Suzhou	130,413	424,382	49,246	604,041	
Wuxi	421,602	19,420	–	441,022	
Nanjing	6,766	59,731	–	66,497	



Grande Valley International Club

PROPERTY OPERATION BUSINESS

Color Life Property, a subsidiary of the Group, experienced continuous and rapid growth during the Reporting Period. It has managed a total of 364 projects with a total area of approximately 37.34 million square meters, a year-on-year increase of approximately 90.3%, in 23 core cities of high strategic importance, including Shenzhen, Huizhou, Dongguan, Zhongshan, Zhuhai, Shanghai, Xi'an, Chengdu, Tianjin and Shenyang. Color Life Property aims to be the most outstanding modern community services company that owns unique business model and value in China, and under such guide, Color Life Property, through a community electronic business platform that combines the community itself with electronic business, continuously increased and expanded the community value-added services, such as commodity group-buying and delivery, housing agency, commercial services and community resources integration, in its core cities of high strategic importance on the basis of the rapid growth in the scale of its management. So far, it has developed into a scientific and integrative modern community service group with a preliminarily established strategic layout throughout all core cities in China. As for the team development, Color Life Property has been continuously building a stronger platform of human resources through active cooperation between the Company and the universities and the implementation



of other comprehensive talent cultivation and development programs, such as the Colorful Life Program for the new comers and the training camp for supervisors. Color Life Property is also building a nationwide customer service call and response system and an intelligent community management and service system of greater efficiency to better satisfy the service needs of the customers.

As a high-end property service brand of the Group and with the preparation work undertaken for more than 1 year, Fantasia Property Management International obtained the ISO9000 quality control system certification, the ISO14000 environment management system certification and the OHSAS18000 occupational health and safety management system certification in the first half of 2012. The scale of the Company has been continuously expanding, the corporate management system has been constantly improving and the brand influence has been increasingly enhancing.

COMMERCIAL MANAGEMENT BUSINESS

During the Reporting Period, the commercial management subsidiary of the Group completed the establishment of the database on the information of the major commercial players in China and regional commercial players in the core cities of high strategic importance, signed strategic cooperation agreements with domestic and foreign renowned commercial players and initiated the commercial planning and investment invitation work for certain commercial and urban complex projects, including Shenzhen Meinian International Complex, Guilin Fantasia Town, Chengdu Meinian International Plaza, Shenzhen Love Forever and Wuxi Lover Forever. With the rapid increase in the commercial and urban complex area of the Group in the future, we believe that our returns from the both operations will be stably and continuously improved.

HOTEL MANAGEMENT BUSINESS

The Group aims to build a boutique hotel brand with unique characteristics and service connotations. During the Reporting Period, the Group constantly integrated the design, construction and management resources of famous domestic and international hotels, and developed its own hotel brands, with 4 product lines of different grades planned so far, including our own brands "U" and "HYDE" while "U Hotel" in Shenzhen has already been put into service. It is expected that the number of the hotels open for the public will reach five by the end of 2012, and in the coming two years, we will construct and operate more than 10 hotels in, for example, Shenzhen, Tianjin, Chengdu, Suzhou and Guilin, reflecting the gradual maturity of the Group's hotel business. In addition, the Group's hotel management subsidiary signed a strategic alliance memorandum with Starwood in June 2012 in order to establish a long-term and friendly cooperation relationship in the fields of hotel development, construction and management.

Disclosure of Interests

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION SHARES

As at 30 June 2012, the interests and short positions of the directors (the "Director") and the chief executive of the Company 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	Nature of interests	Number of Shares held	Interest in underlying Shares	Approximate percentage of shareholding
Zeng Jie, Baby	Interest of controlled corporation ⁽¹⁾	3,174,795,000	-	60.970%
	Personal	-	4,990,000 ⁽²⁾	0.096%
Pan Jun	Personal	-	4,990,000 ⁽²⁾	0.096%
Feng Hui Ming	Personal	-	5,020,000 ⁽²⁾	0.096%
Chan Sze Hon	Personal	-	3,810,000 ⁽²⁾	0.073%
Ho Man	Personal	-	800,000 ⁽²⁾	0.015%
Liao Martin Cheung Kong	Personal	-	800,000 ⁽²⁾	0.015%
Huang Ming	Personal	-	800,000 ⁽²⁾	0.015%
Xu Quan	Personal	-	800,000 ⁽²⁾	0.015%

Notes:

- (1) 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, Baby, Ms. Zeng Jie, Baby 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.
- (2) The relevant Directors were granted options to subscribe for such number of shares under the Share Option Scheme on 29 August 2011.

Long Positions in Associated Corporation

Name of Director	Long/short position	Name of associated corporation	No. of shares of debentures	Description of shares or debentures	Percentage of that associated corporation's issued share capital
Zeng Jie, Baby	Corporate Interest ⁽¹⁾	Fantasy Pearl	80 shares	No par value	80%
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, Baby.
- (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 2012, none of the Directors and chief executive 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



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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 at 30 June 2012, 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, 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 the Company as at 30 June 2011
Fantasy Pearl	Beneficial interest ⁽¹⁾	3,174,795,000	60.97%
Ice Apex	Interest of controlled corporation ⁽²⁾	3,174,795,000	60.97%
Zeng Jie, Baby	Interest of controlled corporation	3,174,795,000	60.97%

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, Baby, Mr. Pan Jun, Ice Apex and Graceful Star.
- (2) Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Ms. Zeng Jie, Baby is deemed to be interested in the shares held by Ice Apex for the purpose of Part XV of the SFO.

Save as disclosed above, as at 30 June 2012, 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.

Corporate Governance and Other Information

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 five 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 and complied with the code provisions set out in the Code on Corporate Governance Practices ("Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange from 1 January 2012 until 31 March 2012, and the revised Corporate Governance Code from 1 April 2012 until 30 June 2012, 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 2012 and all Directors confirmed that they have complied with the Model Code.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") with specific written terms of reference as amended on 12 March 2012. The Audit Committee 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 responsible for the engagement of external auditor, review of the Group's financial information and oversight of the Group's financial reporting system and internal control and risk management procedures and reviewing the Group's financial and accounting policies and practices. The Audit Committee together with the management of the Company has reviewed



Chengdu Grande Valley



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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 2012. In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the six months ended 30 June 2012 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 established a remuneration committee ("Remuneration Committee") with specific written terms of reference as amended on 12 March 2012. 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 Remuneration Committee. The Remuneration Committee is responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

NOMINATION COMMITTEE

The Company established a nomination committee ("Nomination Committee") with specific written terms of reference as amended on 12 March 2012. The Nomination Committee currently comprises two executive Directors, Mr. Pan Jun and Ms. Zeng Jie, Baby, and four independent non-executive Directors, Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan, while Mr. Pan Jun is the chairman of the Nomination Committee.

The nomination committee is responsible for reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment and re-appointment of Directors.

SHARE OPTION SCHEME

The Company adopted the Scheme which became effective on 27 October 2009 for the purpose of rewarding eligible participants who have contributed to the Group and to encourage eligible participants to work towards enhancing the value of the Company. Eligible participants of the Scheme include Directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption. The total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders. The maximum number of Shares in respect of which options may be granted under the Scheme to any individual in any 12-month period is not permitted to exceed 1% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors.

Where any option granted to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares, in excess of HK\$5 million, such grant of options shall be subject to prior approval by resolutions of the Company's shareholders (voting by way of poll).

An offer of the grant of an option under the Scheme shall remain open for acceptance for 28 days from the date of

grant. Upon acceptance of such grant, the grantee shall pay HK\$1 to the Company as consideration. Options may be exercised in accordance with the terms of the Scheme at any time from the date of grant until the expiry of 10 years from such date. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a Share.

As at the date of this report, the total number of Shares available for issue under the Scheme is 411,770,000 Shares, representing 7.91% in nominal amount of the aggregate of Shares in issue.

The summary below set out the details of options granted as at 30 June 2012 pursuant to the Scheme:

Name	Date of grant	Exercise price	Closing price of the Shares on the Date of Grant	Balance as at 1 January 2011	Number of share option			Balance as at 30 June 2012	Note
					Grant during the year	Exercisable/ exercised during the year	Cancelled/ lapsed during the year		
		(HK\$)	(HK\$)						
Pan Jun	29 August 2011	0.836	0.820	-	4,990,000	-	-	4,990,000	note (i)
Zeng Jie, Baby	29 August 2011	0.836	-	-	4,990,000	-	-	4,990,000	note (i)
Feng Hui Ming	29 August 2011	0.836	-	-	2,770,000	-	-	2,770,000	note (i)
	29 August 2011	0.836	-	-	2,250,000	-	-	2,250,000	note (ii)
Chan Sze Hon	29 August 2011	0.836	-	-	2,310,000	-	-	2,310,000	note (i)
	29 August 2011	0.836	-	-	1,500,000	-	-	1,500,000	note (ii)
Ho Man	29 August 2011	0.836	-	-	800,000	-	-	800,000	note (i)
Liao Martin Cheung Kong	29 August 2011	0.836	-	-	800,000	-	-	800,000	note (i)
Huang Ming	29 August 2011	0.836	-	-	800,000	-	-	800,000	note (i)
Xu Quan	29 August 2011	0.836	-	-	800,000	-	-	800,000	note (i)
			-						
Other employees	29 August 2011	0.836	-	-	36,970,000	-	-	36,970,000	note (i)
	29 August 2011	0.836	-	-	15,250,000	-	-	15,250,000	note (ii)
Total				-	74,230,000	-	-	74,230,000	

Note:

- (i) The share options are exercisable during the following periods:
 - (a) up to 10% of the share options granted to each grantee (the "Grantee") at any time after the expiration of 12 months from 29 August 2011 to 28 August 2021 and after the Grantee has satisfied the vesting conditions specified by the Board;
 - (b) up to 20% of the share options granted to each grantee at any time after the expiration of 24 months from 29 August 2011 to 28 August 2021 and after the Grantee has satisfied the vesting conditions specified by the Board;
 - (c) up to 70% of the share options granted to each grantee at any time after the expiration of 36 months from 29 August 2011 to 28 August 2021 and after the Grantee has satisfied the vesting conditions specified by the Board.
- (ii) The share options are exercisable during the following periods:
 - (a) up to 10% of the share options granted to each Grantee at any time after the expiration of 12 months from the 29 August 2011 to 28 August 2021;
 - (b) up to 20% of the share options granted to each Grantee at any time after the expiration of 24 months from 29 August 2011 to 28 August 2021;
 - (c) up to 70% of the share options granted to each Grantee at any time after the expiration of 36 months from 29 August 2011 to 28 August 2021.

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 2012.

REPORT ON REVIEW OF
INTERIM FINANCIAL
INFORMATION

Report on Review of Interim Financial Information



TO THE BOARD OF DIRECTORS OF FANTASIA HOLDINGS GROUP CO., LIMITED
花樣年控股集團有限公司

INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on pages 42 to 68, which comprises 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 2012 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited) (restated)
Revenue	3	1,204,752	2,005,234
Cost of sales		(702,065)	(952,369)
Gross profit		502,687	1,052,865
Other income, gains and losses	4	13,990	55,609
Change in fair value of investment properties	11	11,082	70,837
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	11	334,822	8,543
Selling and distribution expenses		(126,595)	(130,536)
Administrative expenses		(154,950)	(143,115)
Finance costs	5	(32,323)	(76,948)
Share of results of associates		(1)	201
Profit before taxation		548,712	837,456
Income tax expense	6	(354,553)	(373,228)
Profit for the period	7	194,159	464,228
Other comprehensive income (expense)			
Surplus on revaluation of properties		29,866	11,795
Deferred taxation liability arising from revaluation of properties		(9,180)	(4,882)
Other comprehensive income for the period (net of tax)		20,686	6,913
Total comprehensive income for the period		214,845	471,141
Profit for the period attributable to:			
Owners of the Company		201,028	498,732
Non-controlling interests		(6,869)	(34,504)
		194,159	464,228
Total comprehensive income attributable to:			
Owners of the Company		217,814	505,676
Non-controlling interests		(2,969)	(34,535)
		214,845	471,141
Earnings per share – Basic (RMB)	9	0.04	0.10

Condensed Consolidated Statement of Financial Position

At 30 June 2012

		30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (restated)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	10	567,780	529,215
Investment properties	11	3,150,566	2,443,694
Interests in associates		752	1,077
Prepaid lease payments	12	166,530	163,307
Premium on prepaid lease payments	13	434,804	440,275
Prepayments		3,370	11,890
Land development expenditure	14	1,497,526	1,335,848
Deposits paid for acquisition of subsidiaries	15	4,608	8,084
Deposits paid for acquisition of a property project	16	121,556	104,900
Deferred tax assets	23	287,009	220,826
		6,234,501	5,259,116
CURRENT ASSETS			
Properties for sale		11,072,766	10,222,320
Prepaid lease payments	12	6,601	6,413
Premium on prepaid lease payments	13	11,049	11,157
Trade and other receivables	17	1,974,570	1,216,377
Amounts due from customers for contract works		14,713	16,359
Amounts due from related parties	18	3,525	3,262
Tax recoverable		106,507	51,143
Restricted bank deposits		364,375	315,134
Bank balances and cash		1,073,828	1,021,355
		14,627,934	12,863,520
CURRENT LIABILITIES			
Trade and other payables	19	2,322,473	2,268,829
Deposits received for sale of properties		4,449,688	2,619,004
Amount due to a related party	20	2,957	2,547
Tax payable		1,602,577	1,527,259
Borrowings — due within one year	21	1,810,393	2,100,069
		10,188,088	8,517,708
NET CURRENT ASSETS		4,439,846	4,345,812
TOTAL ASSETS LESS CURRENT LIABILITIES		10,674,347	9,604,928

Condensed Consolidated Statement of Financial Position

At 30 June 2012

		30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (restated)
	Notes		
NON-CURRENT LIABILITIES			
Borrowings — due after one year	21	3,481,613	2,640,933
Senior notes	22	756,885	752,367
Deferred tax liabilities	23	604,829	429,372
		4,843,327	3,822,672
		5,831,020	5,782,256
CAPITAL AND RESERVES			
Share capital	24	457,093	457,093
Reserves		5,196,239	5,144,506
Equity attributable to owners of the Company		5,653,332	5,601,599
Non-controlling interests		177,688	180,657
		5,831,020	5,782,256

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Share options reserve	Contribution reserve	Statutory reserves	Discretionary reserves	Property revaluation reserve	Accumulated profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note i)	(Note ii)	(Note iii)		(Note iv)	(Note iv)	(Note v)				
At 1 January 2011 (audited)												
(originally stated)	429,389	2,481,236	(901)	-	40,600	34,105	1,477	-	1,516,228	4,502,134	464,336	4,966,470
Adjustments (see note 2)	-	-	-	-	-	-	-	-	(70,483)	(70,483)	(48,495)	(118,978)
At 1 January 2011 (restated)	429,389	2,481,236	(901)	-	40,600	34,105	1,477	-	1,445,745	4,431,651	415,841	4,847,492
Profit for the period	-	-	-	-	-	-	-	-	498,732	498,732	(34,504)	464,228
Surplus on revaluation of properties	-	-	-	-	-	-	-	11,795	-	11,795	-	11,795
Deferred taxation liability arising from revaluation of properties	-	-	-	-	-	-	-	(4,851)	-	(4,851)	(31)	(4,882)
Other comprehensive income for the period	-	-	-	-	-	-	-	6,944	-	6,944	(31)	6,913
Total comprehensive income for the period	-	-	-	-	-	-	-	6,944	498,732	505,676	(34,535)	471,141
Issue of shares	27,704	304,736	-	-	-	-	-	-	-	332,440	-	332,440
Dividend paid to shareholders of the Company (note 8)	-	(165,888)	-	-	-	-	-	-	-	(165,888)	-	(165,888)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(4,010)	(4,010)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(886)	(886)
Acquisition of additional interest in subsidiaries	-	-	(57,991)	-	-	-	-	-	-	(57,991)	(284,449)	(342,440)
At 30 June 2011 (unaudited)	457,093	2,620,084	(58,892)	-	40,600	34,105	1,477	6,944	1,944,477	5,045,888	91,961	5,137,849
At 1 January 2012 (audited)												
(originally stated)	457,093	2,620,084	(15,673)	2,240	40,600	40,408	1,477	8,846	2,663,549	5,818,624	180,657	5,999,281
Adjustments (see note 2)	-	-	(48,495)	-	-	-	-	(1,902)	(166,628)	(217,025)	-	(217,025)
At 1 January 2012 (restated)	457,093	2,620,084	(64,168)	2,240	40,600	40,408	1,477	6,944	2,496,921	5,601,599	180,657	5,782,256
Profit for the period	-	-	-	-	-	-	-	-	201,028	201,028	(6,869)	194,159
Surplus on revaluation of properties	-	-	-	-	-	-	-	24,666	-	24,666	5,200	29,866
Deferred taxation liability arising from revaluation of properties	-	-	-	-	-	-	-	(7,880)	-	(7,880)	(1,300)	(9,180)
Other comprehensive income for the period	-	-	-	-	-	-	-	16,786	-	16,786	3,900	20,686
Total comprehensive income for the period	-	-	-	-	-	-	-	16,786	201,028	217,814	(2,969)	214,845
Dividend paid to shareholders of the Company (note 8)	-	(168,859)	-	-	-	-	-	-	-	(168,859)	-	(168,859)
Recognition of equity-settled share-based payments	-	-	-	2,778	-	-	-	-	-	2,778	-	2,778
At 30 June 2012 (unaudited)	457,093	2,451,225	(64,168)	5,018	40,600	40,408	1,477	23,730	2,697,949	5,653,332	177,688	5,831,020

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

Notes:

- (i) Pursuant to article 16 of the Company's Article of Association, the Company is permitted to pay out final dividend from share premium account.
- (ii) Special reserve arising from the acquisition of additional equity interests represents the difference between the consideration paid and the adjustment to the non-controlling interests.
- (iii) Share options reserve represents the share-based payment under the Company's share option scheme.
- (iv) 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 of the PRC subsidiaries in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses of the PRC subsidiaries, expand the scale of production and business and increase capital upon approval from the relevant authorities.
- (v) Revaluation surplus arose from the transfer of owner-occupied properties to investment properties at the date of change in use.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000 (unaudited)	RMB'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		
Cash generated from operations	354,728	348,562
Enterprise income tax ("EIT") paid, net	(86,597)	(179,405)
Land appreciation tax ("LAT") paid	(147,907)	(137,020)
Interest paid	(259,052)	(214,867)
	(138,828)	(182,730)
NET CASH USED IN INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(85,951)	(30,241)
Deposits paid for acquisition of a property project	(16,656)	(145,000)
Increase in restricted bank deposits	(49,241)	(479,723)
Additions to investment properties	(44,161)	(130,151)
Deposits received for disposal of an associate	–	28,800
Settlement of consideration payable in relation to acquisition of subsidiaries in prior year	–	(63,900)
Other investing cash flows	8,457	25,661
	(187,552)	(794,554)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
New borrowings raised	1,669,254	1,400,734
Repayment of borrowings	(1,123,096)	(1,245,714)
Dividend paid to shareholders of the Company	(168,859)	(165,888)
Dividend paid to non-controlling shareholders	–	(4,010)
Repayment to a related party	–	(100,549)
Issue of shares	–	332,440
Acquisition of additional interests in subsidiaries	–	(342,440)
	377,299	(125,427)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50,919	(1,102,711)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,021,355	2,371,452
Effect of foreign exchange rate changes	1,554	(13,987)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	1,073,828	1,254,754

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011 except as described below.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA that are mandatorily effective for the current interim period.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

Under the amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property” are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group’s investment property portfolios and concluded that the Group’s investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Accordingly the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group recognised the deferred taxes on changes in fair value of the Group’s investment properties in the PRC taking into account the land appreciation tax and enterprise income tax payable upon sales of those investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated statement of comprehensive income is as follows:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Increase in income tax expense and decrease in profit for the period	78,844	3,534
Increase in deferred tax charge recognised in other comprehensive income in relation to change in fair value of owner-occupied properties to investment properties	1,713	1,902

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

2. PRINCIPAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of the effect of the above change in accounting policy (continued)

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 December 2011, is as follow:

	As at 31 December 2011 (originally stated) RMB'000	Adjustments RMB'000	As at 31 December 2011 (restated) RMB'000
Deferred tax liabilities and total effect of net assets	212,347	217,025	429,372
Accumulated profits	2,663,549	(166,628)	2,496,921
Special reserve (Note)	(15,673)	(48,495)	(64,168)
Property revaluation reserve	8,846	(1,902)	6,944
Total effect on equity	2,656,722	(217,025)	2,439,697

The effect of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, i.e. 1 January 2011, is as follows:

	As at 1 January 2011 (originally stated) RMB'000	Adjustments RMB'000	As at 1 January 2011 (restated) RMB'000
Deferred tax liabilities and total effect on net assets	128,121	118,978	247,099
Accumulated profits	1,516,228	(70,483)	1,445,745
Non-controlling interests	464,336	(48,495)	415,841
Total effect on equity	1,980,564	(118,978)	1,861,586

Note: In 2011, the Group acquired additional interests in two subsidiaries with the excess of the consideration paid over the adjustment to the carrying amount of the non-controlling interests being debited to special reserve in that year. The application of the amendments to HKAS12 retrospectively has resulted in an increase in deferred tax liabilities and hence a decrease in the non-controlling interest of RMB48,495,000 at 1 January 2011. The application of the amendments has also resulted in special reserve being further debited by the same amount as at 31 December 2011.

Impact on basic earnings per share

	Six months ended 30 June	
	2012 RMB	2011 RMB
Basic earnings per share before adjustment	0.05	0.10
Adjustments arising from change in accounting policy in relation to application of amendments to HKAS 12 in respect of deferred taxes on investment properties	(0.01)	–
Reported basic earnings per share	0.04	0.10

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of properties	1,049,665	1,914,662
Rental income	40,241	11,848
Agency fee from provision of property agency services	4,218	9,909
Management fee and installation services from provision of property operation services	84,684	60,742
Hotel operations	25,944	8,073
	1,204,752	2,005,234

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 30 June 2012

	Property development	Property investment	Property agency services	Property operation services	Hotel operations	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SEGMENT REVENUE (unaudited)							
External sales	1,049,665	40,241	4,218	84,684	25,944	–	1,204,752
Inter-segment sales	–	876	–	186,464	–	(187,340)	–
Total	1,049,665	41,117	4,218	271,148	25,944	(187,340)	1,204,752
Segment profit (loss)	555,597	42,208	436	36,049	(21,921)	–	612,369

Inter-segment revenues charged at prevailing market rate.

Six months ended 30 June 2011

	Property development	Property investment	Property agency services	Property operation services	Hotel operations	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SEGMENT REVENUE (unaudited)							
External sales	1,914,662	11,848	9,909	60,742	8,073	–	2,005,234
Inter-segment sales	3,795	–	3,636	14,040	866	(22,337)	–
Total	1,918,457	11,848	13,545	74,782	8,939	(22,337)	2,005,234
Segment profit (loss)	788,933	87,873	13,738	19,979	(16,357)	–	894,166

Inter-segment revenues charged at prevailing market rate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. REVENUE AND SEGMENT INFORMATION (continued)

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 gain, share of results of associates, gain on disposal of an associate, 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.

Reconciliation:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Segment profit	612,369	894,166
Unallocated amounts:		
Unallocated income	3,560	33,633
Unallocated corporate expenses	(34,893)	(13,596)
Finance costs	(32,323)	(76,948)
Share of results of associates	(1)	201
Profit before taxation	548,712	837,456

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

	30 June	31 December
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Property development	14,970,025	13,319,848
Property investment	3,150,564	2,445,142
Property agency services	4,542	2,011
Property operation services	232,601	302,290
Hotel operations	393,824	422,111
Total segment assets	18,751,556	16,491,402
Total unallocated assets	2,189,924	1,631,234
Group's total assets	20,941,480	18,122,636

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2012	2011
	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest income from bank deposits	3,900	4,405
Forfeiture income on deposits received	584	202
Government grant (Note)	5,319	3,371
Gain on disposal of property, plant and equipment	390	21
Gain on disposal of a subsidiary (note 25)	–	16,228
Net foreign exchange (loss) gain	(7,619)	28,691
Imputed interest income on non-current interest-free advance to an associate	–	537
Reversal of accruals and forfeiture of deposit received	7,310	–
Others	4,106	2,154
	13,990	55,609

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.

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest on:		
– borrowings wholly repayable within five years	165,729	149,879
– borrowings not wholly repayable within five years	40,395	7,977
– senior notes (note 22)	54,574	57,361
– amount due to a related party	–	2,015
Less: Amount capitalised in		
– properties under development for sale	(170,303)	(136,371)
– investment properties under development	(5,111)	(3,657)
– construction in progress	(2,980)	(256)
– land development expenditure	(49,981)	–
	32,323	76,948

During the six months ended 30 June 2012, certain amount of borrowing costs capitalised arose on the general borrowing pool and were calculated by applying the capitalisation rates of 8.58% per annum to expenditure on qualifying assets. During the six months ended 30 June 2011, all the borrowing cost capitalised arose on the specific borrowings.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited) (restated)
The income tax expense comprises:		
PRC taxes		
Enterprise income tax	135,570	230,577
Land appreciation tax	118,889	184,440
	<hr/>	<hr/>
	254,459	415,017
Deferred tax (note 23)		
Current year	100,094	(41,218)
Underprovision of deferred tax assets	–	(571)
	<hr/>	<hr/>
	100,094	(41,789)
	<hr/>	<hr/>
	354,553	373,228

For the six months ended 30 June 2012, the relevant tax rates for the Group's subsidiaries in the PRC is 25% (six months ended 30 June 2011: ranged from 24% 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.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Release of prepaid lease payments	2,628	5,031
Release of premium on prepaid lease payments	5,579	3,051
Depreciation of property, plant and equipment	16,576	16,299

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

8. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final dividend in respect of the immediately preceding financial year of HK4.00 cents per share	168,859	165,888
Dividend paid to non-controlling shareholders (Note)	–	4,010

Note: The amount represents dividends paid by the PRC subsidiaries to their non-controlling shareholders.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
		(restated)
Earnings:		
Earnings for the purpose of basic earnings per share		
(Profit for the period attributable to owners of the Company)	RMB201,028,000	RMB498,732,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,207,221,750	4,875,740,600

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

10. PROPERTY, PLANT AND EQUIPMENT

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

	2012 RMB'000	2011 RMB'000
At 1 January (audited)	529,215	374,434
Acquisition of business	–	18
Additions	93,072	31,289
Depreciation for the period	(16,576)	(16,299)
Disposal of property, plant and equipment	(471)	(7,671)
Disposal of a subsidiary (note 25)	–	(1,700)
Transfer to investment properties (Note)	(37,460)	(27,939)
At 30 June (unaudited)	567,780	352,132

Note: During the six months ended 30 June 2012, properties of RMB37,460,000 (six months ended 30 June 2011: RMB27,939,000) were transferred to investment properties upon change in use of these properties to earn rental, as evidenced by commencement of relevant tenancy agreements with outsiders. The properties were measured at fair value at the date of transfer 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. The valuations of properties were arrived at by reference to net rental income allowing for reversionary income potential. The resulting increase in fair value of RMB29,866,000 (six months ended 30 June 2011: RMB11,795,000) has been recognised in the property revaluation reserve.

11. INVESTMENT PROPERTIES

The movements in investment properties during the period is summarised as follows:

	Completed RMB'000	Under development RMB'000	Total RMB'000
At 1 January 2011 (audited)	844,530	853,147	1,697,677
Additions	–	133,808	133,808
Transfer from property, plant and equipment (note 10)	39,734	–	39,734
Transfer from completed properties for sale (Note)	17,247	–	17,247
Transfer upon completion	840,617	(840,617)	–
Disposals	(1,450)	–	(1,450)
Net change in fair value recognised in profit or loss	4,148	66,689	70,837
At 30 June 2011 (unaudited)	1,744,826	213,027	1,957,853
At 1 January 2012 (audited)	2,193,871	249,823	2,443,694
Additions	–	49,272	49,272
Transfer from property, plant and equipment (note 10)	67,326	–	67,326
Transfer from completed properties for sale (Note)	585,549	–	585,549
Transfer upon completion	71,466	(71,466)	–
Disposals	(6,357)	–	(6,357)
Net change in fair value recognised in profit or loss	9,847	1,235	11,082
At 30 June 2012 (unaudited)	2,921,702	228,864	3,150,566

Note: During the six months ended 30 June 2012, completed properties for sale with an aggregate carrying amount of approximately RMB250,727,000 (six months ended 30 June 2011: RMB8,704,000) were transferred to investment properties upon change in use of these properties to earn rental, as evidenced by commencement of relevant tenancy agreements with outsiders. The properties were measured at fair value at the date of transfer 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. The valuations of properties were arrived at by reference to net rental income allowing for reversionary income potential. The excess of the fair value of these properties at the date of transfer over their carrying amounts, amounting to approximately RMB334,822,000 (six months ended 30 June 2011: RMB8,543,000) were recognised in profit or loss the condensed consolidated statement of comprehensive income.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

11. INVESTMENT PROPERTIES (continued)

At 30 June 2012 and 31 December 2011, the fair values of the Group's completed investment properties of approximately RMB2,921,702,000 (31 December 2011: RMB2,193,871,000) 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.

At 30 June 2012, the Group has concluded the fair value of certain investment properties under development with carrying amounts of approximately RMB228,864,000 (31 December 2011: RMB249,823,000) are not reliably determinable, therefore, these investment properties under development continued to be measured at cost until either its fair value becomes reliably determinable or construction is completed.

At 30 June 2012, completed investment properties with fair value of RMB515,202,000 (31 December 2011: RMB484,365,000) represents completed car parks which can be legally transferred, leased and mortgaged but the title certificates cannot be currently applied as there was no special provisions to obtain any title certificates, according to the relevant laws and regulations in Shenzhen, Suzhou and Tianjin areas.

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

12. 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:

	2012 RMB'000	2011 RMB'000
At 1 January (audited)	169,720	352,926
Transfer from deposits paid for acquisition of land use rights	–	763,095
Additions	6,723	140,210
Amortisation during the period (Note a)	(3,312)	(5,823)
Transfer to properties under development for sale (Note b)	–	(623,000)
At 30 June (unaudited)	173,131	627,408

Notes:

- a. During the six months ended 30 June 2012, amortisation charge of approximately RMB684,000 (six months ended 30 June 2011: RMB792,000) provided for the leasehold land is capitalised to construction in progress under property, plant and equipment.
- b. During the six months ended 30 June 2011, amount of RMB623,000,000 was transferred to properties under development for sale upon commencement of the related construction work.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

12. PREPAID LEASE PAYMENTS (continued)

Analysed for reporting purposes as:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Non-current asset	166,530	163,307
Current asset	6,601	6,413
	173,131	169,720

13. PREMIUM ON PREPAID LEASE PAYMENTS

Premium on prepaid lease payments of the Group represent the excess of the consideration 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 and are amortised over the period of the remaining lease term on a straight-line basis.

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

	2012 RMB'000	2011 RMB'000
At 1 January (audited)	451,432	365,304
Amortisation during the period	(5,579)	(3,051)
At 30 June (unaudited)	445,853	362,253

Analysed for reporting purposes as:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Non-current asset	434,804	440,275
Current asset	11,049	11,157
	445,853	451,432

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

14. LAND DEVELOPMENT EXPENDITURE

	30 June 2012	31 December 2011
	RMB'000 (unaudited)	RMB'000 (audited)
Cost incurred	1,497,526	1,335,848

- (i) In September 2009, the Group entered into agreement (“Agreement 1”) with the People’s Government of Pixian County (“Pixian Government”) relating to the joint development of the Wangcong Ancient Sichuan Culture Park located in Pixian County, Chengdu, Sichuan Province (“Land Development Project 1”). Under the Agreement 1, the Group is responsible for preparing overall plans and detailed designs of the culture park including the improvement for parcels of land and its ancillary facilities pursuant to the guidelines set by the Pixian Government as well as the construction of road nearby while the Pixian Government is required to complete the demolition and resettlement work on these parcels of land and the Group bears all the costs. The land development expenditure represents the cost incurred in respect of the road construction, demolition and resettlement work. The additions during the six months ended 30 June 2012 amounted to approximately RMB149,146,000 (six months ended 30 June 2011: RMB324,585,000) and the balance at 30 June 2012 is RMB954,994,000 (31 December 2011: RMB805,848,000).

Pixian Government is required to arrange public auction for these parcels of land after 30 days that the Group completed the road construction, demolition and resettlement work and the Pixian Government is required to pay certain percentage of sale proceeds received in public auction to the Group by reference to the formula set out in the Agreements.

The Land Development Project 1 is not expected to be completed within the normal operating cycle of the Group and accordingly is classified as non-current assets.

- (ii) In March 2011, the Group entered into agreement (“Agreement 2”) with the People’s Government of Chengdu (“Chengdu Government”) relating to the joint development of the Wu Gui Qiao Town located in Jinjiang area, Chengdu, Sichuan Province (“Land Development Project 2”). Under the Agreement 2, the Group is required to jointly construct the ancillary facilities on these parcels of land pursuant to the guidelines set by the Chengdu Government while the Chengdu Government is required to complete the demolition and resettlement work on these parcels of land. The land development expenditure represents the cost incurred for constructing the ancillary facilities. The additions during the six months ended 30 June 2012 amounted to approximately RMB12,532,000 (six months ended 30 June 2011: RMB265,000,000) and the balance at 30 June 2012 is RMB542,532,000 (31 December 2011: RMB530,000,000).

Chengdu Government is required to arrange public auction for these parcels of land on or before 30 June 2013 after the Group has completed the construction of ancillary facilities and the Chengdu Government is required to pay certain percentage of sale proceeds received in public auction to the Group by reference to the formula set out in the Agreement 2.

The Land Development Project 2 is not expected to be completed within the normal operating cycle of the Group and accordingly is classified as non-current assets.

15. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

As at 30 June 2012, the Group made deposits of approximately RMB4,608,000 in relation to the acquisition of 51% equity interests in Shanxi Zhongqiang Property Management Company Limited (陝西中強物業管理有限公司), 100% equity interests in Heyuan Huada Property Management Company Limited (河源市華達物業管理有限公司), 51% equity interests in Liaoning Jixiang Baite Company (遼寧吉祥百特有限公司), 51% equity interests in Shanghai Tongyi Property Management Company Limited (上海通翼物業有限公司) and 51% equity interests in Qinghuandao Hongtianyuan Property Company Limited (秦皇島市宏添源物業公司) from independent third parties. The aforesaid companies are principally engaged in the PRC property management.

At the date when these condensed consolidated financial statements were authorised for issue, the aforesaid transaction has not been completed.

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For the six months ended 30 June 2012

16. DEPOSITS PAID FOR ACQUISITION OF A PROPERTY PROJECT

As at 31 December 2011, the Group had made deposit of approximately RMB104,900,000 in relation to the acquisition of a property project from an independent property developer. During the six months ended 30 June 2012, the Group made additional deposits of approximately RMB16,656,000 for acquiring the aforesaid property project.

The aforesaid deposit relates to acquisition of a building for hotel operations and is therefore classified as non-current assets.

At the date when these condensed consolidated financial statements were authorised for issue, the acquisition of the property project has not been completed.

17. TRADE AND OTHER RECEIVABLES

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Trade receivables	548,354	410,171
Other receivables	165,659	93,568
Prepayments and other deposits (Note)	565,053	57,032
Prepayments to suppliers	120,961	280,925
Prepayment for construction work	383,665	293,111
Other tax prepayment	190,878	81,570
	1,974,570	1,216,377

Note: During the six months ended 30 June 2012, deposits of approximately RMB434,870,000 is paid for acquisition of a land use right for development of properties for sale. At the date when these condensed consolidated financial statements were authorised for issue, the acquisition of the land use right has not been completed.

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

The following is an aged analysis of trade receivables of the Group net of allowance for doubtful debts presented based on the delivery date at the end of the Reporting Period:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
0 – 30 days	176,185	214,728
31 – 90 days	25,168	150,069
91 days – 180 days	135,492	25,401
Over 180 days	211,509	19,973
	548,354	410,171

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

18. AMOUNTS DUE FROM RELATED PARTIES

The balances represent the advances made to the related companies controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company. The amounts are unsecured, non-interest bearing and non-trade in nature.

19. TRADE AND OTHER PAYABLES

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Trade payables	1,628,203	1,696,289
Other payables	332,645	254,332
Other taxes payables	173,849	104,674
Payroll payable	12,800	50,403
Welfare payable	4,053	695
Retention payable	37,064	29,330
Consideration payable in respect of acquisition of subsidiaries	127,945	128,267
Accruals	5,914	4,839
	2,322,473	2,268,829

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 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
0 – 60 days	1,217,634	1,325,615
61 – 180 days	89,353	261,680
181 days – 365 days	225,900	23,344
1 – 2 years	83,024	94,931
2 – 3 years	36,660	16,238
Over 3 years	12,696	3,811
	1,665,267	1,725,619

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

20. AMOUNT DUE TO A RELATED PARTY

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Shenzhen Cube Architecture Designing Consultants Company Limited 深圳立方建築設計顧問有限公司 ("Cube Architecture")	2,957	2,547

Cube Architecture is the associate of Shenzhen Tiankuo, a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company. The amount is unsecured, non-interest bearing and represents the payables to Shenzhen Tiankuo for the design fee for several property projects of the Group, and accordingly classified as trade nature. The average aging of the balance is within 270 days.

21. BORROWINGS

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Bank loans	4,922,006	4,273,002
Other loans	370,000	468,000
	5,292,006	4,741,002
Secured	5,242,006	4,711,002
Unsecured	50,000	30,000
	5,292,006	4,741,002

During the current period, the Group obtained new borrowings amounting to approximately RMB1,669,254,000 (six months ended 30 June 2011: RMB1,400,734,000).

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 2.14% or minus 2.80%, and fixed interest rate at a range from 5.4% to 17% per annum.

The new borrowings raised are repayable in instalments over a periods from within one year to three years. The borrowings are used to finance the development of properties.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

22. 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 to (but not including) the redemption date.

Applicable 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 2012.

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

	RMB'000
At 1 January 2012 (audited)	752,367
Exchange losses	2,872
Interest expenses (note 5)	54,574
Less: Interest paid to Notes holders	(52,928)
At 30 June 2012 (unaudited)	756,885

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

23. DEFERRED TAXATION

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

	Others (note) RMB'000	Fair value adjustment of investment properties RMB'000	Revaluation of properties RMB'000	Temporary difference on accruals RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2012 (restated)	(202,046)	483,205	4,851	(10,770)	(66,694)	208,546
Charge to the equity for the period	–	–	9,180	–	–	9,180
Charge (credit) to profit or loss	(15,671)	171,684	–	(8,311)	(47,608)	100,094
At 30 June 2012 (unaudited)	(217,717)	654,889	14,031	(19,081)	(114,302)	317,820

Note: Others mainly represent the deductible temporary difference arising from LAT 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 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (restated)
Deferred tax assets	(287,009)	(220,826)
Deferred tax liabilities	604,829	429,372
	317,820	208,546

At 30 June 2012, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was approximately RMB3,258,461,000 (31 December 2011: RMB3,057,847,000). 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

24. SHARE CAPITAL

	Number of shares	Nominal value HK\$
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2011, 30 June 2011, 1 January 2012 and 30 June 2012	8,000,000,000	800,000,000
Issued and fully paid:		
At 1 January 2011, 30 June 2011, 1 January 2012 and 30 June 2012	5,207,221,750	487,388,875
		RMB'000
Shown in the condensed consolidated statement of financial position		457,093

25. DISPOSAL OF A SUBSIDIARY

For the six months ended 30 June 2011

On 14 February 2011, the Group disposed of its entire 85% equity interests in Shenzhen Xingyan Property Consultancy Company Limited (深圳市星彥地產顧問有限公司) ("Shenzhen Xingyan") to an independent third party for a consideration of approximately RMB21,250,000. Shenzhen Xingyan was engaged in provision of property agency services.

	RMB'000
Consideration satisfied by:	
Cash	14,875
Consideration receivable	6,375
	21,250
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	1,700
Trade and other receivables	2,415
Amounts due from group companies	5,531
Bank balances and cash	3,184
Trade and other payables	(5,655)
Tax payable	(1,267)
Net assets disposed of	5,908
Gain on disposal of a subsidiary:	
Cash consideration	14,875
Consideration receivable – settled in the six months 30 June 2012	6,375
Plus: Non-controlling interests	886
Less: Net assets disposed of	(5,908)
Gain on disposal	16,228
Net cash inflow arising at the date of disposal:	
Cash consideration	14,875
Bank balances and cash disposed of	(3,184)
	11,691

The subsidiary disposed of did not contribute significantly to the Group's cash flows, revenue and profit from operations during the six months ended 30 June 2011.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

26. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Within one year	9,577	7,022
In the second to the fifth year inclusive	32,471	18,428
After the fifth year	5,543	5,638
	47,591	31,088

Operating lease payments represent rentals payable by the Group for certain offices premises. Leases are negotiated for an average term of 1 to 10 years with fixed rentals.

The Group as lessor

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Within one year	69,789	50,426
In the second to the fifth year inclusive	245,418	174,104
After the fifth year	109,644	106,234
	424,851	330,764

Property rental income represents rentals receivable by the Group. Leases are negotiated for an average term of 1 to 18 years with fixed rentals.

27. OTHER COMMITMENTS

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Land development expenditure commitments in respect of development cost contracted for but not provided in consolidated financial statements	43,313	98,202
Commitments in respect of the acquisition of subsidiaries contracted for but not provided in the condensed consolidated financial statements	8,497	4,521

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

28. CONTINGENT LIABILITIES

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	1,862,719	2,478,814

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.

29. 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 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Investment properties	1,436,392	1,105,147
Prepaid lease payments	–	62,310
Property, plant and equipment	196,588	1,121
Properties for sales	1,903,258	1,434,836
	3,536,238	2,603,414

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

30. RELATED PARTY DISCLOSURES

- (a) During the period, in addition to those disclosed in notes 18 and 20, the Group had significant transactions with related parties as follows:

Related parties	Relationship	Transactions	Six months ended 30 June	
			2012	2011
			RMB'000	RMB'000
			(unaudited)	(unaudited)
Shenzhen Cube Architecture Designing Consultants Company Limited 深圳立方建築設計顧問有限公司	Company controlled by Ms. Zeng Jie, the controlling shareholder and a director of the Company	Management service fee income	579	–
Shenzhen Xi Fu Hui Club Management Company Limited 深圳喜福會會所管理有限公司	Company controlled by Ms. Zeng Jie, the controlling shareholder and a director of the Company	Property rental income	150	150
Huizhou Guosheng Tushifang Industry Company Limited 惠州市國勝土石方工程有限公司	Non-controlling shareholder of a subsidiary of the Company	Provision of construction work services	–	7,315
Huidong Dayawan San Jiao Zhou Company Limited 惠東縣大亞灣三角洲島俱樂部有限公司	Company controlled by Ms. Zeng Jie, the controlling shareholder and a director of the Company	Management service fee income	–	250
Mr. Yu Shui 于水	Non-controlling shareholder of a subsidiary of the Company	Consideration paid in respect of acquisition of additional interest in a subsidiary of the Group	–	332,440
Zhongxu Investment Limited 中旭投資有限公司	Non-controlling shareholder of a subsidiary of the Company	Consideration paid in respect of acquisition of additional interest in a subsidiary of the Group	–	10,000

During the six months ended 30 June 2012, the Group sold certain properties to its key management personnel of the Group, at a consideration of approximately RMB17,553,000 (six months ended 30 June 2011: RMB27,059,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

30. RELATED PARTY DISCLOSURES (continued)

(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	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term benefit	25,895	22,543
Post-employment benefit	325	1,224
Share-based payment	2,609	–
	<u>28,829</u>	<u>23,767</u>

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Stock Code: 1777