

花樣年  
FANTASIA



FANTASIA

让生活更有风格

Make Life in Style

F A N T A S I A

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**Directors****Executive Directors**

Mr. Pan Jun (Chairman and Chief Executive Officer)  
 Ms. Zeng Jie, Baby  
 Mr. Lam Kam Tong  
 Mr. Zhou Jinquan  
 Mr. Wang Liang

**Non-Executive Directors**

Mr. Li Dong Sheng  
 Mr. Yuan Hao Dong

**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. Pan Jun  
 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., Ltd.  
 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 1202-03  
 New World Tower 1  
 16-18 Queen's Road Central  
 Hong Kong

**Corporate Headquarters in People's Republic of China**

Block A, Funian Plaza  
 Shihua Road and Zijing Road  
 Interchange in Futian Duty-free Zone  
 Shenzhen 518048  
 Guangdong Province  
 China

**Cayman Islands Principal Share Registrar and Transfer Office**

Royal Bank of Canada Trust Company (Cayman) Limited  
 4th Floor, Royal Bank House  
 24 Shedden Road  
 George Town, Grand Cayman KY1-1110  
 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**

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

**The Company's Senior Notes Listing**

USD120 million 14%, 5 years senior notes due 2015  
 RMB1 billion 7.875%, 3 years senior notes due 2016  
 USD250 million 13.75%, 5 years senior notes due 2017  
 USD300 million 10.625%, 5 years senior notes due 2019  
 USD250 million 10.75%, 7 years senior notes due 2020  
 The Singapore Exchange Securities Trading Limited

**Website**

<http://www.cnfantasia.com>

## ● On Company Level

In January 2014, Shenzhen Fantasia Charity Foundation was awarded the “Best Charity Practice Award 2013” (2013年度最佳公益踐行獎) and the “Best Charity Communication Award 2013” (2013年度最佳公益傳播獎) in the third China Charity Festival (中國公益節). Fantasia has fulfilled its strategic corporate social responsibilities and gained wide recognition from the public and professional institutions.

In January 2014, Fantasia Holdings Group Co., Limited (hereinafter referred to as “Fantasia” or the “Company” together with its subsidiaries hereinafter referred to as the “Group” or “Fantasia Group”) Guilin Branch was awarded the honour of the “Top 20 Sellers in Guilin Real Estate Industry 2013” (桂林市房地產業2013年銷售20強) and the “Top 10 Taxpayers in Guilin Real Estate Industry 2013” (桂林市房地產業2013年納稅10強) by Guilin Real Estate Industrial Association (桂林市房地產業協會) as well as the “Most Influential Brands 2013” (2013年度最具影響力年度品牌企業) by Guilin Daily Jiatianxia Real Estate Grand Ceremony Organisation Committee (桂林日報社甲天下地產盛典組委會).

In February 2014, Fantasia Group was granted the title as a “Partner” (合作夥伴) of 2013 Bi-City Biennale of Urbanism/Architecture (Shenzhen) (2013深港城市/建築雙城雙年展(深圳)). While continuously achieving its business objectives, Fantasia has been propelling the constant development of public art in Shenzhen.

In March 2014, Fantasia was selected as the “Top 100 China Real Estate Enterprises 2014” (2014中國房地產百強企業) by China Real Estate TOP 10 Research Team (中國房地產TOP10研究組), a research team formed by research institutions including the Enterprise Research Institute of Development Research Centre of the State Council (國務院發展研究中心



Shenzhen Funian Plaza

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企業研究所). Fantasia has been presented with the honour of “Top 100 China Real Estate Enterprises” for six consecutive years. Its ranking rose substantially from 53rd in 2013 to 37th in 2014. This shows the recognition for Fantasia’s comprehensive strength from the industry.

In March 2014, Fantasia was granted, for its property V2.0 service model (物業V2.0服務模式), Innovative Enterprise in China Real Estate Community Service Model (中國房地產社區服務模式創新企業) in the first Annual Meeting of Community Responsibility in China Real Estate (中國房地產社區責任年會) cum the sixth Annual Meeting of the New Trends in China Property (中國地產新趨勢年會), jointly held by institutions including China Foundation for Poverty Alleviation (中國扶貧基金會) and China Real Estate Chamber of Commerce (全聯房地產商會).

In April 2014, Fantasia Charity Foundation was awarded the “Charity Benchmark of Shenzhen” (深圳公益標杆) among the “New Benchmarks of Shenzhen 2014” (2014深圳新地標) by institutions including Shenzhen Special Zone Daily (深圳特區報).

In June 2014, Colour Life Services Group Co., Limited (“Colour Life”) was awarded with honours including “Top 100 China Property Services Enterprises 2014” (2014中國物業服務百強企業), “Leading

Enterprise of Specialized Property Services in China 2014 – Committee Service Operation” (2014中國特色物業服務領先企業-社區服務運營), “Top 10 Service Scale Enterprises in Top 100 Property Services Companies in China 2014” (2014中國物業服務百強企業服務規模TOP10), “Top 10 Growth Enterprises in Top 100 Property Services Companies in China 2014” (2014中國物業服務百強企業成長性TOP10), “Leading Enterprises of Satisfaction in Top 100 Property Services Companies in China 2014” (2014中國物業服務百強滿意度領先企業) and “Top Property Management in Gross Area of Residential Properties 2014” (2014物業管理居住物業總面積全國第一) by China Real Estate Top 10 Research Team.

In July 2014, Shenzhen Real Estate Association (深圳市房地產業協會) selected Fantasia as the “Enterprise with Highest Brand Value in Shenzhen Real Estate” (深圳房地產最具品牌價值企業).

In July 2014, Colour Life was selected as the “Most Innovative Valuable Enterprise of the Year” in the Fourth Annual Meeting of China Valuable Property cum China Valuable Property Overall Ranking Ceremony 2014 (中國價值地產年會暨2014中國價值地產總評榜榮譽盛典) held by National Business Daily (每日經濟新聞).

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Shenzhen Funian Plaza

● On Project Level:

In March 2014, U Hotel, a sub-brand under the management of Shenzhen Fantasia Hotel Management Company Limited, stood out among the numerous participating hotels and won the award of "Hotel Brand with Greatest Potential of Development in China 2013" (2013中國最具發展潛力酒店品牌).

In April 2014, Fantasia • Funian Plaza passed the Excellence Assessment and was selected as the excellent project of property management in Shenzhen Futian District.

In April 2014, Rhombus Fantasia Chengdu Hotel was awarded "The Best Business and Resort Hotel 2013-2014" (2013-2014年度最佳商務度假酒店) jointly by China City Travel and International Channel Shanghai.

In June 2014, Fantasia • Future Plaza passed the expert assessment of the Model Property Management of Chengdu City, and was selected as the excellent project of property management in Chengdu Gaoxin District.



While continuously creating values for shareholders and investors, Fantasia Group has been committing to fulfilling the responsibilities of an outstanding corporate citizen by incorporating corporate social responsibilities into its business development strategies, actively participating in various social welfare activities as well as seeking to professionalize and institutionalized public welfare, and becoming a strong force in encouraging the sustainable development of public welfare.

During the first half of 2014, adhering to the aim of “encouraging the development of public welfare, and building a joyful, colourful, and meaningful life”, Fantasia Charity Foundation continues to consolidate the existing resources and attract more resources while pursuing innovative public welfare models so as to achieve sustainable development in three major public welfare projects, namely Public Welfare in Art, Public Welfare in Elderly Service and Public Welfare in Education.

● Public Welfare in Art:

In February 2014, in the 2013 Bi-City Biennale of Urbanism/ Architecture (Shenzhen), Fantasia has shown its pursuance for the beauty of the city as well as the beauty of living extending from the hub to the edge of the city under the theme of “Future – Home”. As an exhibitor, Fantasia was awarded the title of “Partner” for its effort in encouraging the public art of Shenzhen through the support offered to the Bi-City Biennale activity.

The “Zhi – Museum of Art” (知•美術館) invested by Fantasia was officially opened on 21 July 2014. The museum has an aggregate gross floor area (“GFA”) of 2,353 square meters (“sq.m.”) and is the only museum of art in China designed by the famous Japanese architect master Mr. Kengo Kuma. The “Zhi – Museum of Art” will become a vital platform for the exchange, presentation and research of art as well as an education base of art in China.





### ● Public Welfare in Elderly Service:

In April 2014, the seventh “Fantasia – Voyage to Happiness – Design for Old Dads and Mums” Competition commenced and gained substantial public attention in the community. More than 1,150 entries were received and approximately 130,000 votes were casted. On 18 April 2014, the contestants’ works were exhibited and the 2014 TsingHua TongHeng Aging Industry And Aging Real Estate Forum (清華同衡養老產業與養老地產高端論壇) was held in Beijing. The elderly will be benefited from the diversified designs of contestants.

Since July 2013, Fantasia Charity Foundation has funded the establishment of several “Ankangnian Elderly Service Centers” in cities such as Shenzhen and Chengdu.

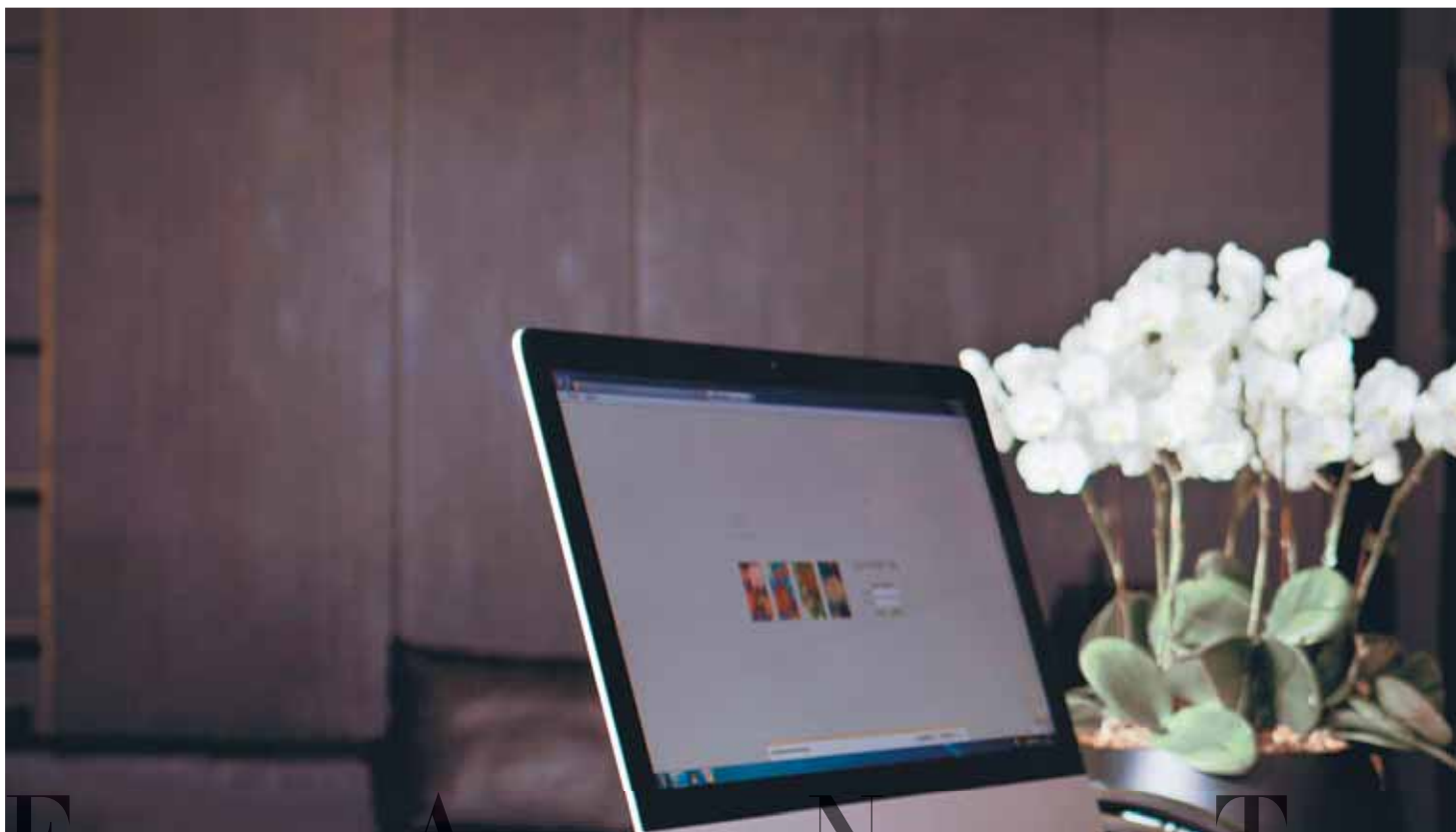
On 21 March and 18 April 2014, Fantasia Charity Foundation held the welfare activities about health checking namely “Creating a Happy Community with Futainian” (攜手福泰年·創幸福社區) and organized a birthday party for the elderly cum healthcare and elderly services series namely “Enjoying Retired Life with Ankangnian” (攜手安康年·夕陽別樣紅). The series of activities won the support as well as the active participation of the elderly in the community.

### ● Public Welfare in Education:

On 1 January 2014, Fantasia Charity Foundation signed a co-operative letter of intent with a term of three years with ShenZhen Fenboo Tech Co.,Ltd, pursuant to which it is agreed to encourage the development of public welfare in education by utilizing the Internet as a platform. On 27 May 2014, the first trial lesson for long-distance online learning was launched at Jiangxi Ji’an Hope Primary School (江西吉安希望小學), meaning that more children from villages in remote areas will be able to access to more outstanding teachers and reach more exceptional teaching resources.

In order to solve the potential safety problems at Ji’an Fantasia’s hope schools, a resolution was passed after several research and investigations as well as rounds of discussion among Fantasia Charity Foundation and volunteers. RMB196,346 was donated for pond management and safety and prevention projects.

Adhering to the core principle of “enjoyable charity”, Fantasia has held welfare fund raising walks in China namely “Run for Fun” (樂跑中國) in cities such as Tianjin and Ningbo from March to April 2014. All funds raised will be used for Fantasia – Rainbow Houses projects. Fantasia will also focus on the work of volunteers who are going to conduct deeper and more persistent exploration in the 125 Fantasia – Rainbow Houses.



# FANTASIA

Dear Shareholders,

In 2013, we implemented the new strategies of “transformation, innovation, and breakthrough” and on the basis of this initial foundation, Fantasia put more emphasis on the implementation of the strategies in 2014. Adhering to our brand vision of “Fantasia Creates Value”, we focused on building a brand’s personality of “skilful, capable and valuable” and endeavoured to become the leader in providing a “joyful, colourful and meaningful” living space and experience. Through the effect of financial leverage, Fantasia gradually transformed from the traditional real estate development model that relied heavily on assets to a development model that mainly relied on light assets. During the first half of 2014, Colour Life, our subsidiary, was successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) which opened up a brand new and vibrant stage of development for the Fantasia Group. The network of our financial micro credit business and mobile internet platform were successfully launched and the pilot test for community finance was very well received. In addition, our senior housing and health businesses formed a unique business and profit model which laid the foundation for the development of communities for senior citizens. Furthermore, our cultural tourism business developed new products with emphasis on the financial and internet market and many trade professionals were interested in starting a joint venture with us.

Over the years, the management of Fantasia assessed and analysed the situations with its insights and foresights and dared to take initiatives. Through the wisdom and impeccable execution of the management, Fantasia built a pathway with Fantasia’s characteristics leading us to step on the new stage of “community based internet financial services platform”.

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of the Company, I hereby present the interim results of the Group for the six months ended 30 June 2014 (the “**Period**”). As at 30 June 2014, the Group recorded revenue of approximately RMB2,917 million, profit of approximately RMB123 million and profit attributable to the owners of the company of approximately RMB101 million, representing an increase of 6.0%, a decrease 62.1% and 68.2%, respectively, as compared to the same period of last year.

## ● Rapid Development for Our Community Services and a Satisfactory Listing

Based on the corporate philosophy of bringing “community service to the family” and constant improvement in service quality and customer satisfaction, Colour Life strived to develop its business rapidly in the first half of the year. It completed the development of an area of more than 70 million sq.m. and managed an area of 162 million sq.m.. On 30 June 2014, Colour Life was listed on the main board



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of the Stock Exchange, which opened a new chapter in its history of development. It shows that Fantasia is a comprehensive enterprise with excellent control and allocation abilities. It is also a major achievement of the transformation of the Fantasia Group. It sets itself as an example for the future development of other platforms of Fantasia.

### ● Steady Expansion of Our Financial Business

Fantasia will promote micro credit, Peer to Peer ("P2P") and finance lease related businesses such as factoring, consumer finance, insurance and payment in the future for the provision of innovative, convenient, comprehensive and valuable financial products and services to fully satisfy the comprehensive financial needs of our corporate and individual customers. In the first half of the year, we established 11 new branches for our micro credit business. Our P2P business was well received by communities and we are optimistic about its future business development. In addition, the mode of our community leasing business became clear, in which we targeted strategic industries such as the cultural consumption industry, smart hospitality industry and the community transport and logistics industry. Furthermore, we refined the product type of our 1+N direct lease and leaseback products.

### ● Unique Business Mode for Our Senior Housing Business

With the promotion and development of the elderly service industry in the PRC as our mission, the senior housing business of Fantasia is developing various in-depth elderly service projects in order to explore an innovative mode in modern elderly services. We have completed the structuring of "From Regimen to Elderly Service", a community based elderly service system, supplemented with "Five Major Products", namely home care, health care, rehabilitation therapy, nutrition catering and spiritual consolation. With "To Serve" as our core philosophy, we aim to become an enterprise which put great emphasis on elderly service with the support of the government. In the first half of the year, senior housing businesses such as the "Apartments for the Elderlies" and "Ziyue University" were fully launched.

### ● A New Chapter for Our Cultural Tourism Business

The cultural tourism business of Fantasia covers hotels, golf, high-end city clubs, private clubs, theme parks and museums. In the first half of the year, we further organized and consolidated our resources in cultural tourism, formulated new development mind-set and mode

to successfully develop new financial and Internet based market products. We made achievements in exploring new modes and expanded our business to Manhattan, USA and Taipei, where our "U Hotel" brand was awarded "The Most Promising Hotel Brand in the PRC for 2013".

### ● Gradual Transformation for Our Real Estate Business

The real estate industry remained in the doldrums in the first half of the year, resulted in differences between actual and expected results in our real estate business. In the second half of the year, we will further adjust product structure in order to launch products that are more suitable to the market. We will also refine regional analysis and in-depth analysis of our projects and adopt various marketing approaches to accelerate the sales. At the same time, our development will gradually head towards light assets so as to accelerate the progress of the commercialization of residential properties.

### ● Prospect and Development

Viewing from customer's perspective, Fantasia endeavours to improve where traditional business is causing inconvenience to customers and insists on innovation. With

the determination and drive for transformation and through integrating internal and external resources, we will achieve strategic transformation in eight major sections, namely real estate development, Colour Life services (include property management services, engineering services and community leasing), financial services, international properties, cultural tourism, business management, senior housing and education industry. It forms a diversified and multidimensional operation platform for the new community which is based on the residential community, business community, elderly service community and business community. By using finance as the lever and services as the platform, we gradually become a financial holding group that focuses on living space and experience.

### ● Appreciation

Fantasia has always been a company daring to pursue and create dreams. Our success was founded on our customers, staff, partners and shareholders who have been working side by side with us. I hereby express my gratitude to all parties for their trust and attention. We will strive for excellence to reward you with good performances and successful projects and to add positive momentum to the industry and society with stable and steady development! Let us continue to work together to create a glamorous time!

Pan Jun  
Chairman  
13 August 2014



## ● Financial Review

### ● Revenue

Revenue of the Group mainly consists of revenue derived from (i) the sales of 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) hotel operation and related services. For the six months ended 30 June 2014, turnover of the Group amounted to approximately RMB2,917 million, representing an increase of 6.03% from approximately RMB2,751 million for the corresponding period in 2013. The slight increase in turnover was primarily attributable to the increase in GFA managed under the Group's property management sector in the first half of the year, resulting in an increase in the revenue arising from property management of approximately RMB105 million as compared to the corresponding period in last year. Meanwhile, the GFA of developed properties delivered increased, attributing an increase in the revenue arising from sales of properties of RMB57 million.

## ● Property Development

The Group recognizes 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 properties held for sales. Revenue derived from property development increased by 2.3% to approximately RMB2,599 million for the six months ended 30 June 2014 from approximately RMB2,541 million for the corresponding period in 2013. It was primarily due to the increase in the GFA of properties delivered.

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- 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 2014 and 2013.

	For the six months ended 30 June 2014			For the six months ended 30 June 2013		
	Total Revenue	GFA Sold	Average Selling Price	Total Revenue	GFA sold	Average Selling Price
	RMB'000	Square meters	RMB	RMB'000	Square meters	RMB
Huizhou Fantasia Special Town (惠州別樣城)	548,650	108,191	5,071	61,622	9,609	6,413
Dongguan Wonderland (東莞江山)	536,509	82,990	6,465	415,336	63,144	6,578
Guilin Fantasia Town (桂林花樣城)	456,730	98,211	4,650	378,361	51,750	7,311
Chengdu Fantasia Town (成都花樣城)	328,432	80,412	4,084	10,880	1,015	10,719
Guilin Lakeside Eden (桂林麓湖)	318,855	36,042	8,847	–	–	–
Tianjin Love Forever (天津花郡)	158,779	26,211	6,058	–	–	–
Chengdu Grande Valley (成都大溪谷)	73,072	6,818	10,718	3,492	554	6,303
Chengdu Future Plaza (成都香年廣場)	54,786	4,673	11,724	258,651	26,702	9,687
Suzhou Lago Paradise (蘇州太湖天城)	37,106	4,001	9,274	146,020	11,749	12,428
Wuxi Hailun Complex (無錫喜年中心)	29,190	3,167	9,217	–	–	–
Nanjing Yuhuatai (南京花生唐)	5,493	253	21,711	808,333	39,402	20,515
Chengdu Meinian International Plaza (成都美年國際廣場)	2,289	645	3,549	5,865	1,403	4,180
Chengdu Love Forever (成都花郡)	2,278	550	4,142	–	–	–
Dali Human Art Wisdom (大理藝墅花鄉)	–	–	–	341,064	53,452	6,381
Wuxi Love Forever (無錫花郡)	–	–	–	61,716	6,150	10,035
Dongguan Mont Conquerant (東莞君山)	–	–	–	33,084	3,686	8,976
Chengdu Mont Conquerant (成都君山)	–	–	–	14,748	2,177	6,774
Sub-total	2,552,169	452,164	5,644	2,539,172	270,793	9,377
Others	46,685	–	–	2,214	–	–
Total	2,598,854			2,541,386		

### ● Property Investment

Revenue generated from property investment increased by 5.26% to approximately RMB60 million for the six months ended 30 June 2014 from approximately RMB57 million for the corresponding period in 2013. The increase was primarily due to slight growth of rental income of the investment properties.

### ● Property Agency Services

Revenue derived from property agency services increased by 33% to approximately RMB8 million for the six months ended 30 June 2014 from approximately RMB6 million for the corresponding period in 2013. The increase was primarily due to the increase in number of communities the Group managed in which it provided agency service.

### ● Property Operation Services

Revenue derived from property operation services increased by 103% to approximately RMB207 million for the six months ended 30 June 2014 from approximately RMB102 million for the corresponding period in 2013. This increase was primarily due to a substantial increase in the GFA of properties that the Group managed during the first half of 2014.

### ● Hotel Operation and Related Services

Revenue derived from hotel operation and related services decreased by RMB2 million to approximately RMB43 million for the six months ended 30 June 2014 from approximately RMB45 million for the corresponding period in 2013, basically remaining flat as compared to that in last year.

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Tianjin U hotel

## ● Gross Profit and Margin

Gross profit of the Group decreased by 1.8% to approximately RMB1,011 million for the six months ended 30 June 2014 from approximately RMB1,030 million for the corresponding period in 2013, while the Group's gross profit margin maintained at a high level of 34.7% for the six months ended 30 June 2014 as compared to a gross profit margin of 37.5% for the corresponding period in 2013. The decrease in gross profit margin was primarily due to the fact that the commercial properties delivered represented a larger proportion of the total properties delivered during the first half of 2013, while the proportion of residential properties delivered increased during the first half of 2014, though the residential properties have a lower gross profit margin than commercial properties, the gross profit margin maintained at a reasonable level.

## ● Other Income, Gain and Losses

Other income, gain and losses decreased by 141% to a net loss of approximately RMB58 million for the six months ended 30 June 2014 from a net gain of approximately RMB141 million for the corresponding period in 2013. The loss was mainly due to an exchange loss of RMB84 million (the corresponding period in 2013: an exchange gain of RMB68 million) resulting from the continuous decrease in the exchange rate of RMB against U.S. dollars during the Period.

## ● Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 23.7% to approximately RMB100 million for the six months ended 30 June 2014 from approximately RMB131 million for the corresponding period in 2013. The decrease was mainly due to the amount of the Group's contracted sales during the Period, which decreased by approximately 50% as compared to that during the corresponding period in 2013. Expenses such as advertising and marketing expenses as well as operating expenses of sales offices for the Period were closely related to the amount of contracted sales, and hence the selling expenses decreased significantly.

## ● Administrative Expenses

The Group's administrative expenses increased by 10.2% to approximately RMB280 million for the six months ended 30 June 2014 from approximately RMB254 million for the corresponding period in 2013. This increase was primarily due to the Group's expansion, and the number of staff increased which resulted in an increase in the staff cost.

## ● Finance Costs

The Group's finance costs increased by 2.6% to approximately RMB155 million for the six months ended 30 June 2014 from approximately RMB151 million for the corresponding period in 2013, basically remaining flat as compared to that for the corresponding period.

## ● Income Tax Expenses

The Group's income tax expenses decreased by 13.3% to approximately RMB327 million for the six months ended 30 June 2014 from approximately RMB377 million for the corresponding period in 2013. This decrease was mainly due to the decrease in profit before tax.

## ● Liquidity, Financial and Capital Resources

### ● Cash Position

As at 30 June 2014, the Group's total cash (including restricted bank deposits) was approximately RMB4,802 million (31 December 2013: approximately RMB3,632 million), representing an increase of 32.21% as compared to that as at 31 December 2013.

### ● Gearing Ratio

The gearing ratio was 84.5% as at 30 June 2014 (31 December 2013: 104.8%). 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 total equity. The total debt (being aggregated bank borrowings and senior notes) over total assets ratio continued to be healthy, maintaining at 36.5% as at 30 June 2014 (31 December 2013: 38.7%). Due to the unfavorable property market during the Period, the Group optimized its equity structure and maintained a reasonable proportion of long-term and short-term debts as well as strictly implemented the budget for cash flows so that the Group had a relatively substantial decrease in its gearing ratio for the Period as compared to that as at the end of last year.

### ● Borrowings and Charges on the Group's Assets

As at 30 June 2014, the Group had an aggregate bank borrowings and senior notes of approximately RMB6,498 million (31 December 2013: approximately RMB6,995 million) and approximately RMB6,782 million (31 December 2013: approximately RMB4,843 million), respectively. Amongst the bank borrowings, approximately RMB2,342 million (31 December 2013: approximately RMB2,053 million) will be repayable within one year and approximately RMB4,156 million (31 December 2013: approximately RMB4,942 million) will be repayable after one year. The senior notes were repayable between one to six years.

As at 30 June 2014, 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. For the six months ended 30 June 2014, though the exchange rates of RMB against U.S. dollars and the Hong Kong dollars decreased, the directors of the Company (the "Directors") expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

### ● Contingent Liabilities

As at 30 June 2014, the Group had provided guarantees amounting to approximately RMB4,297 million (31 December 2013: approximately RMB3,163 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 2014 as the default risk is low.

### ● Employees and Remuneration Policies

As at 30 June 2014, the Group had approximately 14,266 employees (31 December 2013: approximately 12,412 employees). 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 on 27 October 2009. Up to 30 June 2014, a total of 142,660,000 share options were granted. Up to 30 June 2014, a total of 28,810,000 share options were lapsed and 90,000 options had been exercised. As at 30 June 2014, the outstanding share options were 113,760,000.

F A N T A S I A

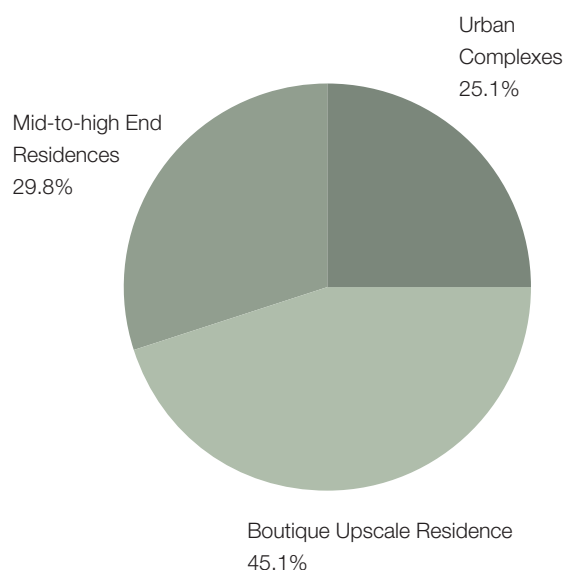


- Review of Results
- Property Development
- Contracted sales and Project Development

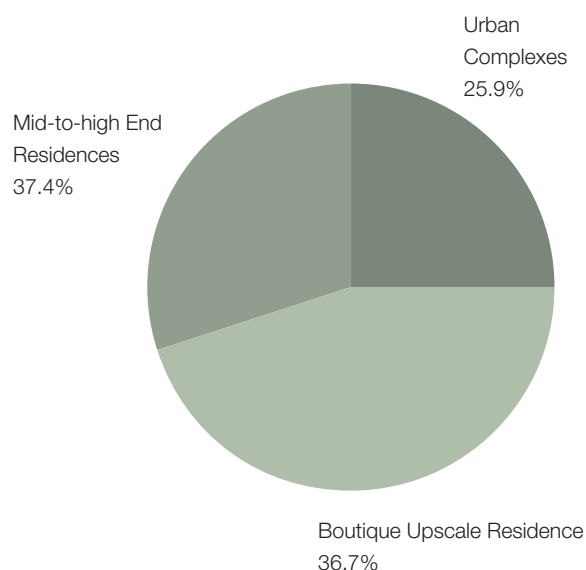
As the property market in China developed too rapidly in 2013, the property prices in certain cities in China increased so tremendously that part of the demand was exhausted on the one hand, and on the other hand, the purchasing power of potential home-owners could not be sustained. After over a decade of development, the property market gradually overcame the problem of shortage in supply. Currently, except for some first-tier cities, the supply is rather adequate in most of the cities while some cities even face the risk of oversupply. During the first half of 2014, the favorable environment of the overall domestic property market could not be sustained. The unfavorable market environment has aggravated the competition among enterprises and the industry has entered into a brand new period of massive integration and overall sales is lower than expected. After almost two years of boom, the domestic property prices has begun to adjust. Companies in the property industry have launched more properties to the market and the level of inventory in most of the cities remains high; consequently, the pressure of destocking increases. Due to the general situation in the property market and the adjustment in the value of the properties, sales of the Group for the first half of the year is lower than expected. However, some projects achieved outstanding results even in the adverse environment and realized some breakthroughs in sales.

In the first half of 2014, the Group adhered to its steady and prudent business strategies in order to ensure that its cash flows and capital were cautiously managed and its product combinations were proactively adjusted, as well as its pace of launching new products was properly maintained. In view of the limited numbers of new projects, the Group focused on making breakthroughs on destocking through a variety of means and strategies so as to be well-prepared for the intensive launches of new properties in the second half of the year.

● The proportion of contracted sales attributable to different categories of products



● The proportion of contracted sales area attributable to different categories of products



During the Period, the Group recorded contracted sales of approximately RMB1,799.9974 million and contracted sales area of approximately 284,115.73 sq.m.. Approximately RMB811.4906 million of the total contracted sales was derived from Boutique Upscale Residences projects, which accounted for 45.1%.

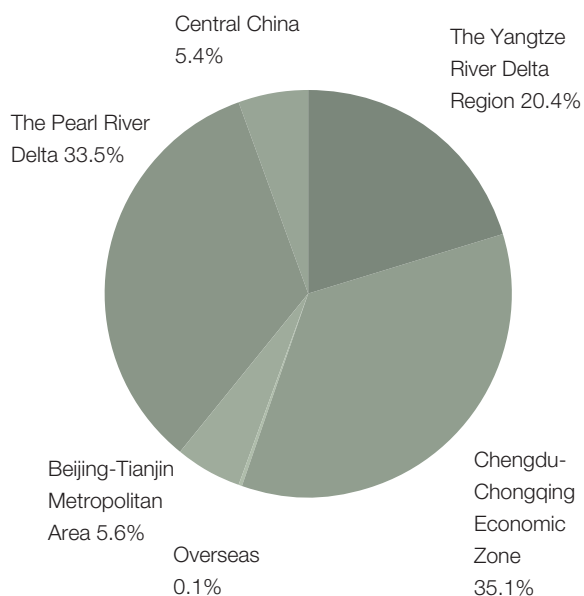
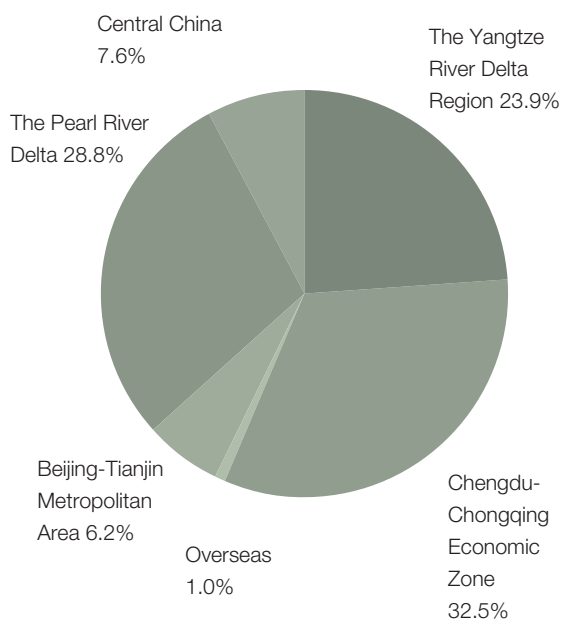
The proportion of contracted sales and contracted sales area attributable to different categories of products in the first half of 2014 is set out below:

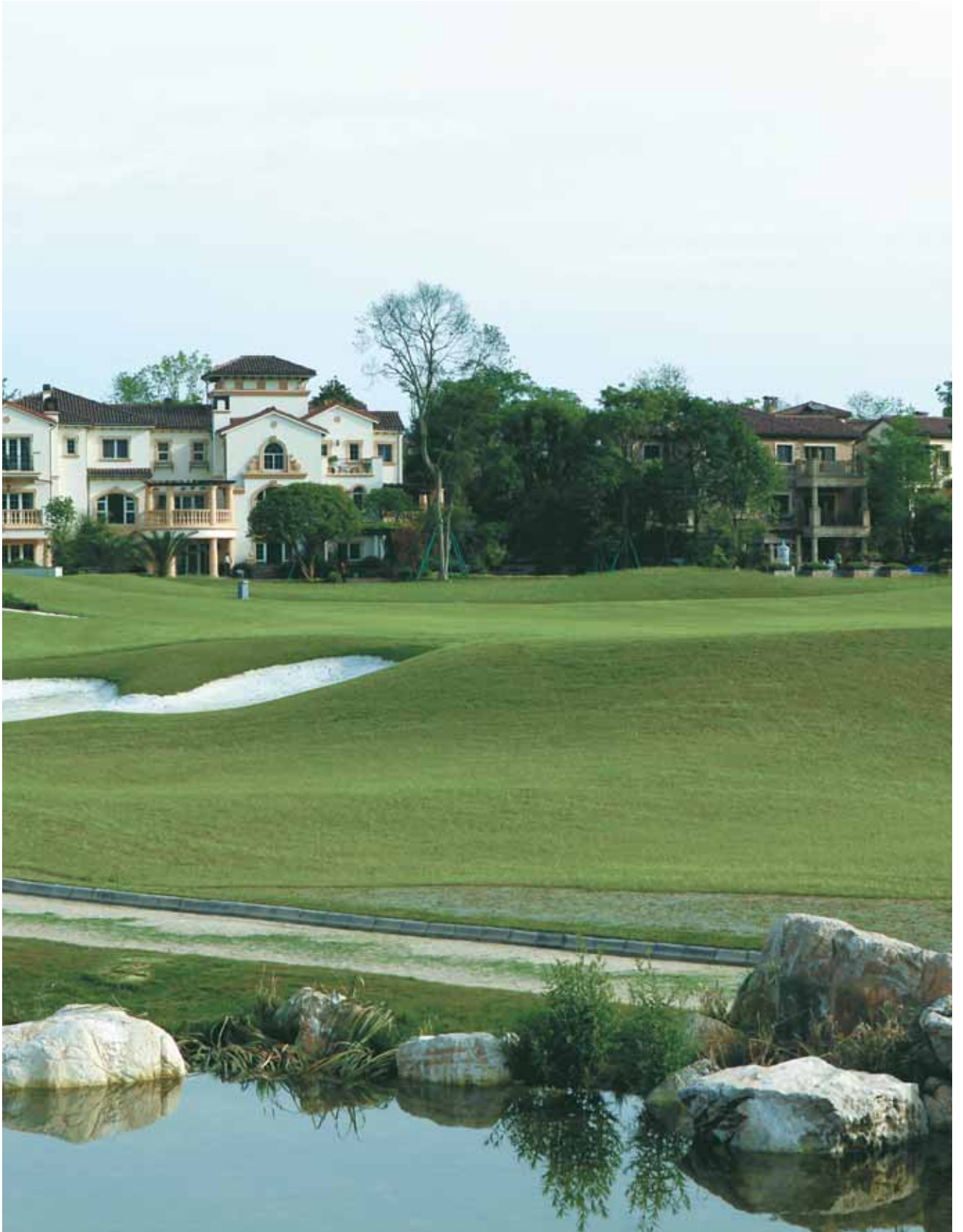
	Amount		Area	
	(RMB million)	%	(sq.m.)	%
Urban complexes	451.8639	25.1	73,707.29	25.9
Mid-to-high end residences	536.6428	29.8	106,272.00	37.4
Boutique upscale residences	811.4906	45.1	104,136.44	36.7
Total	1,799.9974	100	284,115.73	100

During the Period, the contracted sales contribution of the Group’s real estate business were mainly derived from 14 cities, including Chengdu, Guilin and Huizhou, and 31 projects, including Chengdu Fantasia Town, Chengdu Longnian International Centre, Guilin Fantasia Town, Huizhou Fantasia Special Town, Suzhou Fantasia Special Town and Wuhan Love Forever (武漢花郡). As compared to last year, the Group used Wuhan as a strategic location to enter the Central China market in the first half of this year and earned good reputation and impact in the local market, which resulted in a more balanced portfolio for the Groups’ real estate business and the successful implementation of the strategic plan for its real estate business in China.

● The contracted sales distribution in the six major regions in the first half of 2014

● The contracted sales area distribution in the six major regions in the first half of 2014





Chengdu Grande Valley

The breakdown of the Company's contracted sales in the six major regions in the first half of 2014 is set out below:

	Amount		Area	
	(RMB million)	%	(sq.m.)	%
Chengdu-Chongqing Economic Zone	585.8815	32.6	99,713.21	35.1
Pearl River Delta Region	518.0495	28.8	95,210.73	33.5
Yangtze River Delta Region	429.3542	23.9	57,886.62	20.4
Beijing-Tianjin Metropolitan Area	110.8605	6.2	15,892.08	5.6
Central China	137.3741	7.5	15,234.09	5.3
Overseas	18.4775	1.0	179.00	0.1
Total	17,999.974	100	284,115.73	100

### ● Chengdu-Chongqing Economic Zone

Chengdu-Chongqing Economic Zone is one of the most important drivers for economic growth in China. Driven by its systematic planning for transport development, Chengdu will become the strategic economic region for modern services industry and new and high-technology industry. The Group entered Chengdu market in early 2001. With the brand reputation that the Group has accumulated over the past 12 years, the Group has become one of the strongest property developers in Chengdu. In the second half of 2014, the Group is aiming to actively expand the development of the Group's projects in Chongqing and strive to complete comprehensive expansion of Chengdu-Chongqing Economic Zone.

During the Period, the Group recorded contracted sales area of approximately 99,713.21 sq.m. in Chengdu-Chongqing Economic Zone and contracted sales of approximately RMB585.8815 million, attributing 35.1% and 32.6% of the total contracted sales area and total contracted sales of properties to the Group, respectively.

As at 30 June 2014, the Group had five projects or phases of projects under construction in Chengdu-Chongqing Economic Zone, with a total planned GFA of approximately 1,418,353 sq.m. and an estimated saleable area of approximately 1,161,510 sq.m.. The Group also had five projects or phases of projects to be developed in Chengdu-Chongqing Economic Zone, with a total planned GFA of approximately 1,403,978 sq.m..

### ● Pearl River Delta Region

Pearl River Delta Region is one of the most important drivers for economic growth in China, and the area in which Fantasia undertook strategic transformation. The Group has put in more efforts to develop the Pearl River Delta Region market, with Shenzhen being the center and Huizhou and Dongguan being the radiated regions, while speeding up the business development in Guilin market. In view of its extensive operational experience in the region's real estate industry, the Group has focused on expanding land reserve within the region in the current year.

During the Period, the Group recorded contracted sales area of approximately 95,210.73 sq.m. in Pearl River Delta Region; and recorded contracted sales of approximately RMB518.0495 million, attributing 33.5% and 28.8% of the total contracted sales area and total contracted sales of properties to the Group, respectively.

As at 30 June 2014, the Group had 12 projects or phases of projects under construction in Pearl River Delta Region, with a total planned GFA of approximately 1,464,613 sq.m. and an estimated saleable area of approximately 1,153,208 sq.m.. The Group also had nine projects or phases of projects to be developed in Pearl River Delta Region, with a total planned GFA of approximately 2,168,703 sq.m..

### ● Beijing-Tianjin Metropolitan Area

Beijing-Tianjin Metropolitan Area, which is the third pole for China's economic growth as well as the core of the Capital Economic Circle and the hinterland of Bohai Economic Rim Region, enjoys a prominent strategic position. This area, being a national political, economic and cultural center, is one of the most attractive areas in China. During the Period, based on the existing projects, the Group actively expanded industry projects, which is the core direction of real estate transformation in the first-tier cities.

During the Period, the Group recorded contracted sales area of approximately 15,892.08 sq.m. and contracted sales of approximately RMB110.8605 million in Beijing-Tianjin Metropolitan Area, attributing 5.6% and 6.2% of the total contracted sales area and total contracted sales of properties to the Group, respectively.

As at 30 June 2014, the Group had three projects or phases of projects under construction in Beijing-Tianjin Metropolitan Area, with a total planned GFA of approximately 150,066 sq.m. and an estimated saleable area of approximately 115,052 sq.m.. The Group also had five projects or phases of projects to be developed in Beijing-Tianjin Metropolitan Area, with a total planned GFA of approximately 766,992 sq.m..

### ● Yangtze River Delta Region

Yangtze River Delta Region is the region which enjoys the strongest integrative strength and the most-balanced development. Due to its extensive geographic coverage and strategic development, the region shall become an important focus for the growth of China's real estate industry. The Group paid continuous attention to the its current projects as well as the key cities that have great growth potential within the region. During the Period, the Group has promoted the implementation of housing industrialization in Suzhou Fantasia Special Town projects and succeeded in the sales of housing industrialization projects.

During the Period, the Group recorded contracted sales area of 57,886.62 sq.m. and contracted sales of approximately RMB429.3542 million in the Yangtze River Delta Region, attributing 20.4% and 23.9% of the total contracted sales area and total contracted sales of properties to the Group, respectively.

As at 30 June 2014, the Group had six projects or phases of projects under construction in Yangtze River Delta Region, with a total planned GFA of approximately 1,034,304 sq.m. and an estimated saleable area of approximately 708,492 sq.m.. The Group also had four projects or phases of projects to be developed in Yangtze River Delta Region, with a total planned GFA of approximately 823,917 sq.m..

### ● Central China

Central China is one of the regions in China that has high economic growth potential. It is the centre of industry and agriculture as well as a transport hub of the country. The region stretches from East to West and enjoys the advantages brought by being the hub that connects all four directions of the country and the pivot of water and land transport. The region plays an important role of linking the eastern, southern, western and northern parts of China. During the Period, the Group used Wuhan city as a strategic point to enter the Central China market and smoothly implemented its strategic planning for the region.

During the Period, the Group recorded contracted sales area of 15,234.09 sq.m. and contracted sales of approximately RMB137.3741 million in Central China, attributing 5.3% and 7.5% of the total contracted sales area and total contracted sales of properties to the Group, respectively.

As at 30 June 2014, the Group had one project or phase of project under construction in Central China, with a total planned GFA of approximately 189,709 sq.m. and an estimated saleable area of approximately 149,279 sq.m.. The Group also had two projects or phases of projects to be developed in Central China, with a total planned GFA of approximately 417,660 sq.m..

### ● Overseas

Singapore is one of the United States dollar centres and one of the most important financial, service and shipping centres in Asia. As the first stop where the Group advanced into overseas real estate market, Singapore has an important strategic meaning to the international development of the Group.

During the Period, the Group recorded contracted sales area of 179 sq.m. and contracted sales of approximately RMB18.4775 million in Singapore, attributing 0.1% and 1.0% of the total contracted sales area and total contracted sales of properties to the Group, respectively.

As at 30 June 2014, the Group had one project in Singapore to be developed, with a total planned GFA of approximately 22,904 sq.m..

## ● Newly Commenced Projects

During the Period, the Group had eight projects or phases of projects which were newly commenced, with a total planned GFA of approximately 491,193 sq.m..

### ● The breakdown of newly commenced projects for the first half of 2014

Project serial number	Project name	Project location	Nature of land	Expected completion date	Company's interest	Total planned GFA
PEARL RIVER DELTA REGION						
1	Phase 2 of Shenzhen Able	Balong Industrial Zone, Longgang, Shenzhen	Plant and ancillary office	2016	61%	85,428
CHENGDU-CHONGQING ECONOMIC ZONE						
2	Phase 2.2 of Chengdu Grande Valley	Pujiang County, Chengdu City	Residential and commercial	2015	100%	14,980
3	Phase 2.3 of Chengdu Meinian Plaza	Chengdu High-technology Zone, Chengdu City	Educational	2015	100%	48,992
YANGTZE RIVER DELTA REGION						
4	Phase 2 of Suzhou Fantasia Special Town	Taihu National Tourism Vacation Zone, Suzhou City	Residential	2016	100%	143,521
5	Suzhou Lago Paradise Land Plot No. 4	Taihu National Tourism Vacation Zone, Suzhou City	Residential, commercial and ancillary	2016	100%	9,166
CENTRAL CHINA						
6	Phase 2 of Wuhan Love Forever (武漢花郡)	Wufeng Village, Heping Avenue, Hongshan District, Wuhan City	Residential, commercial and ancillary	2015	100%	100,450
BEIJING-TIANJIN METROPOLITAN AREA						
7	Phase 4.1 of Tianjin Love Forever	Wuqing District, Tianjin City	Residential land use	2016	100%	72,177
8	Phase 1 of Tianjin Huaxiang (天津花鄉)	Wuqing District, Tianjin City	Residential land use	2015	100%	16,479
Total						491,193

## ● Completed Projects

During the Period, the Group completed eight projects or phases of projects, with a total GFA of approximately 605,002 sq.m..

## ● The breakdown of completed projects for the first half of 2014

Project serial number	Project name	Total GFA	Gross saleable area	Area held for sale		Area held by the Company	Contracted sales area during first half of 2014
				Area for sale	Contracted sales area		
		sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.
PEARL RIVER DELTA REGION							
1	Shenzhen Xingnian Plaza	52,340	40,092	20,046	–	20,046	–
2	Phase 3.2 of Dongguan Wonderland	86,965	85,045	1,296	83,749	–	248
3	Phase 3 of Huizhou Fantasia Special Town	159,918	113,183	6,209	106,974	–	310
4	Phase 1.3 of Guilin Fantasia Town	100,497	96,766	239	96,527	–	1,510
5	A1 District, North Coast of Guilin Lakeside Eden (桂林麓湖國際北岸A1區)	37,058	24,816	482.93	24,333	–	–
CHENGDU-CHONGQING ECONOMIC ZONE							
6	Phase 2.2.1 of Chengdu Grande Valley	6,998	6,916	337.04	6,579	–	–
7	Phase 4.2 of Chengdu Fantasia Town	129,615	80,412	–	80,412	–	89
BEIJING-TIANJIN METROPOLITAN AREA							
8	Phase 1.2 of Tianjin Love Forever	31,611	24,271	–	24,271	–	–
Total		605,002	471,502	28,610	422,846	20,046	2,156

F A N T A S I A

● Projects Under Construction

As at 30 June 2014, the Group had 27 projects or phases of projects under construction, with a total planned GFA of 4,257,045 sq.m. and a total planned saleable area of 3,262,541 sq.m., among which the accumulated contracted area was 1,923,426 sq.m..

Project-serial number	Project name	Project location	Nature of land	Company's interest	Expected completion date	Total planned GFA	Total planned saleable area	Area held for sale		Expected area held by the Company	Contracted sales area during the first half of 2014	Product Category
								Total planned saleable area	Contract sales area			
						sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	
SHENZHEN												
1	Longnian Building (龍年大廈)	Longgang District, Shenzhen City	Commercial and financial land use	64%	2015	38,482	28,957	28,957	-	-	-	Urban complex
2	Phase 2 of Able	Longgang District, Shenzhen City	Industrial land use	100%	2016	85,428	65,109	32,555	-	32,555	-	
3	Longqi Bay	Longgang District, Shenzhen City	Holiday apartment	81%	2014	38,139	25,000	25,000	-	-	-	Boutique upscale residence
HUIZHOU												
4	Phase 4 and 5 of Fantasia Special Town	Huinan Road, Huizhou City	Residential and commercial	100%	Phase 4: 2015 Phase 5: 2014	306,125	249,553	137,725	111,828	-	32,341	Mid-to-high end residence
5	Phase 2 of Love Forever	Huangyuyong, Daya Bay, Huizhou City	Residential and commercial	100%	2014	41,391	39,567	1,944	37,623	-	4,392	Mid-to-high end residence
DONGGUAN												
6	Wonderland (Commercial) Land Plot No. 1 (江山花園商業1#)	Huangjiang Town, Dongguan City	Residential and commercial	100%	2014	1,387	1,387	-	1,387	-	-	Boutique upscale residence
GUILIN												
7	Phase 2 and 3 of Guilin Fantasia Town	Lingui New District, Guilin City	Residential and commercial	100%	Phase 2: 2015 Phase 3: 2016	298,619	237,342	113,669	123,673	-	24,337	Urban complex
8	Guilin Four Points by Sheraton (桂林福朋酒店)	Lingui New District, Guilin City	Hotel	100%	2014	28,647	28,647	-	-	28,647	-	Urban complex
9	Block C of Guilin Lakeside Eden Community	Lingui New District, Guilin City	Residential and commercial	100%	Block C1: 2014 Block C2: 2016	206,788	151,000	126,794	24,206	-	3,600	Boutique upscale residence
10	Block D of Guilin Lakeside Spring Dawn	Lingui New District, Guilin City	Residential and commercial	100%	2015	123,000	95,299	76,309	18,990	-	12,963	Boutique upscale residence
11	Block E of Guilin Lakeside Spring Dawn	Lingui New District, Guilin City	Residential and commercial	100%	2016	119,709	89,800	89,800	-	-	-	Boutique upscale residence



Project-serial number	Project name	Project location	Nature of land	Company's interest	Expected completion date	Total planned GFA	Total planned saleable area	Area held for sale		Expected area held by the Company	Contracted sales area during the first half of 2014	Product Category
								Total planned saleable area	Contract sales area			
						sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	
<b>CHENGDU</b>												
12	Phase 2.2 of Grande Valley	Puijiang County, Chengdu City	Residential land use	100%	2014 and 2015	52,006	52,006	27,671	24,335	-	5,302	Boutique upscale residence
13	Phase 5 of Fantasia Town	Wenjiang District, Chengdu City	Residential and commercial	100%	2015	367,297	282,634	144,882	137,752	-	54,491	
14	Phase 2 of Meinian International Plaza	Chengdu Hightechnology Zone, Chengdu City	Residential, commercial and educational	100%	Phase 2.1: 2015 Phase 2.2: 2016 Phase 2.3: 2016	487,843	424,872	178,216	69,941	176,715	4,177	Urban complex
15	Phase 1 and 2.1 of Longnian International Center	Pi County, Chengdu City	Residential and commercial	49%	2015	477,507	368,297	193,447	78,438	96,412	28,869	Urban complex
16	Four Points by Sheraton of Grande Valley	Puijiang County, Chengdu City	Hotel	100%	2016	33,700	33,700	-	-	33,700	-	Hotel
<b>TIANJIN</b>												
17	Phase 1.3 of Love Forever	Wuqing District, Tianjin City	Residential land use	100%	2014	61,410	61,410	33,830	27,580	-	9,112	Boutique upscale residence
18	Phase 4.1 of Love Forever	Wuqing District, Tianjin City	Residential land use	100%	2016	72,177	43,394	40,761	2,634	-	2,634	Boutique upscale residence
19	Phase 1 of Huaxiang (花鄉)	Wuqing District, Tianjin City	Residential land use	100%	2016	16,479	10,248	8,848	1,400	-	1,400	Boutique upscale residence
<b>SUZHOU</b>												
20	Phase 1 of Fantasia Special Town	Taihu National Tourism Vacation Zone, Suzhou City	Residential	100%	2014	136,485	122,442	1,147	121,295	-	201	Boutique upscale residence
21	Phase 2 of Fantasia Special Town	Taihu National Tourism Vacation Zone, Suzhou City	Residential	100%	2016	143,521	118,223	90,812	27,411	-	27,411	
22	Lago Paradise Land Plot No. 4	Taihu National Tourism Vacation Zone, Suzhou City	Residential	100%	2015	28,842	21,816	21,268	548	-	548	
23	Suzhou Hailun Plaza	Binhe Road West, Shangxin District, Suzhou City	Residential and commercial	100%	2016	330,589	197,221	197,221	-	-	-	Urban complex

Project-serial number	Project name	Project location	Nature of land	Company's interest	Expected completion date	Total planned GFA	Total planned saleable area	Area held for sale		Expected area held by the Company	Contracted sales area during the first half of 2014	Product Category
								Total planned saleable area	Contract sales area			
						sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	
WUXI												
24	Phase 3 and 4 of Love Forever	New District, Wuxi City	Residential and commercial	100%	2015	177,360	101,253	60,738	40,515	-	12,839	Boutique upscale residence
WUHAN												
25	Phase 1 and 2 of Love Forever (花郡)	Wufeng Village, Heping Avenue, Hongshan District, Wuhan City (武漢市洪山區和平街五豐村)	Residential and commercial	100%	2015	189,709	149,279	134,045	15,234	-	15,234	Boutique upscale residence
NORTH SEA												
26	Mangrove	North Sea City	Residential and commercial	100%	2015	176,899	141,547	70,389	71,158	-	71,158	High end residence
NINGBO												
27	Love Forever	Beilun District, Ningbo City	Residential and commercial	49%	2015	217,507	147,537	112,399	35,138	-	9,300	Boutique upscale residence
Total						4,257,045	3,262,541	1,923,426	971,086	368,029	320,309	

F A N T A S I A



Tianjin U hotel

## ● Projects Held for Development

As at 30 June 2014, the Group had 26 projects or phases of projects held for development, with a total planned GFA of approximately 5,604,155 sq.m..

Project-serial number	Project name	Project location	Nature of land	Company's interest	Total planned GFA sq.m.	Average cost of floor area RMB/sq.m.
<b>SHENZHEN</b>						
1	Nanshan District Project (TCL Project)	Nanshan District, Shenzhen City	Industrial, commercial and financial	55%	39,587	7,970
2	Xinghua Industrial Project (興華工業項目)	Shekou District, Shenzhen City	Commercial and financial land use	61%	37,500	2,754
3	Lenian Plaza (樂年廣場)	Longgang District, Shenzhen City	Industrial plant and carpark	60%	90,000	–
Subtotal					167,087	–
<b>HUIZHOU</b>						
4	Phase 1 of Kangchengsiji Land Plot No. 8	Zhongkai Hi-tech Zone, Huizhou City	Residential and commercial	100%	33,254	–
5	Phase 2 of Kangchengsiji	Zhongkai Hi-tech Zone, Huizhou City	Residential and commercial	100%	82,288	–
6	Remaining phases of Kangchengsiji	Zhongkai Hi-tech Zone, Huizhou City	Residential and commercial	100%	487,737	–
7	Qiuchang Project (秋長項目)	Danshui Town, Huiyang District, Huizhou City	Residential	100%	159,387	–
Subtotal					762,666	–
<b>SUZHOU</b>						
8	Remaining phases of Lago Paradise	Taihu National Tourism Vacation Zone, Suzhou City	Residential and commercial	100%	73,229	2,271
Subtotal					73,229	–
<b>WUXI</b>						
9	Remaining phases of Wuxi Love Forever	New District, Wuxi City	Residential and commercial	100%	19,420	4,043
Subtotal					19,420	–
<b>DONGGUAN</b>						
10	Wonderland	Huangjiang Town, Dongguan City	Residential and commercial	100%	38,558	934
Subtotal					38,558	–
<b>GUILIN</b>						
11	Remaining phases of Lakeside Eden	Lingui New District, Guilin City	Residential and commercial	100%	1,200,392	393
Subtotal					1,200,392	–

## BUSINESS REVIEW

Project-serial number	Project name	Project location	Nature of land	Company's interest	Total planned GFA sq.m.	Average cost of floor area RMB/sq.m.
<b>CHENGDU</b>						
12	Remaining phases of Belle Epoque	Laojunshan, Xinjin County, Chengdu City	Residential, commercial and ancillary	100%	265,812	823
13	Remaining phases of Grande Valley	Pujiang County, Chengdu City	Residential and commercial	100%	730,585	281
14	Remaining phases of Meinian International Plaza	High-technology Zone, Chengdu City	Educational	100%	23,903	669
15	Remaining phases of Chengdu Longnian International Center	Pi County, Chengdu City	Residential and commercial	49%	253,864	781
16	Chengdu Pi County	Pi County, Chengdu City	Residential and commercial	100%	129,814	1,196
Subtotal					1,403,978	–
<b>BEIJING</b>						
17	Qingnian Road Project	Qingnian Road, Beijing	Commercial, office and carpark	100%	140,000	5,195
Subtotal					140,000	–
<b>TIANJIN</b>						
18	Remaining phases of Love Forever	Wuqing District, Tianjin City	Residential	100%	98,150	1,183
19	Remaining phases of Huaxiang (花鄉)	Wuqing District, Tianjin City	Residential	100%	260,700	1,183
20	Meinian International Plaza	Hexi District, Tianjin City	Office	100%	99,803	4,714
21	Yingcheng Lake Project	Hangu District, Tianjin City	Residential, commercial and tourism	100%	168,339	766
Subtotal					626,992	–

Project-serial number	Project name	Project location	Nature of land	Company's interest	Total planned GFA sq.m.	Average cost of floor area RMB/sq.m.
NANJING						
22	Fantasia Town	Ninggao High-Tech Industrial Park, Gaochun Economic Development Zone (高淳區開發區寧高科技園區)	Residential and commercial	100%	403,378	1,463
23	Hailrun Plaza		Commercial land use	100%	327,890	6,723
Subtotal					731,268	–
WUHAN						
24	Remaining phases of Love Forever (花郡)	Wuqing District, Tianjin City	Residential	100%	68,891	–
25	Fantasia Town Project	Wuqing District, Tianjin City	Residential	100%	348,769	–
Subtotal					417,660	–
SINGAPORE						
26	6 Derbyshire	Novena, Singapore	Residential and commercial	90%	22,904	56,111
Subtotal					22,904	–
Total					5,604,155	–



Shenzhen Funian Plaza

## ● Our Land Bank

During the Period, the Group continued to adhere to its prudent investment strategy and its development direction of acquiring land in first-tier cities, such as Beijing, Shanghai and Shenzhen, which enjoy strong market potential and are capable of delivering prosperous return. As at 30 June 2014, the planned GFA of the Group's land bank amounted to approximately 16.20 million sq.m. and the planned GFA of properties with framework agreements signed amounted to 6.34 million sq.m..

Region	Projects under construction sq.m.	Projects to be developed sq.m.	Projects under framework agreements sq.m.	Aggregate planned GFA of land bank sq.m.	Proportion
Chengdu-Chongqing Economic Zone				6,113,519	37.8%
Chengdu	1,418,353	1,403,978	3,178,016	6,000,347	–
Kunming	–	–	113,172	113,172	–
Pearl River Delta Region				5,698,316	35.2%
Shenzhen	162,049	167,087	2,065,000	2,394,136	–
Huizhou	347,516	762,666	–	1,110,182	–
Dongguan	1,387	38,558	–	39,945	–
Guilin	776,762	1,200,392	–	1,977,154	–
Beihai	176,899	–	–	176,899	–
Beijing-Tianjin Metropolitan Area				992,058	6.1%
Beijing	–	140,000	75,000	215,000	–
Tianjin	150,066	626,992	–	777,058	–
Yangtze River Delta Region				2,770,770	17.1%
Suzhou	639,437	73,229	–	712,667	–
Wuxi	177,360	19,420	–	196,779	–
Shanghai	–	–	738,800	738,800	–
Nanjing	–	731,268	173,749	905,017	–
Ningbo	217,507	–	–	217,507	–
Overseas				22,904	0.1%
Singapore	–	22,904	–	22,904	–
Central China				607,369	3.7%
Wuhan	189,709	417,660	–	607,369	–
Total	4,257,045	5,604,154	6,343,737	16,204,936	100%



### ● Colour Life

The spin-off and separate listing of Colour Life on the main board of the Stock Exchange has been successfully completed on 30 June 2014. After deducting the listing expenses, a total of approximately RMB710 million was raised on the first day of the listing. The successful spin-off and the listing of Colour Life has demonstrated an achievement of the light assets of Fantasia.

During the Period, the property operation business of the Group maintained rapid growth while Colour Life continued to expand its management areas through engagement and acquisition. As of 30 June 2014, Colour Life had grown its coverage to 90 cities in the PRC where Colour Life was contracted to manage 570 residential communities with an aggregate contracted GFA of approximately 89.2 million sq.m. and entered into consultancy services contracts with 467 residential communities with an aggregate contracted GFA of approximately 72.6 million sq.m.. In the past year, Colour Life also achieved considerable progress in its online services business and further enhanced its competition advantages of online and offline community service platform.

During the Period, the labour cost of the property services industry continued to increase. In order to tackle the challenges posted by such increase and further enhance the efficiency of the property management services, Colour Life has implemented the information-technology-based automation and equipment upgrade in some of the projects under its management. At the same time, Colour Life also launched its Caizhiyun website and its corresponding mobile application with the aim to provide convenience in remittance of fees, requesting repair and maintenance services and submitting complaints on services which strengthened the interactions and communications between Colour Life and the residential community owners. Colour Life believes that this will further boost its capability in catering to demands for community services in an era of mobile network, facilitate replication of its management model applicable to communities, and seamlessly integrate its online and offline businesses, provide strong assurance to its centralised business model of and the quality of its property management service, thereby further sharpening its competitive edge in property management.

In 2014, Colour Life will continue to focus on improving the quality of its property management, further upgrading its property management model in the communities under its management, launch more contents which facilitate interaction between residents on its online platform, thereby strengthening the brand effect of Colour Life community service platform. Colour Life will further enhance its strategic plan of nationwide deployment, enabling better economy of scale of the online and offline community service platforms. Colour Life will also continue to build up and enhance its capability in integrating resources in the commercial circles surrounding its communities, attracting more vendors to provide more goods and services via the Caizhiyun platform to the residents in the communities under its management, thereby strengthening customer cohesion in its service platform and developing Colour Life as a leading operator of community service platforms.

### ● Financial Services

Since its operation from 2013, the financial sector of Fantasia, which is one of the Group's major sectors, has been operating on China's largest social platform owned by the Group. The financial sector of the Group innovatively adopts the internet finance model and focuses on the development of large scale financial holding system, financial platform and financial ecosystem of the Group so as to establish the financial value chain between major sectors of the Group and develops a distinctive model of "community finance". The financial sector of the Group has formed three major business modules, namely micro credit business, finance leasing business and P2P internet finance platform.

Since obtaining its micro-credit license in May 2013, Shenzhen Hehenian Investments Consultant Company Limited ("Shenzhen Hehenian") has adopted an innovative operating module and utilized the Group's social platform to achieve rapid growth. Shenzhen Hehenian has opened 19 branches in four major areas, namely Guangdong, Guangxi, Hubei and Chuanyu district. It is expected that number of branches will reach 25 at the end of the year. The operation of the micro-credit business is sound and has already recorded profit.

Shenzhen Hehenian has obtained approval from the Ministry of Commerce for its finance leasing business to set up three branches in Shenzhen and Chengdu to conduct finance leasing business across the country. The finance leasing business of Shenzhen Hehenian focuses on innovation and has developed three distinctive major business modes: (1) as the first finance leasing services provider in the country that built upon the community-related services in large communities, to fully make use the Group's social community resources so as to provide specialised finance services to businesses within the large communities, which are segment services including cultural consumption, intelligent serviced apartments, transport and logistics, medical care and retirement, education, and subsequently to utilise the information to develop a series of community-related financial service products that generates synergy while providing services to customers within the communities; (2) to integrate the policy advantages of Qianhai District, Shenzhen and the geographical advantages of the nearby Hong Kong to explore a distinctive model of cross-border finance leasing business, and the Group has achieved major breakthrough on several projects; (3) to optimise the Group's structure through cooperation with financial institutions and reform the traditional finance leading business to provide the customers with more economical and convenient specialised financial services.

In the second half of the year, the Group will fully connect its P2P internet finance platform with the Caizhiyun APP from Colour Life and launch its offline promotion in the residential communities. With the in-depth cooperation with social platform and the utilisation of big data, Shenzhen Hehenian will response to the characteristics of the community, develop inclusive financial products that are exclusive to the residential communities, set up marketing team and internet expansion mode that ties in with the characteristics of the community. Based on the prerequisite that risks remain controllable, Shenzhen Hehenian targets on the rapid growth on the scale of the finance platform.

Looking forward, the financial sector of Fantasia will connect the P2P finance platform with the largest social platform in China and allow the business models to complement each other. Meanwhile, it will take proactive actions to obtain new finance licenses so as to provide customers with integrated financial services, and strive to be the largest community financial services provider in China.

## ● Property International

Established in 2010, Fantasia Property Management (International) Company Limited (“**Property International**”), a wholly-owned subsidiary of the Group, focuses on providing property management service to “commercial properties and serviced apartments” (“**International Property Sector**”) and is one of the most important business sectors of the Group. The Group has been actively involved in the growing market of providing management services to “commercial properties and serviced apartments” in the property market of China which recorded tremendous growth in the past four years. We currently manage over 30 projects, of which 10 were newly commenced in the first half of 2014, it forms a nationwide strategic layout covering the key regions that embrace Chengdu-Chongqing, Pearl River Delta Region, Yangtze River Delta Region and Bohai Economic Rim Region.

Instead of traditional basic property services, the International Property Sector offers world class professional services based on specific needs. Firstly, the Group integrated market resources and valuable customer resources owned by property services providers. Through the Huabaner (花瓣兒) APP of the International Property Sector, the Group created contents necessary for various platforms such as customers information, housing information and merchant information from offline to online, so as to build an intelligent community. Secondly, as property services became more professional, the Group's property management sector transformed itself into a company that provided integrated management services, leveraging on its management capacity to coordinate professional companies in order to provide professional services to home-owners. In the first half of the year, the Group's International Property Sector established Shenzhen Niutian Electromechanical Equipment Engineering Co., Ltd. and Shenzhen Yicai Space Decoration & Design Engineering Co., Ltd. to commission its maintenance, design and decoration works to professional companies, so that the work of management is gradually distinguished from that of the operational staff. Consequently, the professionalism of the Group's operational staff is enhanced. Thirdly, the Group upgraded its assets operation for property management.

The International Property Sector will continue to enhance its property service system in the future. While providing world class professional property services that “replace the traditional property management model with a hotel-like model”, it will also proactively develop new business models and establish its own core service system through intelligent communities, wealth creation platform for small-sized enterprises, star-rated serviced apartments and first class residential services, with a view to provide the target customers a brand new user experience and become a leading platform for business activities.

### ● Business Management Service

Since urban complex is an important category among the real estate products of the Group, and under the Group’s corporate mission of pursuing innovative business model and offering a wider coverage of business with its experience accumulated over the past 16 years, Shenzhen Fantasia Business Management Company Limited (“**Fantasia Business Management**”), a subsidiary of the Group, during the Period, successfully attracted numerous industry talents, and actively participated in the operational planning, promotion and operation as well as investment invitation of the Group’s certain large scale projects.

The occupancy rate of Guilin Huashengtang, which is developed and operated by Fantasia Business Management, has reached 75%. Guilin Huashengtang has established cooperation relationships with over 60 business partners and built its self-operated brand. Fantasia Business Management strives to establish Guilin Huashengtang as a shopping mall that harnesses the synergy from the three business models, namely leasing, joint operation and self-operation. The occupancy rate of Nanjing Yuhuatai, which is developed and operated by Fantasia Business Management, has reached 90%. With nearly 80 partner merchants, Nanjing Yuhuatai has become a modern shopping mall with a wide range of business activities which combines entertainment and consumption. Nanjing Yuhuatai will commence operation in the near future and pre-opening promotions are in progress. In June 2014, Fantasia Business Management has successfully entered into a strategic cooperation agreement with Cinemark, a world leading brand of cinema complex. Pursuant to the agreement, Fantasia Business Management will join force with Cinemark to achieve common goal. Cinemark has entered into contracts in relation to Chengdu Pixian Project, Hongtang

Project and Suzhou Hongtang Project and expressed intention of setting up businesses at these locations. Under the leadership of Fantasia Business Management, the occupancy rate of Chengdu Pixian Project has reached 22%. Shenzhen Fantasia Business Management will work closely with international top brands in shaping the Project into a new outlet lifestyle center. Meanwhile, Beijing Huashengtang and Suzhou and Chengdu Hongtang Projects, which have larger scale, more plentiful business activities and higher position, are intensely preparing to be launched.

As a result, the brand image and recognition of Fantasia’s business projects have been improved significantly and gained unique brand influence in the industry. The Group believes that Fantasia Business Management will earn a stable and constantly increasing return in the future.

### ● Hotel Management

In 2014, Fantasia Hotel Management Company Limited continues to expand rapidly. It has seven hotels under its operation, namely Rhombus Fantasia Chengdu Hotel, Shenzhen U Hotel, Arcadia Resort Hotel in Yixing (宜興雲海間度假酒店), Ningbo Kangcheng Sunshine U Hotel (寧波康城陽光有園酒店), Tianjin U Hotel, Chengdu U Hotel and Hotel 373 (373酒店) in the United States. During the Period, Fantasia’s hotel projects in cities such as Guilin and Taipei are successfully launched.

In March 2014, standing out from numerous potential hotels participated in the competition, “U Hotel”, the sub-brand operated by Fantasia Hotel Management Company Limited, was awarded the “Most Progressing Hotel Brands of China in 2013 (2013中國最具發展潛力酒店品牌)” by China Hotel Starlight Awards.

Meanwhile, Rhombus Fantasia Chengdu Hotel was awarded the “Best Business Hotel 2013-2014” jointly presented by City Traveler and International Channel Shanghai. This brand new award for Fantasia’s hotels is the latest honour that the Group’s hotels have been granted after the brand “U Hotels” is awarded the “Most Progressing Hotel Brands of China in 2013” this year.

During the second half of 2014, Fantasia will cooperate with Starwood Hotels & Resorts Worldwide, Inc., an internationally well-known hotel management enterprise, to develop, construct and manage Guilin Lingui Fantasia Four Points by Sheraton in Lingui New District of Guilin City, manage Lakeside Eden Mansion (麓湖公館), re-position, invest in and renovate the spa resorts that are tailored for “pursuing a relaxed body, mind and soul” in Yixing and create mini five-star arts boutique hotels under the brand “U Hotels” in Taiwan. In the next three to five years, apart from expanding its operations in China, Fantasia also plans to expand its operations to various countries and cities such as Hong Kong, Maldives and South Korea.

### ● Retirement Life Service

In 2014, Shenzhen Futainian Senior Care Investment Management Co., Ltd. (“Futainian”) achieved success in the trial operation of the country’s first 4-in-1 community senior healthcare model, which is community-based and aims at catering the needs of the elderly. Futainian embraces the notion of “An evergreen life leads to a happier family” and develops the systematic community senior healthcare model that integrates home care, day-care centre, retirement home and university for senior citizens (“子悦”) to provide the elderly with various basic and value-added services including body checks, home services, post-surgical care, physiotherapy for preserving health, nutritious diets, group activities, retirement houses and health management.

Meanwhile, in the first half of the year, the Group started various back office supporting works such as the establishment of big database for retirement life service, the setting up of talent training base for retirement life, the development and research on products for the elderly as well as the regulation in relation to the “Standards of Elderly Care Services”.

In the second half of 2014, the Company will further optimise the work scope of the back office works for retirement life service and focus on the development of “big data” system as well as the talent training base for retirement life service. The Company will also integrate the back office system with community services to create an all rounded product sets. The Company plans to adopt its 4-in-1 community senior healthcare model in Gulou District, Nanjing in late August and use Nanjing as a starting point for the market planning of its retirement life service in the Yangtze River Delta Region.

### ● Education

The Group’s education sector commenced operation in 2014 officially. The education sector will carry out resources integration along the two major directions, namely training for modern service industries and community education.

As far as the first direction is concerned, the Group’s education sector will enter the community service and retirement life service industries through its activities in these industries. During the first half of the year, the Group organised and consolidated its education sector by analyzing relevant industrial standards and first class overseas vocational training resources. The Group interviewed several vocational schools on the topic of talent training and conducted site visits to various locations including Shenzhen, Eastern China, Southwest China and Northern China for setting up training centres. The Group has expressed intention of setting up a training centre in Eastern China, which, during its ramp-up period, can effectively meet the demands for talents of the Group’s various sectors. Meanwhile, the education sector has also been in discussion with the relevant authorities and industry associations on the joint development and accreditation of occupational skills qualification certificates.

As for the second direction, the education sector will utilise the big data from “Colour Life” to enter the community education market with a focus on study abroad services.

## ● Directors' and Chief Executives' Interests and Short Position

As at 30 June 2014, the interests and short positions of the Directors 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") of the Company, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities in the Stock Exchange (the "Listing Rules") were as follows:

### (i) Long positions in the shares and underlying shares of the Company:

Director	Nature of interest	Number of issued ordinary shares of the Company	Interest in underlying shares of the Company	Approximate percentage of interest in the Company as at 30 June 2014
Ms. Zeng Jie, Baby	Interest of controlled corporation <sup>(1)</sup>	3,290,782,500	–	57.16%
	Personal	–	9,980,000 <sup>(2)</sup>	0.17%
Mr. Pan Jun	Personal	–	9,980,000 <sup>(2)</sup>	0.17%
Mr. Lam Kam Tong	Personal	–	2,770,000 <sup>(2)</sup>	0.05%
Mr. Wang Liang	Personal	–	6,580,000 <sup>(2)</sup>	0.11%
Mr. Ho Man	Personal	–	1,600,000 <sup>(2)</sup>	0.03%
Mr. Liao Martin Cheung Kong, JP	Personal	–	1,600,000 <sup>(2)</sup>	0.03%
Mr. Huang Ming	Personal	–	1,600,000 <sup>(2)</sup>	0.03%
Mr. Xu Quan	Personal	–	1,600,000 <sup>(2)</sup>	0.03%

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 Fantasy Pearl for the purpose of Part XV of the SFO.
- (2) The relevant Director was granted options to subscribe for such number of shares of the Company under the Scheme (as defined under the sub-section headed "Share Option Scheme" in the "Corporate Governance and Other Information" section below) on 29 August 2011 and 16 October 2012 (in the case of Mr. Wang Liang).

### (ii) Long positions in associated corporations

#### A. Fantasy Pearl

Director	Nature of interest	Number of shares	Description of shares	Approximate percentage of interest in the associated corporation as at 30 June 2014
Ms. Zeng Jie, Baby	Interest of controlled corporation <sup>(1)</sup>	80	Ordinary	80%
Mr. Pan Jun	Interest of controlled corporation <sup>(2)</sup>	20	Ordinary	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.

## B. Colour Life

Director	Nature of interest	Number of shares	Description of shares	Approximate percentage of interest in the associated corporation as at 30 June 2014
Ms. Zeng Jie, Baby	Interest of controlled corporation	534,018,523 <sup>(1)</sup> · <sup>(2)</sup>	Ordinary	53.40%

## Notes:

- (1) These are the shares in Colour Life held by the Company which is owned as to 57.16% by Fantasy Pearl which is in turn owned as to 80% by Ice Apex and 20% by 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 Colour Life held by the Company for the purpose of Part XV of the SFO.
- (2) These include 30,061,741 Shares which are the subject of the two share subscription agreements both dated 29 May 2013 entered into by the Company with First Shanghai Securities Limited and China Bowen Capital Management Co., Ltd., respectively in which the Company has a right of first refusal that if at any time after the expiry of the lock-up period, being the 180th day after the listing date of Colour Life, the investors of the two share subscription agreements propose to sell, assign, transfer, pledge, hypothecate, create or permit to subsist any encumbrance or otherwise encumber or dispose of in any way, all or any part of any direct or indirect interest of any of the shares of Colour Life held by them, the Company would have an option to elect to purchase all or any part of the shares of Colour Life subscribed for by the investors.

## C. Shenzhen Caizhiyun Network Technology Co., Ltd. ("Caizhiyun Network")

Director	Nature of interest	Registered capital (RMB)	Approximate percentage of interest in the associated corporation as at 30 June 2014
Mr. Pan Jun	Personal	7,000,000 <sup>(1)</sup>	70%

## Note:

- (1) Caizhiyun Network is owned as to 70% by Mr. Pan Jun and 30% by Mr. Tang Xuebin. The financial results of Caizhiyun Network have been consolidated and accounted for as a subsidiary of Colour Life by virtue of certain structured contracts, details of which are disclosed in the section headed "History, Reorganization and the Group Structure" in Colour Life's prospectus dated 17 June 2014.

Save as disclosed above, as at 30 June 2014, 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 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.

## DISCLOSURE OF INTERESTS

### ● Substantial Shareholders

As at 30 June 2014, so far as the Directors are aware, the following persons (other than the Directors and the chief executive of the Company) or institutions have 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:

### ● Long positions in the shares and underlying shares of the Company:

Name of shareholder	Nature of interest	Number of shares of the Company	Approximate percentage of interest in the Company as at 30 June 2014
Fantasy Pearl	Beneficial owner	3,290,782,500 <sup>(1)</sup>	57.16%
Ice Apex	Interest of controlled corporation	3,290,782,500 <sup>(2)</sup>	57.16%
Ms. Zeng Jie, Baby	Interest of controlled corporation	3,290,782,500 <sup>(2)</sup>	57.16%
T. C. L. Industries Holdings (H.K.) Limited	Beneficial owner	863,600,074 <sup>(3)</sup>	15.00%
TCL Corporation	Interest of controlled corporation	863,600,074 <sup>(3)</sup>	15.00%

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 of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.
- (2) 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 Ice Apex for the purpose of Part XV of the SFO.
- (3) According to TCL Corporation's 2014 interim report dated 13 August 2014, as at 30 June 2014, T.C.L. Industries Holdings (H.K.) Limited held 919,935,574 shares of the Company representing 15.98% interest in the Company. T.C.L. Industries Holdings (H.K.) Limited is wholly owned by TCL Corporation. TCL Corporation is deemed to be interested in the shares held by T.C.L. Industries Holdings (H.K.) Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as of 30 June 2014, no other shareholder, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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

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

#### ● Code on Corporate Governance Practices

The Company has adopted the code provisions set out in the Corporate Governance Code ("Corporate Governance Code") contained in Appendix 14 to the Listing Rules on the Stock Exchange. For the period throughout the six months ended 30 June 2014, the Board is of the view that the Company has complied with the code provisions under the Corporate Governance Code save for the following deviation:

- Code A.2.1 of the Corporate Governance Code 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 of the Board 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.
- Under Code A.6.7, the independent non-executive Directors and the non-executive Directors, as equal Board members, should attend the general meetings of the Company. However, due to other business commitment, Ms. Zeng Jie, Baby, the executive Director, Mr. Li Dong Sheng and Mr. Yuan Hao Dong, the non-executive Directors, and Mr. Liao Martin Cheung Kong, JP and Mr. Huang Ming, the independent non-executive Directors, did not attend the annual general meeting of the Company held on 14 May 2014.



Shenzhen Funian Plaza



### ● 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 with all Directors whether the Directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2014 and all Directors confirmed that they have complied with the Model Code throughout such period.

### ● Audit Committee

The Company has established an audit committee in compliance with Rules 3.21 and 3.22 of the Listing Rules with specific written terms of reference in compliance with the Corporate Governance Code. The audit committee of the Company currently comprises four independent non-executive Directors, including Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan, while Mr. Ho Man is the chairman of the audit committee. The audit committee is 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 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 2014.

### ● Remuneration Committee

The Company has established a remuneration committee in compliance with Rules 3.25 and 3.26 of the Listing Rules with specific written terms of reference in compliance with the Corporate Governance Code. 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 has established a nomination committee with specific written terms of reference in compliance with the Corporate Governance Code. 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 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 a share option scheme (the "Share Option Scheme") by the written resolutions of the shareholders of the Company passed on 27 October 2009. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The summary below sets out the details of movement of options granted as at 30 June 2014 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 2014	Granted during the Period	Number of share option		Balance as at 30 June 2014	Note
						Exercisable/ exercised during the Period	Cancelled/lapsed during the Period		
		HK\$	HK\$						
Mr. Pan Jun	29 August 2011	0.836	0.82	4,990,000	-	-	-	4,990,000	(2)
	16 October 2012	0.8	0.77	4,990,000	-	-	-	4,990,000	(3)
Ms. Zeng Jie, Baby	29 August 2011	0.836	0.82	4,990,000	-	-	-	4,990,000	(2)
	16 October 2012	0.8	0.77	4,990,000	-	-	-	4,990,000	(3)

Name	Date of grant	Exercise price	Closing price of the Shares on the date of grant	Balance as at 1 January 2014	Granted during the Period	Number of share option		Balance as at 30 June 2014	Note
						Exercisable/ exercised during the Period	Cancelled/lapsed during the Period		
		HK\$	HK\$						
Mr. Lam Kam Tong	16 October 2012	0.8	0.77	2,770,000	-	-	-	2,770,000	(3)
Mr. Wang Liang	29 August 2011	0.836	0.82	2,310,000	-	-	-	2,310,000	(1)
	29 August 2011	0.836	0.82	1,500,000	-	-	-	1,500,000	(2)
	16 October 2012	0.8	0.77	2,770,000	-	-	-	2,770,000	(3)
Mr. Ho Man	29 August 2011	0.836	0.82	800,000	-	-	-	800,000	(2)
	16 October 2012	0.8	0.77	800,000	-	-	-	800,000	(3)
Mr. Liao Martin Cheung Kong, JP	29 August 2011	0.836	0.82	800,000	-	-	-	800,000	(2)
	16 October 2012	0.8	0.77	800,000	-	-	-	800,000	(3)
Mr. Huang Ming	29 August 2011	0.836	0.82	800,000	-	-	-	800,000	(2)
	16 October 2012	0.8	0.77	800,000	-	-	-	800,000	(3)
Mr. Xu Quan	29 August 2011	0.836	0.82	800,000	-	-	-	800,000	(2)
	16 October 2012	0.8	0.77	800,000	-	-	-	800,000	(3)
Other employees	29 August 2011	0.836	0.82	26,370,000	-	-	1,190,000	25,180,000	(1)
	29 August 2011	0.836	0.82	10,750,000	-	90,000	-	10,660,000	(2)
	16 October 2012	0.8	0.77	43,400,000	-	-	1,190,000	42,210,000	(3)
Total				116,230,000	-	90,000	2,380,000	113,760,000	



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Notes:

- (1) 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 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; and
  - (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.
- (2) 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; and
  - (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.
- (3) 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 16 October 2012 to 15 October 2022 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 16 October 2012 to 15 October 2022 and after the grantee has satisfied the vesting conditions specified by the Board; and
  - (c) up to 70% of the share options granted to each grantee at any time after the expiration of 36 months from 16 October 2012 to 15 October 2022 and after the grantee has satisfied the vesting conditions specified by the Board.

## ● 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 of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2014.

## ● Update on Directors' Information

Below are updates on the Directors' information required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules:

Mr. Pan Jun is currently the chairman and a non-executive director of Colour Life, the shares of which have been listed on the Stock Exchange since 30 June 2014.

Mr. Lam Kam Tong is currently a non-executive director of Colour Life, the shares of which have been listed on the Stock Exchange since 30 June 2014. He resigned as an independent non-executive director of Sheng Yuan Holdings Limited (the shares of which are listed on the Stock Exchange, stock code: 851) on 1 March 2014.

Mr. Ho Man has taken up a new role as a managing director of an investment holding company during from 1 January 2014 to 30 June 2014.

Mr. Huang Ming was appointed as an independent non-executive director of WH Group Limited (the shares of which are listed on the Stock Exchange, stock code: 288) on 16 July 2014.

# Deloitte.

## 德勤

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

### ● Introduction

We have reviewed the condensed consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 68, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other 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  
14 August 2014

## For the six months ended 30 June 2014

	NOTES	Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Revenue		2,916,567	2,750,966
Cost of sales and services		(1,905,864)	(1,720,724)
Gross profit		1,010,703	1,030,242
Other income, gains and losses	4	(57,756)	140,629
Change in fair value of investment properties	11	35,144	58,883
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		–	7,820
Selling and distribution expenses		(99,923)	(130,970)
Administrative expenses		(279,798)	(254,340)
Finance costs	5	(155,087)	(150,915)
Share of profit of associates		346	203
Share of losses of joint ventures		(3,984)	–
Profit before tax		449,645	701,552
Income tax expense	6	(326,600)	(376,573)
Profit for the period	7	123,045	324,979
<b>Other comprehensive income (expense)</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Surplus on revaluation of properties		–	3,840
Deferred taxation liability arising from revaluation of properties		–	(1,514)
Other comprehensive income for the period (net of tax)		–	2,326
Total comprehensive income for the period		123,045	327,305
Profit for the period attributable to:			
Owners of the Company		101,420	316,996
Non-controlling interests		21,625	7,983
		123,045	324,979
Total comprehensive income attributable to:			
Owners of the Company		101,420	319,322
Non-controlling interests		21,625	7,983
		123,045	327,305
Earnings per share (RMB)			
– Basic	9	0.02	0.06
– Diluted	9	0.02	0.06

At 30 June 2014

	NOTES	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1,180,401	905,241
Investment properties	11	4,398,516	4,012,828
Interests in associates		1,912	1,566
Interests in joint ventures	12	450,843	71,084
Available-for-sale investment		38,910	38,910
Goodwill		79,267	79,267
Intangible assets		453	907
Prepaid lease payments	13	1,804,751	1,233,811
Premium on prepaid lease payments	14	384,606	390,032
Land development expenditure	15	667,020	666,131
Other receivables		376,841	376,841
Deposits paid for acquisition of a joint venture	16	871,676	–
Deposits paid for acquisition of subsidiaries		58,100	150,000
Deposit paid for acquisition of a property project		132,346	132,346
Deposit paid for acquisition of land use rights	17	1,011,477	435,423
Deferred tax assets	18	412,184	393,454
		11,869,303	8,887,841
<b>CURRENT ASSETS</b>			
Properties for sale		14,891,111	14,191,479
Prepaid lease payments	13	42,723	30,828
Premium on prepaid lease payments	14	10,853	10,853
Trade and other receivables	19	4,436,801	3,583,659
Amounts due from joint ventures		151,388	139,190
Amounts due from customers for contract works		141,067	41,059
Tax recoverable		35,016	46,114
Restricted/pledged bank deposits		1,867,737	855,564
Bank balances and cash		2,934,077	2,776,879
		24,510,773	21,675,625
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	4,826,555	2,453,629
Deposits received for sale of properties		3,245,666	4,678,224
Amounts due to customers for contract works		10,370	54,318
Amount due to a shareholder	25	342,025	–
Amounts due to joint ventures	26	409,925	–
Amounts due to related parties		31	506
Tax liabilities		2,617,640	2,784,573
Borrowings – due within one year	21	2,342,548	2,053,357
Obligations under finance leases		20,941	26,003
Senior notes	22	746,955	–
		14,562,656	12,050,610
<b>NET CURRENT ASSETS</b>		9,948,117	9,625,015
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		21,817,420	18,512,856

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Borrowings – due after one year	21	4,155,807	4,942,036
Amount due to a shareholder	25	643,584	–
Obligations under finance leases		130,881	140,418
Senior notes	22	6,035,516	4,843,390
Deferred tax liabilities	18	781,958	719,916
Provision		30,006	29,591
Redeemable shares		–	6,177
		11,777,752	10,681,528
		10,039,668	7,831,328
<b>CAPITAL AND RESERVES</b>			
Share capital	23	497,482	429,575
Reserves		7,859,295	6,890,876
Equity attributable to owners of the Company		8,356,777	7,320,451
Perpetual capital instrument	24	700,000	–
Other non-controlling interests		982,891	510,877
		1,682,891	510,877
		10,039,668	7,831,328

## For the six months ended 30 June 2014

	Attributable to owners of the Company													Sub-total RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	Share options reserve RMB'000	Contribution reserve RMB'000	Statutory reserves RMB'000 (Note iv)	Discretionary reserves RMB'000 (Note iv)	Property revaluation reserve RMB'000 (Note v)	Accumulated profits RMB'000	Sub-total RMB'000	Perpetual capital instrument RMB'000	Other non- controlling interests RMB'000			
At 1 January 2013 (audited)	457,093	2,451,225	(64,168)	7,420	40,600	40,539	1,477	30,913	3,636,031	6,601,130	-	320,036	320,036	6,921,166	
Profit for the period	-	-	-	-	-	-	-	-	316,996	316,996	-	7,983	7,983	324,979	
Surplus on revaluation of properties	-	-	-	-	-	-	-	3,840	-	3,840	-	-	-	3,840	
Deferred taxation liability arising from revaluation of properties	-	-	-	-	-	-	-	(1,514)	-	(1,514)	-	-	-	(1,514)	
Other comprehensive income for the period	-	-	-	-	-	-	-	2,326	-	2,326	-	-	-	2,326	
Total comprehensive income for the period	-	-	-	-	-	-	-	2,326	316,996	319,322	-	7,983	7,983	327,305	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	60,987	60,987	60,987	
Deemed disposal of partial interests in a subsidiary without loss of control	-	-	99,143	-	-	-	-	-	-	99,143	-	131,421	131,421	230,564	
Contributions from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	6,649	6,649	6,649	
Dividend recognised as distribution (note 8)	-	(228,578)	-	-	-	-	-	-	-	(228,578)	-	-	-	(228,578)	
Recognition of equity-settled share-based payments	-	-	-	5,973	-	-	-	-	-	5,973	-	-	-	5,973	
At 30 June 2013 (unaudited)	457,093	2,222,647	34,975	13,393	40,600	40,539	1,477	33,239	3,953,027	6,796,990	-	527,076	527,076	7,324,066	
At 1 January 2014 (audited)	429,575	1,876,311	30,821	16,176	40,600	43,737	1,477	33,883	4,847,871	7,320,451	-	510,877	510,877	7,831,328	
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	-	-	101,420	101,420	-	21,625	21,625	123,045	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	30,394	30,394	30,394	
Issue of share as consideration of acquisition of subsidiary (note 25)	67,900	871,625	-	-	-	-	-	-	-	939,525	-	-	-	939,525	
Issue of share upon exercise of share option	7	74	-	(21)	-	-	-	-	-	60	-	-	-	60	
Dilution of interests in subsidiaries (Note vi)	-	-	298,063	-	-	-	-	-	-	298,063	-	412,151	412,151	710,214	
Dividend recognised as distribution (note 8)	-	(306,054)	-	-	-	-	-	-	-	(306,054)	-	-	-	(306,054)	
Recognition of equity-settled share-based payments	-	-	-	3,312	-	-	-	-	-	3,312	-	-	-	3,312	
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	1,667	1,667	1,667	
Issue of perpetual capital instrument (note 24)	-	-	-	-	-	-	-	-	-	-	700,000	-	700,000	700,000	
Capitalisation of redeemable shares (Note vii)	-	-	-	-	-	-	-	-	-	-	-	6,177	6,177	6,177	
At 30 June 2014 (unaudited)	497,482	2,441,956	328,884	19,467	40,600	43,737	1,477	33,883	4,949,291	8,356,777	700,000	982,891	1,682,891	10,039,668	



## Notes:

- (i) Pursuant to article 16 of the Company's Articles of Association, the Company is permitted to pay out final dividend from share premium account.
- (ii) Special reserve arising from the acquisition or disposal of equity interests in subsidiaries without loss of control. It represents the difference between the consideration paid or received and the adjustment to the non-controlling interests in subsidiaries.
- (iii) Share options reserve represents the share-based payments 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, expand the scale of production and business and increase capital upon approval from the relevant authorities.
- (v) Property revaluation surplus arising from the transfer of owner-occupied property to investment properties at the date of change in use.
- (vi) Colour Life Service Group Co., Limited ("Colour Life"), a 67.19% owned subsidiary of the Group as at 31 December 2013, has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited with effect from 30 June 2014. On the same date, 250,000,000 ordinary shares with a par value of HK\$0.01 each of Colour Life were issued by way of public offering and placing ("Share Offer"), the net proceeds received by Colour Life, after deducting the expenses relating to the Share Offer, is RMB710,214,000. The Group's percentage of equity interest in Colour Life was then diluted from 67.19% to 50.39% upon completion of the Share Offer. The difference of RMB298,063,000 between the share of net assets of Colour Life amounted to RMB412,151,000 and the net proceeds were recognised in special reserve.
- (vii) On 29 May 2013, the Company, Colour Life, China Bowen Capital Management Limited ("China Bowen") and Splendid Fortune Enterprise Limited entered into a subscription agreement, pursuant to which Colour Life agreed to issue and allot to China Bowen, and China Bowen agreed to subscribe for an aggregate of 13,752 ordinary shares ("China Bowen Subscription Shares") with a total subscription price of HK\$7,762,400 (equivalent to US\$1,000,000 or RMB6,177,000). Colour Life has granted an option to China Bowen that in the event that an initial public offering of Colour Life does not complete on or before 4 June 2015, China Bowen may, for a period of 30 days thereafter, by notice in writing to the Company, require Colour Life to purchase all the China Bowen Subscription Shares. As disclosed in Note (vi), Colour Life has listed its shares on 30 June 2014, the redeemable shares have been capitalised to the equity of Colour Life and the non-controlling interest of the Group accordingly.

## For the six months ended 30 June 2014

	NOTES	Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>			
Cash used in operations		(209,633)	(126,105)
Enterprise income tax ("EIT") paid		(465,844)	(231,623)
Land appreciation tax ("LAT") paid		(112,660)	(134,710)
Interest paid		(371,697)	(323,695)
		(1,159,834)	(816,133)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			
(Decrease) increase in restricted bank deposits		(1,034,880)	102,615
Deposits paid for acquisition of a joint venture		(871,676)	-
Acquisition of assets and liabilities through acquisition of subsidiaries (net of cash and cash equivalents acquiring)	25	(749,606)	(956,636)
Purchases of property, plant and equipment		(301,886)	(23,888)
Additions to investment properties		(140,922)	(507)
Disposal of partial interests in subsidiaries resulting in loss of control	26	(28,128)	-
Advance to a joint venture		(12,704)	-
Decrease in deposits paid for acquisition of a subsidiary		91,900	-
Purchase of financial assets classified as financial assets classified as fair value through profit or loss ("FVTPL")		(84,500)	(143,975)
Redemption of financial assets classified as FVTPL		84,500	147,400
Settlement of consideration payable		-	(257,030)
Acquisition of business (net of cash and cash equivalents acquired)		-	(73,964)
Deposits paid for acquisition of a property project		-	(6,060)
Other investing cash flows		19,455	(17,189)
		(3,028,447)	(1,236,084)
<b>NET CASH FROM FINANCING ACTIVITIES</b>			
New borrowings raised		2,437,143	2,500,597
Net proceeds from the issuance of senior notes		1,801,274	2,517,605
Issue of shares		939,525	-
Net proceeds from Share Offer of Colour Life		710,214	-
Net proceeds from issuance of perpetual capital instrument	24	700,000	-
Contributions from non-controlling shareholders		1,667	6,649
Repayment of borrowings		(1,923,502)	(2,147,808)
Dividend paid to shareholders of the Company		(306,054)	(228,578)
Repayment of finance lease		(18,945)	-
Proceeds from dilution of interest in a subsidiary that does not result in losing of control		-	193,500
Deemed disposal of partial interests in a subsidiary		-	37,064
Issue of shares upon exercise of share option		60	-
Other financing cash flows		31	6,177
		4,341,413	2,885,206
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		153,132	832,989
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		2,776,879	2,788,106
Effect of foreign exchange rate changes		4,066	(26,100)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash</b>		2,934,077	3,594,995

## For the six months ended 30 June 2014

## ● 1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (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 (the "Hong Kong Stock Exchange").

## ● 2. Principal Accounting Policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

## ● Perpetual capital instrument

Perpetual capital instrument issued by the Group during the six months ended 30 June 2014 with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

## ● Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation to HKFRSs issued by HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statement.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

## ● Amendments to HKAS 36 "Recoverable Amount Disclosure for Non-Financial Assets"

The Group has applied the amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" for the first time in the current interim period. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 "Fair Value Measurement".

Except as discussed above, the application of the new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## For the six months ended 30 June 2014

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective. The following amendments and interpretation have been issued after the date of the consolidated financial statements for the year ended 31 December 2013 were authorised for issuance and are not yet effective:

● New or revised standards and interpretations that have been issued but not yet effective

HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

The Directors of the Company anticipate that the application of HKFRS 15 may affect the revenue recognition of the Group and may have an impact on amounts reported in respect of the Group's revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Except as discussed above, the directors of the Company anticipate that the application of the above HKFRSs will have no material impact on the results and the financial position of the Group.

● 3. Segment Information

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

Six months ended 30 June 2014

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Properties operation services RMB'000	Hotel operations RMB'000	Reportable segment total RMB'000	Eliminations RMB'000	Total RMB'000
<b>SEGMENT REVENUE</b> (unaudited)								
External sales	2,598,854	60,235	7,552	207,360	42,566	2,916,567	-	2,916,567
Inter-segment sales	56,396	-	-	32,743	-	89,139	(89,139)	-
Total	2,655,250	60,235	7,552	240,103	42,566	3,005,706	(89,139)	2,916,567
Segment profit (loss)	608,755	36,269	6,500	101,854	(4,586)	748,792	-	748,792

## ● 3. Segment Information (continued)

Six months ended 30 June 2013

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Properties operation services RMB'000	Hotel operations RMB'000	Reportable segment total RMB'000	Eliminations RMB'000	Total RMB'000
<b>SEGMENT REVENUE</b>								
<b>(unaudited)</b>								
External sales	2,541,386	56,501	6,016	102,121	44,942	2,750,966	-	2,750,966
Inter-segment sales	-	226	-	254,465	-	254,691	(254,691)	-
<b>Total</b>	<b>2,541,386</b>	<b>56,727</b>	<b>6,016</b>	<b>356,586</b>	<b>44,942</b>	<b>3,005,657</b>	<b>(254,691)</b>	<b>2,750,966</b>
Segment profit (loss)	660,186	113,237	5,215	67,383	(8,346)	837,675	-	837,675

Segment profit represents the profit earned or loss incurred by each segment without allocation of central administration costs and directors' salaries, interest income, exchange (loss) gain, share of results of associates, joint ventures, 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	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Segment profit	748,792	837,675
Unallocated amounts:		
Net foreign exchange (loss) gain	(83,779)	67,547
Unallocated income	19,455	7,936
Unallocated corporate expenses	(76,098)	(60,894)
Finance costs	(155,087)	(150,915)
Share of profit of associates	346	203
Share of losses of joint ventures	(3,984)	-
<b>Profit before tax</b>	<b>449,645</b>	<b>701,552</b>

## For the six months ended 30 June 2014

## ● 3. Segment Information (continued)

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

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Property development	22,357,226	20,300,865
Property investment	5,640,043	4,334,570
Property agency services	4,915	3,912
Property operation services	1,155,519	937,689
Hotel operations	825,336	570,952
Total segment assets	29,983,039	26,147,988
Total unallocated assets	6,397,037	4,415,478
Group's total assets	36,380,076	30,563,466

## ● 4. Other Income, Gains and Losses

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Interest income	19,455	7,936
Government grant (note)	500	15,155
Net foreign exchange (loss) gain	(83,779)	67,547
Gain on land development project	–	49,274
Others	6,068	717
	(57,756)	140,629

Note: The amount represents the grants received from the relevant PRC Governments. The subsidies are unconditional and granted on a discretionary basis to the Group during the period.

## ● 5. Finance Costs

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
– borrowings	272,194	163,726
– senior notes	376,485	248,704
– finance lease	3,252	–
– consideration payable (note 25)	20,081	–
Less: Amount capitalised in		
– properties under development for sale	(467,316)	(226,786)
– investment properties under development	(43,690)	(12,153)
– construction in progress	(5,919)	(2,976)
– land development expenditure	–	(19,600)
	155,087	150,915

During the six months ended 30 June 2014, borrowing costs capitalised arising on the general borrowing pool amounted to RMB408,417,000 (six months ended 30 June 2013: RMB199,599,000) and were calculated by applying the capitalisation rate of 11.3% (six months ended 30 June 2013: 12.3%) per annum to expenditure on qualifying assets.

## ● 6. Income Tax Expense

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The income tax expense comprises:		
PRC taxes		
EIT	155,513	217,099
LAT	161,104	152,851
	316,617	369,950
Deferred tax		
Current period (note 18)	9,983	6,623
	326,600	376,573

For the six months ended 30 June 2014, the relevant tax rate for the Company's subsidiaries in the PRC is 25% (six months ended 30 June 2013: 25%).

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

## For the six months ended 30 June 2014

## ● 7. Profit and Total Comprehensive Income for the Period

	Six months ended 30 June	
	2014	2013
	RMB'000 (unaudited)	RMB'000 (unaudited)
Profit and total comprehensive income for the period has been arrived at after charging:		
Release of prepaid lease payments	12,742	16,803
Release of premium on prepaid lease payments	5,426	15,983
Depreciation of property, plant and equipment	39,459	21,208
Amortisation of intangible assets	454	–
Staff costs (including in administrative expenses)	97,701	84,895

## ● 8. Dividends

During the period, a final dividend of HK6.68 cents per share in respect of the year ended 31 December 2013 (2013: HK5.50 cents) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the period amounted to approximately RMB306,054,000 (2013: RMB228,578,000).

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2014.

## ● 9. Earnings Per Share

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

	Six months ended 30 June	
	2014	2013
	RMB'000 (unaudited)	RMB'000 (unaudited)
<b>Earnings:</b>		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	101,420	316,996
<b>Number of shares:</b>		
Number of ordinary shares for the purpose of basic earnings per share	5,738,142,711	5,207,221,750
Effect of dilutive potential ordinary shares:		
Share options	15,804,453	24,654,592
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,753,947,164	5,231,876,342



## ● 10. Property, Plant and Equipment

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

	RMB'000
At 1 January 2014 (audited)	905,241
Additions	307,805
Acquisition of subsidiaries (note 25)	8,061
Depreciation for the period	(39,459)
Disposal of partial interests in subsidiaries resulting in loss of control (note 26)	(1,247)
At 30 June 2014 (unaudited)	1,180,401

## ● 11. Investment Properties

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

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
FAIR VALUE			
At 1 January 2014 (audited)	3,294,907	717,921	4,012,828
Acquisition of subsidiaries (note 25)	165,932	–	165,932
Additions	38,711	145,901	184,612
Net change in fair value recognised in profit or loss	17,551	17,593	35,144
At 30 June 2014 (unaudited)	3,517,101	881,415	4,398,516

At 30 June 2014 and 31 December 2013, the fair values of the Group's completed investment properties of approximately RMB3,517,101,000 (31 December 2013: RMB3,294,907,000) and investment properties under development of approximately RMB881,415,000 (31 December 2013: RMB717,921,000) were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent qualified professional valuers not connected with the Group, which has appropriate qualifications and recent experiences in valuation of similar properties in the relevant locations.

The valuation of completed investment properties amounting to RMB3,461,756,000 (31 December 2013: RMB3,245,541,000) was arrived at by reference to net rental income allowing for reversionary income potential and valuation of completed investment properties amounting to RMB55,345,000 (31 December 2013: RMB49,366,000) was arrived at by reference to market evidence of recent transaction prices for similar properties in the similar locations and conditions, where appropriate. The valuation of investment properties under construction amounting to RMB510,254,000 is arrived at by residual method, which is based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development and the remaining balance was arrived at by reference to market evidence of recent transaction prices for similar properties in the similar locations and conditions, where appropriate.

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

## For the six months ended 30 June 2014

## ● 12. Interests in Joint Ventures

The movements in interests in joint ventures during the period are summarised as follows:

	RMB'000 (unaudited)
At 1 January 2014 (audited)	71,084
Acquisition of subsidiaries (note 25)	10,007
Disposal of partial interests in subsidiaries resulting in loss of control (note 26)	373,736
Share of losses of joint ventures for the period	(3,984)
At 30 June 2014 (unaudited)	450,843

## ● 13. Prepaid Lease Payments

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

	RMB'000
At 1 January 2014 (audited)	1,264,639
Acquisition of subsidiaries (note 25)	595,577
Released during the period	(12,742)
At 30 June 2014 (unaudited)	1,847,474
Less: Amounts included in current assets	(42,723)
Amounts included in non-current assets	1,804,751

## ● 14. Premium on Prepaid Lease Payments

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

	RMB'000
At 1 January 2014 (audited)	400,885
Released during the period	(5,426)
At 30 June 2014 (unaudited)	395,459
Less: Amounts included in current assets	(10,853)
Amounts included in non-current assets	384,606

### ● 15. Land Development Expenditure

In March 2011, the Group entered into an agreement with the People's Government of Chengdu ("Chengdu Government") relating to the development of the Wu Gui Qiao Town located in the Jinjiang area, Chengdu, Sichuan Province ("Land Development Project"). Under the agreement, 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 2014 amounted to approximately RMB889,000 (six months ended 30 June 2013: nil) and the balance at 30 June 2014 amounted to RMB667,020,000 (31 December 2013: RMB666,131,000).

Chengdu Government is required to arrange public auction for these parcels of land on or before 30 June 2015 after the Group has completed construction of ancillary facilities and the Chengdu Government is required to pay certain percentage of sale proceeds received in public auction to the Group.

### ● 16. Deposits Paid for Acquisition of a Joint Venture

As at 30 June 2014, the Group had made deposits of approximately RMB871,676,000 in relation to the acquisition of 60% equity interest of Nanjing Zhongchu Property Development Company Limited ("南京中儲房地產開發有限公司") ("Nanjing Zhongchu") from an independent third party. Nanjing Zhongchu is principally engaged in property development in the PRC.

According to the sales and purchase agreement, on completion of the aforesaid transaction, the Group has the right to appoint three members out of five to the board of directors and all significant operating decisions require two-third consent and approval from the board of directors including the Group and another joint venturer. The deposits paid are classified as deposits paid for acquisition of a joint venture.

At the date when these condensed consolidated financial statements were authorised for issue, the aforesaid transactions have not yet been completed.

### ● 17. Deposits Paid for Acquisition of Land Use Rights

The Group had made deposits in relation to acquisition of land use rights from the third parties. In the opinion of the directors, the aforesaid transactions are expected to be completed within twelve months from the end of the reporting period.

## For the six months ended 30 June 2014

## ● 18. Deferred Taxation

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the reporting period:

	Fair value change of investment properties RMB'000	Revaluation of other properties RMB'000	Temporary difference on accruals RMB'000	Tax losses RMB'000	Intangible assets RMB'000 (note)	Others RMB'000	Total RMB'000
At 1 January 2014 (audited)	813,471	20,474	(30,708)	(118,786)	226	(358,215)	326,462
Charge (credit) to profit or loss	12,300	–	4,308	5,600	(113)	(12,112)	9,983
Acquisition of subsidiaries (note 25)	19,294	–	–	–	–	–	19,294
Disposal of partial interests in subsidiaries (note 26)	–	–	1,206	4,281	–	8,548	14,035
At 30 June 2014 (unaudited)	845,065	20,474	(25,194)	(108,905)	113	(361,779)	369,774

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 tax assets and liabilities have been offset. The following is the analysis of the deferred taxation balances for financial reporting purposes:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Deferred tax assets	(412,184)	(393,454)
Deferred tax liabilities	781,958	719,916
	369,774	326,462

At 30 June 2014, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was approximately RMB5,371,656,000 (31 December 2013: RMB4,939,281,000). 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.

## ● 19. Trade and Other Receivables

Trade receivables are mainly arisen from sales of properties, rental income derived from investment properties, agency fee income in respect of property rentals, service and management income in respect of property management.

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Trade receivables	740,253	661,721
Prepayments and other deposits	115,374	116,237
Prepayments to suppliers	249,594	226,028
Prepayments for construction work	2,104,679	1,511,936
Consideration receivable on disposal of a subsidiary in 2013	102,685	205,369
Consideration receivable on disposal of partial interests in subsidiaries resulting in loss of control (note 26)	388,990	–
Amount due from Pixian Government	135,830	375,989
Other tax prepayments	220,548	207,522
Other receivables	378,848	278,857
	4,436,801	3,583,659

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

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
0–30 days	142,381	300,701
31–90 days	236,063	97,072
91 days–180 days	84,924	45,825
181 to 365 days	145,530	143,666
Over 1 year	131,355	74,457
	740,253	661,721

The trade receivables as at 30 June 2014 included the receivables from the property sales of approximately RMB561,949,000 (31 December 2013: RMB536,501,000) whereby the banks have agreed in writing to provide, without any conditions, mortgage facilities to the property purchasers and the banks are in process of releasing the funds to the Group.

For the six months ended 30 June 2014

● 20. Trade and Other Payables

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Trade payables	2,300,310	1,660,348
Deposit received	25,034	24,067
Other payables	2,196,182	515,233
Other taxes payables	67,534	61,559
Payroll payable	78,382	74,103
Welfare payable	3,250	2,620
Retention payable	58,403	60,400
Consideration payable	–	19,462
Accruals	97,460	35,837
	4,826,555	2,453,629

The following is an aging 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 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
0–60 days	1,765,238	1,217,018
61–180 days	302,608	223,488
181 days–365 days	202,629	153,212
1–2 years	50,724	42,320
2–3 years	18,612	80,116
Over 3 years	18,902	4,594
	2,358,713	1,720,748

## ● 21. Borrowings

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Bank loans	5,698,355	5,395,393
Other loans	800,000	1,600,000
	6,498,355	6,995,393
Secured	6,318,333	5,886,462
Unsecured	180,022	1,108,931
	6,498,355	6,995,393

During the current period, the Group obtained new borrowings amounting to approximately RMB2,437,143,000 (six months ended 30 June 2013: RMB2,500,597,000) and repaid borrowings amounting to approximately RMB1,923,502,000 (six months ended 30 June 2013: RMB2,147,808,000).

Carrying amount repayable:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within one year	2,342,548	2,053,357
More than one year	4,155,807	4,942,036
	6,498,355	6,995,393

The new borrowings raised are denominated in Renminbi, Hong Kong Dollars and United States Dollars. The new borrowings raised in the current period per annum are either having variable interest rate at Hong Kong Interbank Offered Rate plus 2.0%, variable interest rate at London Interbank Offered Rate plus 3.7%, variable interest rate at Benchmark Borrowing Rate of the PRC plus 2.0%, or fixed interest rate at 1.3% per annum.

## For the six months ended 30 June 2014

## ● 22. Senior Notes

In addition to the 2010 senior notes, 2012 senior notes, 2013 — January senior notes and 2013 — May senior notes issued in prior years, on 23 January 2014, the Company issued another guaranteed senior notes in an aggregate principal amount of USD300,000,000. The senior notes are guaranteed by certain equity interests of the subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the Singapore Exchange Securities Trading Limited (the “SGX”) and carry interest of 10.625% per annum and interest is payable semi-annually on 23 January and 23 July in arrears. The senior notes will mature on 23 January 2019, unless redeemed earlier.

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

	RMB'000
At 1 January 2014 (audited)	4,843,390
Net proceeds on the date of issuance	1,801,274
Interest expenses	376,485
Exchange loss	39,972
Less: interest paid to note holders	(278,650)
At 30 June 2014 (unaudited)	6,782,471

Carrying amount repayable:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within one year	746,955	—
More than one year	6,035,516	4,843,390
	6,782,471	4,843,390

The carrying amounts and fair values of senior notes (based on the ask price in SGX) are disclosed below:

	30 June 2014		31 December 2013	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Senior notes	6,782,471	6,279,705	4,843,390	5,222,844



## ● 23. Share Capital

	Number of shares	Amount HK\$	Equivalent to RMB'000
Ordinary shares of HK\$0.1 each			
<b>Authorised:</b>			
At 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014	8,000,000,000	800,000,000	704,008
<b>Issued and fully paid:</b>			
At 1 January 2013 and 30 June 2013	5,207,221,750	520,722,175	457,093
At 1 January 2014	4,893,733,750	489,373,375	429,575
Issue of shares as consideration for the acquisition of Huizhou TCL Property Development Company Limited (note 25(i))	863,600,074	86,360,007	67,900
Issue of shares upon exercise of share option	90,000	9,000	7
At 30 June 2014	5,757,423,824	575,742,382	497,482

## ● 24. PERPETUAL CAPITAL INSTRUMENT

In April 2014, a wholly owned subsidiary (the "Subsidiary") of the Company issued perpetual capital instrument (the Perpetual Capital Instrument) with the aggregate principal amount of RMB700,000,000 by entering into an agreement (the "Agreement") with an independent third party. The Perpetual Capital Instrument was issued for development of existing project of the Subsidiary in PRC.

Pursuant to Agreement, the Perpetual Capital Instrument has no fixed maturity date and redeemable at the Subsidiary's option at their principal amount together with accrued, unpaid or deferred distribution payments. The distribution rate for the instruments are 9% per annum for the first and second year, then increase to 24% per annum for the third year and years after. If no distribution is paid in that year, the distribution rate will be adjusted by a 100% premium in the next year and so on. The distribution rate is capped at 24% per annum. The Perpetual Capital Instrument is jointly guaranteed by the certain subsidiaries of the Company, Pan Jun and Zeng Jie, Baby, the controlling shareholders of the Company, and secured by pledges of the Shares of a subsidiary of the Company and a land use right.

The payments of distribution can be deferred at the discretion of the Subsidiary while any distributions are unpaid or deferred, the Company and the Subsidiary cannot declare or pay dividends. Therefore, the Perpetual Capital Instrument is classified as equity instrument and presented as a part of equity in the condensed consolidated statement of financial position.

## ● 25. Acquisitions of Subsidiaries

- (i) On 6 January 2014, the Group acquired several property development projects through the acquisition of the entire equity interest and indebtedness due to former shareholder in Huizhou TCL Property Development Company Limited (惠州TCL房地產開發有限公司) ("Huizhou TCL") from TCL Corporation and two other independent third parties at a consideration of approximately RMB1,905,053,000.

The consideration of RMB939,525,000 has been settled by the issuance of 863,600,074 ordinary shares in the Company to TCL Corporation, and the remaining consideration of RMB965,528,000 will be payable within 3 years.

- (ii) On 30 June 2014, the Group acquired a property development project through the acquisition of the 81% equity interest in Shenzhen Jindiying Investment Company Limited (深圳市金地盈投資有限公司) from an independent third party at a cash consideration of approximately RMB8,100,000.

## For the six months ended 30 June 2014

## ● 25. Acquisitions of Subsidiaries (continued)

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

	RMB'000
Property, plant and equipment	8,061
Investment properties	165,932
Interests in joint ventures	10,007
Deposit paid for acquisition of land use rights	308,532
Deferred tax assets	316
Properties for sale	1,634,990
Prepaid lease payments	595,577
Trade and other receivables	74,777
Bank balances and cash	198,019
Trade and other payables	(547,994)
Deposits received for sale of properties	(7,741)
Amounts due to certain subsidiaries of the Company	(241,900)
Amount due to a joint venture	(10,000)
Tax payables	(88,419)
Deferred tax liabilities	(19,610)
Borrowings	(137,000)
	1,943,547
Identifiable net assets attributable to:	
Owners of Huizhou TCL	1,913,153
Non-controlling interests	30,394
	1,943,547
Total consideration satisfied by:	
Cash	8,100
Issue of shares as consideration of acquisition of subsidiaries	939,525
Consideration payable (note)	965,528
	1,913,153
Net cash outflow arising on acquisitions	
Settlement of consideration	947,625
Bank balances and cash acquired	(198,019)
	749,606

Note: According to the sales and purchase agreements, the remaining unpaid consideration due to TCL Corporation is interest bearing at 10.58% per annum and to be settled by three instalments and the last instalment to be settled before 6 January 2017, the unpaid consideration payables are as follows:

	RMB'000
Consideration payables at date of acquisition	965,528
Interest for the period	20,081
	985,609
Repayable within one year	342,025
Repayable after one year	643,584
Classified as amount due to a shareholder	985,609

## ● 26. Disposal of Partial Interests in Subsidiaries Resulting in Loss of Control

On 30 June 2014, the Group disposed of 51% equity interests in both Chengdu Wangcong Property Development Company Limited (成都望叢房地產開發有限公司) (the “Wangcong”) and Suzhou Yin Zhuang Property Development Company Limited (蘇州銀莊置地有限公司) (the “Yin Zhuang”), previous indirect wholly owned subsidiaries of the Company, to an independent third party resulting in lost control upon completion of the transactions. The remaining equity interests in Wangcong and Yin Zhuang are classified as interests in joint ventures. The joint ventures are principally engaged in property development which holds properties under development in the PRC.

These transactions were accounted for as disposal of partial interests in subsidiaries resulting in loss of control. Details are summarised below:

Assets and liabilities derecognised at dates of loss of control of the disposed subsidiaries are as follows:

	RMB'000
Property, plant and equipment	1,247
Deferred tax assets	14,035
Properties under development for sale	2,270,964
Trade and other receivables	43,013
Amounts due from certain subsidiaries of the Company	409,925
Tax recoverable	17,633
Restricted bank deposit	22,707
Bank balances and cash	28,128
Trade and other payables	(98,906)
Deposits received for sale of properties	(796,020)
Borrowings	(1,150,000)
	762,726
Less: retained equity interest held by the Group	
– classified as interests in joint ventures	(373,736)
Consideration receivable	388,990

At the date when these condensed consolidated financial statements were authorised for issue, consideration of RMB68,650,000 has been received, the remaining consideration of RMB283,350,000 will be settled by 31 December 2014 according to the sale and purchase agreements.

Note: Amount due from the Group, which is shown as amounts due to joint ventures on the condensed consolidated statement of financial position of the Group, is unsecured, interest-free and repayable on demand.

## For the six months ended 30 June 2014

## ● 27. 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 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within one year	13,572	8,014
In the second to the fifth year inclusive	21,767	13,364
Over five years	600	–
	35,939	21,378

## ● 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 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within one year	116,951	106,230
In the second to the fifth year inclusive	305,232	261,625
After the fifth year	50,095	146,228
	472,278	514,083

## ● 28. Capital and Other Commitments

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Construction commitments in respect of properties for sale contracted for but not provided in the condensed consolidated financial statements	6,231,435	4,732,040
Construction commitments in respect of investment properties contracted for but not provided in the condensed consolidated financial statements	46,377	31,881
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	106,917	–

## ● 29. Contingent Liabilities

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
(i) Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	4,296,606	3,162,990

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.

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
(ii) Financial guarantees given to bank for the banking facilities granted to a joint venture	550,925	535,132
(iii) During the year ended 31 December 2012, Shenzhen Buji Water Supplies Co., Ltd initiated a legal proceeding against a non-wholly owned subsidiary of the Company, in relation to a water supply contract dispute for a compensation of RMB10,900,000, which included alleged non-payment of RMB2,600,000 and alleged late payment of RMB8,300,000. Up to the date these condensed consolidated financial statements were authorised for issuance, the procedure of the first instance at Shenzhen Longguan Court has completed, however, the outcome of this legal proceeding is yet to be finalised. With reference to the current situation and based on a legal advice obtained by the Group, the Directors of the Company consider that no provision for the litigation is required.		
(iv) Prepaid lease payments (note 14) that are acquired by the Group through acquisition of Huizhou TCL with carrying value of RMB595,577,000, have the risk to be identified as idle land by the relevant regulatory body. The Group is currently working diligently to prevent the possible classification as idle land. Based on legal advices, the Group has assessed the issue and considers that the probability of classification as idle land is remote.		

## For the six months ended 30 June 2014

## ● 30. 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 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Property, plant and equipment	506,265	235,710
Investment properties	2,311,713	2,339,332
Prepaid lease payments	610,083	429,083
Premium on prepaid lease payments	12,961	–
Properties for sale	5,743,712	5,455,403
Bank balances	1,547,020	–
	10,731,754	8,459,528

## ● 31. Related Party Disclosures

Other than disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

- (a) During the period, the Group had the following significant transactions with related parties:

Related parties	Relationship	Transactions	Six months ended 30 June	
			2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Shenzhen Cube Architecture Designing Consultants Company Limited	Company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and the director of the Company	Design service fee income	696	843

- (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	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Short-term benefit	32,842	31,933
Post-employment benefit	2,492	2,081
Share-based payments	3,312	5,427
	38,646	39,441

