



建業地產股份有限公司
Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 0832



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Interim Report



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CORPORATE PROFILE

Central China Real Estate Limited (“Central China” or the “Company”, together with its subsidiaries, collectively the “Group”; stock code: 832.HK) is incorporated in the Cayman Islands as an exempt company with limited liability. It is a leading residential property developer in Henan Province with the class 1 qualification for property development in the PRC.

Positioning itself as a professional and leading regional brand property developer, the Group has been focusing on property development since the early 1990s in Henan Province, one of the most populous provinces in China. Since 2001, the Group further implemented its “Provincial Strategy” and extended the geographical footprint of business to increasing number of cities in Henan Province. As of 30 June 2008, the Group established 29 project companies in 20 cities across Henan Province in tandem to operate its property development business. While further consolidating its leadership in Henan Province, the Group also achieved organic growth in a steady and rapid way. As at 30 June 2008, the Group had an aggregate planned gross floor area (“GFA”) of approximately 1,229,695 sq.m. under development and an aggregate planned GFA of approximately 7,831,442 sq.m. held for future development. The current land reserves will be sufficient to meet its development needs for approximately the next three to four years, which lay down a solid foundation for the future growth of the Group.

Following the great success in its “Provincial Strategy”, in September 2007, 「建業」 (*jian ye*) brand ranked first among the “Top 10 Real Estate Enterprises by Brand Value in Midwestern China in 2007” according to the 2007 China Real Estate Enterprises Brand Value Research Report (2007 中國房地產公司品牌價值研究報告) published in September 2007 by the China Real Estate Top 10 Research Team. The Group also ranked 39th among the “2008 Top 100 Real Estate Enterprises in the PRC” according to the Top 100 China Real Estate Enterprises Research Report (中國房地產百強企業研究報告) published in March 2008 by the China Real Estate Top 10 Research Team.

Looking ahead, the Group will leverage its unique competitiveness in its region, such as brand recognition and reputation, sophisticated development mode and excellent management team to maintain its leading position in Henan Province, targeting to develop into a large PRC property developer with strong profitability and sustainable growth.

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CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the interim results of Central China Real Estate Limited (the "Company", together with its subsidiaries, collectively the "Group"), for the six months ended 30 June 2008 on behalf of the board of directors (the "Board") of the Company.

The property industry in the PRC was undergoing corrections in the first half of 2008. With further macro-control measures imposed by the PRC government authorities and the mist of uncertainty looming in the short-term market, the wait-and-see sentiment was prevailing. This is a challenge that the Group has to confront, and the Group is also responsible for sharing related perspectives with our shareholders.

There are two most influential events for human beings in this century, the information industry revolution and urbanization of China. The latter implies that approximately 800 million people have been migrating from rural areas to cities, which will significantly affect the landscape of the world's economy. We feel lucky and are proud of having this chance to be a part of this evolution. Meanwhile, China's gross domestic product ("GDP") maintained a rapid growth at 10.4% in the first half of 2008.

In this regard, the inherent rule governing the long-term development of the property industry remains unchanged. Economic growth and the evolving housing pattern are continuously accelerating the pace of urbanization. Therefore, the PRC residential property market is still one of the most attractive and potential markets in the PRC for the next decade. The Company is full of confidence in the future prospect of China's property market.

Year 2008 is a crucial year for the Group. On 6 June 2008, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The listing not only further expands the business scope of the Company, but also enables the Company to attract a group of stable and high-quality shareholders. This is a significant milestone in the development history of the Group.

The Company aims to improve and upgrade its professional quality and profitability, development capability and service level. In the first half of this year, the Group's profit margin surged along with its improving cost control ability. Our new development projects including Century Huayang (世紀華陽) (Luoyang), Landmark (Zhengzhou) and U-Town • Nordic White Night received overwhelming response despite market adversity. The Group achieved outstanding sales results due to various factors including the Group's strengths in product innovation and strong brand recognition supported by quality products and services at reasonable prices. In addition, the Group established "Premium Service Company" to create a province-wide community service system, which is expected to boost extra value to the Group's property development business and will become a new profit driver of the Group in the future.

As a regional real estate benchmarking enterprise, the Company always infuses the core value of “Rooted in central part of China, contribute to the society” into its corporate behaviors, and demonstrates prudent business operations and admirable corporate style. Aspiring to become a top-tier enterprise in the PRC, the Company always persists in the improvement of product quality and service level, to repay our shareholders, home-owners and partners with higher return.

Without the diligence and efforts of our management and staff in improving their professional spirits and qualities, the Group would have never achieved such outstanding results. We thank the governments of Henan Province and the public for their sincere care and support in the hope of vitalizing Henan’s economy and building industry giants. We would also like to express our sincere gratitude to our shareholders and customers for their greatest support and trust. Let us contribute together to a more glamorous future of the Group.

Wu Po Sum
Chairman

12 September 2008

MANAGEMENT DISCUSSION AND ANALYSIS

I. OPERATION REVIEW

(I) *Market Review*

According to the China National Statistical Bureau, China's gross domestic product ("GDP") increased by 10.4% year on year to RMB13,061.9 billion in the first half of 2008. The economy of China was developing towards the expected macro control and remained a stable and rapid growth momentum. The GDP of Henan Province, being the major market of the Group, increased by 13.7% year on year to RMB859.4 billion in the first half of 2008, 3.3 percentage points higher than China's overall GDP growth. Zhengzhou City achieved GDP of RMB134.2 billion, representing an increase of 14.1% year on year while the disposable income of its urban residents was RMB8,224 per capita, up 14.3% year on year. The economy of Henan Province and Zhengzhou City maintained a healthy and rapid growth.

In the first half of 2008, the investment in the property development in Henan Province reached RMB50.1 billion, representing a year-on-year increase of 48.7%. However, due to the lingering wait-and-see sentiment in the market, the transaction volume of commodity properties in Henan Province decreased but with a slight increase in price. The total gross floor area ("GFA") sold was 11,555,500 sq.m., down 8.7% year on year while the average price was RMB2,369, up 6.4% year on year, higher than the national average level.

In general, the PRC real estate industry is gradually returning to a rational stage which will last for a certain period of time after the rampant growth thereof in recent years. Based on the analysis on recent changes in property market data, the buyers tend to be more rational. The demands from first-time home buyers and owner-occupied properties with a view to improve housing conditions prevails in the market.



(II) *Project Development*

The Group aims to provide our investors, the society and our staff with a mutual trust and win-win platform, by virtue of its favourable management standard. In the first half of 2008, the Group enhanced its project management control and used its best endeavour to secure the accomplishment of annual operating target and achieved admirable results.

(1) Sales of properties

The Group's principal revenue is from the sales of properties in the PRC. In the first half of 2008, the revenue from the sales of commodity properties increased by 103.4% to RMB1,139 million from RMB560 million in the same period of 2007. The recognised area of the properties sold was 307,734 sq.m., representing an increase of 67.4% as compared to 183,835 sq.m. in the same period of 2007. The average sales price was RMB3,703 per sq.m., up 21.6% as compared to RMB3,046 per sq.m. in the same period of 2007.

(2) Development schedule

In the first half of 2008, the Group commenced construction of 9 projects or phases with newly commenced GFA of 649,760 sq.m.

Newly commenced projects for the six months ended 30 June 2008

Location	Newly commenced GFA (sq.m.)
Zhengzhou	210,714
Other cities in Henan Province	439,046
Total	649,760





As at 30 June 2008, the Group had 15 projects or phases under construction, of which 4 were in Zhengzhou City and 11 in other cities of Henan Province. The total GFA of projects under development was 1,229,695 sq.m.

In the first half of 2008, the Group had 10 completed projects or phases. The total completed GFA was 354,008 sq.m., with saleable GFA of 324,336 sq.m. As at 30 June 2008, saleable GFA of 240,812 sq.m. had been sold, with a sale/pre-sale rate of 74.3%.

Completed projects for the six months ended 30 June 2008

Project	Total GFA (sq.m.)	Saleable GFA (sq.m.)	Pre-sale/Sold GFA (sq.m.)
Phase II of Forest Peninsula (Zhengzhou)	68,648	62,751	59,625
Landmark (Zhengzhou)	45,709	27,229	2,496
Phase III of Forest Peninsula (Luoyang)	14,636	13,649	11,543
Phase III of Forest Peninsula (Zhumadian)	40,468	40,414	40,214
Phase IV of Forest Peninsula (Zhumadian)	16,564	16,564	14,157
Phase I of Forest Peninsula (Xinyang)	22,837	22,275	7,987
Phase I and II of Jianye City (Puyang)	75,061	73,114	59,339
Landmark (Jiyuan)	15,443	15,443	8,127
Phase III of Forest Peninsula (Jiyuan)	30,163	28,418	22,023
Phase II of Forest Peninsula (Pingdingshan)	24,479	24,479	15,301
Total	354,008	324,336	240,812

(3) Sales schedule

In the first half of 2008, the Group's business maintained a healthy and rapid growth.

The Group sold/pre-sold approximately 359,069 sq.m. in the first half of 2008, with a total contracted sales of approximately RMB1,439 million.

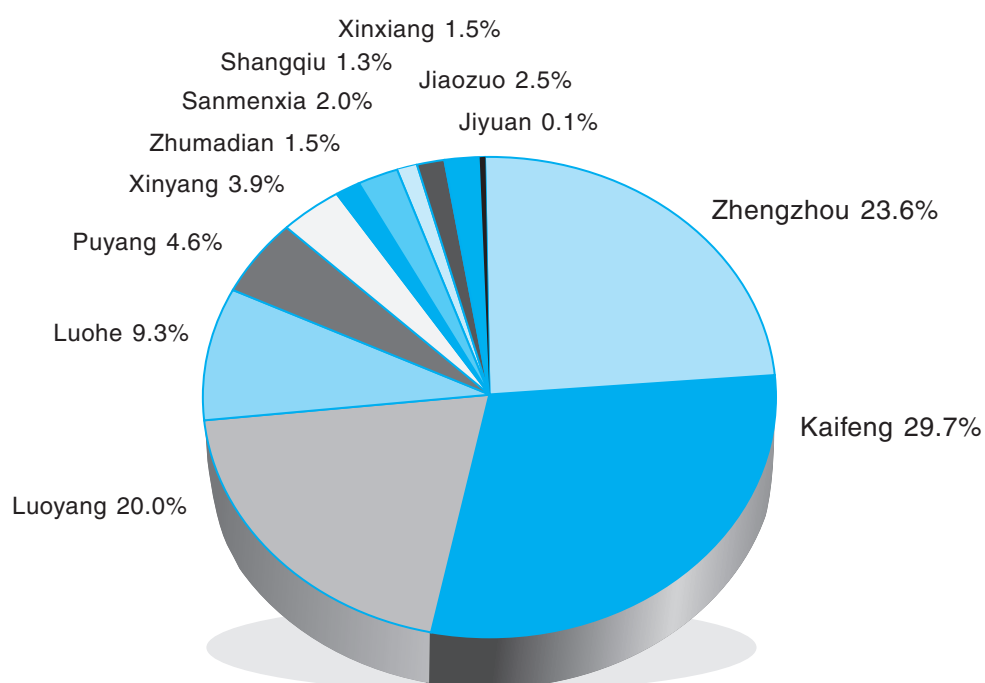
Sales for the six months ended 30 June 2008

Location	Approximate saleable areas sold (sq.m.)	Approximate total value (RMB'000)
Zhengzhou	62,661	504,830
Other cities in Henan Province	296,408	934,270
Total	359,069	1,439,100

(4) Land reserves

The Group always reserves land to meet its strategic development needs through various means, so as to keep the sustainable growth capability of the Group. Such land reserves is expected to generate desirable financial results for the Group in the future. As at the end of the period under review, the Group had land reserves with a total site area of 7,830,000 sq.m., and obtained the land use right certificates in respect of 5,950,000 sq.m. of such land.

Distribution of land reserves by city (as at 30 June 2008)





(5) Equity interest in an acquired project

On 30 June 2008, Artstar Investments Limited (“Artstar Investments”), a subsidiary of the Company, completed the acquisition of the entire equity interest in Country Star Holdings Limited (國星集團有限公司) (“Country Star”) from Asiaworld Development (H.K.) Limited, an independent third party, at a consideration of RMB350 million. Upon completion of the above-mentioned acquisition on 30 June 2008, each of Country Star and Luoyang Zhongya Real Estate Development Company Limited* (洛陽中亞置業發展有限公司) became a non-wholly owned subsidiary of the Company and the Company holds a 65% indirect equity interest in each of them through Artstar Investments. For details, please refer to the section headed “Business — Other Projects — Huayang Square (Luoyang)” in the prospectus (the “Prospectus”) of the Company dated 26 May 2008.

II. BUSINESS OUTLOOK

(I) *Market Outlook*

In the first half of 2008, the PRC government introduced macro-economic control measures in response to the concern over the extent of the increase in inflation and the overheating of economic growth. During the period under review, the relevant PRC government authorities started to adopt tight monetary policies and prudent financial policies. The People’s Bank of China required that the total incremental credit of financial institutions in 2008 should not exceed the actual incremental credit in 2007, and raised the reserve ratio against Renminbi deposits of deposit-taking financial institutions for 5 times to alleviate the inflationary pressure and lower the market liquidity. Despite a decline in May and June, the consumer price index (“CPI”) was still hovering at high level. The inflationary pressure lingers. The national economy grew at a slower rate in the second quarter of 2008 and the macro-economic control measures have taken certain effects. The PRC government adjusted its focus of macro control to “maintaining stable and rapid economic growth and controlling the excessive price rises”. On specific regulatory measures, it is expected that the PRC government authorities will on one hand maintain the stability and consistency of its policies and on the other hand strengthen the flexibility of austerity measures, while tuning fiscal and monetary policies in due course to secure the macro-economic goals.

* For identification purposes only



As regards the property industry, relevant PRC government authorities issued the Notice on Promotion of Economical and Intensive Land Use (Guo Fa [2008] No. 3) during the period under review, which introduces the most stringent land policy into practice and promotes the economical and intensive use of land. In the meantime, loans for the property development were strictly controlled under tight monetary policies. The Company is of the opinion that these policies and measures are addressing macro-economic goal instead of the property industry. The Group expects that the implementation of existing policies and measures issued by the central government will become the major tool in the foreseeable future. The conditions for property industry will remain stable essentially, which is favorable for the sustainable, stable and standardised development of the property industry.

It is notable that the transaction volume of commodity properties in most large and medium cities of PRC shrunk to different extents, although the price of commodity properties remained a rising momentum. The Company is still optimistic about the medium-to-long-term growth prospect of the PRC property industry and is of the view that such phenomenon is normal during the industry's progress, which provides opportunities for acquisition and merger to enlarge the Group's market share at the same time. By virtue of its visionary insights into the market trend and responsive capability against short-term market fluctuations, the Group has adopted counter-measures to ensure the accomplishment of its operating plan.

(II) *Business planning*

In line with the Group's 2008 development plan, we expect that the Group will complete the construction of 15 projects or phases in the second half of 2008, with an aggregate completed GFA of 1,110,263 sq.m.. In the second half of 2008, the Group will continue to focus on enhancement of planning execution as well as quality improvement of projects, products and services, so as to accomplish the operating and management targets of the year, laying a solid foundation for the growth in the coming years. Based on the results of the first half of 2008 and expected sales performance for the second half of 2008, the profit forecast for the financial year ended 31 December 2008 as contained in the Prospectus remains unchanged.



(III) *Completion and delivery plan*

According to the development plan of the Group, completion of the construction in respect of 15 projects (phases) is expected to take place in the second half of 2008, with an aggregate completed GFA of 1,110,263 sq.m. At present, the schedules of projects are carried out in an orderly manner, particulars of which are as follows:

Expected completion of constructions in the second half of 2008 (1 July 2008 to 31 December 2008)

No.	Project	Phase	Expected GFA completed in the second half (sq.m.)	Expected saleable area completed in the second half (sq.m.)	Expected delivery time
1	Landmark (Zhengzhou)		157,424	129,861	September
2	Forest Peninsula (Luohe)	Phase II	58,110	53,613	September
3	Forest Peninsula (Jiaozuo)	Phase II	109,085	109,085	September
4	U-Town (Zhengzhou)	Phase IV	75,149	56,424	December
5	Forest Peninsula (Zhengzhou)	Phase IV	37,941	37,941	November
6	Champagne Garden (Zhengzhou)		66,276	55,016	December
7	Shangjie Forest Peninsula (Zhengzhou)	Phase I	50,237	50,237	December
8	Sweet-Scented Osmanthus Garden	Phase III	40,132	40,132	December
9	Forest Peninsula (Zhumadian)	Phase IV	31,833	31,833	December
10	Forest Peninsula (Xinyang)	Phase II	66,505	64,219	December
11	Jianye City (Puyang)	Phase III	38,902	38,902	December
12	Landmark (Jiyuan)		11,296	11,296	December
13	Forest Peninsula (Sanmenxia)		83,994	83,994	December
14	City Garden (Kaifeng)	Phase I	212,188	212,188	December
15	Forest Peninsula (Kaifeng)	Phase I	71,191	71,191	December
Total			<u>1,110,263</u>	<u>1,045,932</u>	

III. FINANCIAL ANALYSIS

During the period under review, the property development business of the Group maintained sustaining and rapid growth which translated to significant movements in the financial information are as follows:

Profit for the period: In the first half of 2008, the profit attributable to the shareholders (the “Shareholders”) of the Company increased by 526.3% to RMB236 million as compared to RMB38 million in the same period last year, mainly attributable to the rise in turnover, increase in average selling price and increase in saleable area for the period.

Turnover: In the first half of 2008, the Group’s turnover was RMB1,208 million (including RMB1,139 million from sale of commodity properties, accounting for approximately 94%), representing an increase of RMB636 million, or approximately 111.3% as compared to RMB572 million in the same period of 2007, mainly due to a 67.4% increase in GFA completed and sold, from 183,835 sq.m. in the first half of 2007 to 307,734 sq.m. in the same period of 2008, together with a 21.6% increase in average selling price from RMB3,046 in the first half of 2007 to RMB3,703 in the same period of 2008.

Cost of sale: The Group’s cost of sales increased by RMB327 million, or 76.9%, from RMB426 million in the first half of 2007 to RMB753 million in the first half of 2008. This increase was primarily due to the higher construction and development costs recognised, which rose generally in line with an increase in the total GFA of properties sold. The Group’s land costs per square metre remained largely unchanged in the first half of 2008, and our development costs per square metre were also stable.

Gross profit margin: Gross profit margin increased significantly from 25.5% in the first half of 2007 to 37.7% in the same period of 2008, principally attributable to the increase in the proportion of commercial flats sold, which enjoyed higher profit margin.

Other revenue: Other revenue from operations increased by RMB4 million from RMB9 million in the first half of 2007 to RMB13 million in the first half of 2008, mainly attributable to the increase in interest income from bank deposits arising from higher levels of pre-sale and initial public offering (“IPO”) proceeds.

Other net income/(loss): Other net income increased by RMB22 million from a net loss of RMB0.1 million in the first half of 2007 to net income of RMB22 million in the first half of 2008, primarily as a result of a RMB22 million exchange gain arising from bank loans denominated in foreign currency.

Selling and marketing expenses: Selling and marketing expenses increased from RMB38 million in the same period of 2007 to RMB39 million in the first half of 2008, an increase of RMB1 million. The selling and marketing expenses slightly increased as only a few new projects were launched in the first half of 2008.





General and administrative expenses: General and administrative expenses increased from RMB42 million in the first half of 2007 to RMB58 million in the first half of 2008, an increase of 38.6%, mainly due to the increase in salary of staff and training cost with the expansion of operations.

Other operating expenses: Other operating expenses increased by RMB10 million, from RMB2 million in the first half of 2007 to RMB12 million in the first half of 2008, an increase of 681.7%, mainly due to RMB2 million increase in donation for earthquake in Sichuan, RMB1 million increase in heat and hot water services due to an increase in the prices of coal and oil and RMB7 million increase in compensation paid for cancellation of a rental agreement.

Share of loss of a jointly controlled entity: The Group's share of loss of a jointly controlled entity declined by 100% as CCRE Zhongyuan, in which the Company held a 50% equity interest in the first half of 2007, became a wholly-owned subsidiary of the Company in December 2007.

Share of loss of an associate: In the first half of 2008, the Group accounted for its share of losses amounting to RMB1 million on its investment in St. Andrews Golf Club (Zhengzhou) Company Limited, representing operating expenses incurred by that company in its early stages before revenue was generated.

Finance costs: Finance costs increased by RMB1 million, from RMB27 million in the first half of 2007 to RMB28 million in the first half of 2008, mainly due to higher borrowing to fund the development of additional projects.

Increase in fair value of investment properties: The increase in fair value of the Group's investment properties decreased from RMB13 million in the first half of 2007 by RMB11 million to RMB2 million in the first half of 2008. The fair value of our existing investment properties was roughly in line with current market conditions.

Income tax: The Group's income tax increased by RMB94 million, or 415.2%, from RMB23 million in the first half of 2007 to RMB117 million in the first half of 2008, while the effective tax rate decreased from 38.4% in the first half of 2007 to 33.1% in the first half of 2008. The income tax rose roughly in line with the increase in revenue as more subsidiaries completed projects and generated profit in the first half of 2008, while the effective tax rate declined due to the change in enterprise income tax rate from 33% to 25%.

Financial resources and utilisation: As at 30 June 2008, the Group's cash on hand amounted to RMB1,102 million (31 December 2007: RMB400 million). During the reporting period, the Group distributed a dividend of RMB152 million to then shareholders of the Group and raised proceeds of RMB1,121 million from the IPO of the Company, net of listing expenses.



Pledge of assets: As at 30 June 2008, the Group had pledged restricted bank deposits, investment properties and properties held for future development and under development for sales with an aggregate carrying amount of approximately RMB1,143 million to secure general bank credit facilities granted to the Group.

Financial guarantees: As at 30 June 2008, the Group provided guarantees of approximately RMB1,690 million to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties.

Capital commitment: As at 30 June 2008, the Group has contractual commitments in respect of properties development activities amount to RMB2,256 million and the Group had authorised, but not yet contracted for, a further RMB4,362 million in expenditure in respect of property development.

IV. LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

The Group's cash and bank deposits (including the restricted cash) amounted to approximately RMB1,453 million as at 30 June 2008 (31 December 2007: RMB904 million). As at 30 June 2008, 65.4% and 34.6% of the Group's cash and bank deposits were denominated in Renminbi, and other currencies (mainly US dollars and HK dollars) respectively (31 December 2007: 81.6% and 18.4%).

Borrowings and charges on group assets

The Group had an aggregated borrowings as at 30 June 2008 of approximately RMB1,601 million, of which approximately RMB962 million will be repayable within 1 year, approximately RMB639 million will be repayable after 1 year but within 2 years. As at 30 June 2008, the substantial part of the bank borrowings were secured by land use rights and properties of the Group and guaranteed by companies of the Group.

Gearing ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalent and restricted cash) over the total capital and reserves attributable to equity owners. As at 30 June 2008, the gearing ratio was 5.9% (31 December 2007: 36.2%).



Risk of exchange rate fluctuation

The Group operates mainly in the PRC, hence most of its revenue and expenses are denominated in Renminbi. In the first half of 2008, the exchange rates of Renminbi strengthened against Hong Kong dollars and US dollars. The Group incurred an exchange gain of RMB22 million for the period ended 30 June 2008, due mainly to exchange gain arising from bank loans denominated in foreign currency.

V. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2008, the total number of employees of the Group was 996. Employees were remunerated based on their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given to employees based on individual performance evaluation.

VI. DIRECTORS' AND EXECUTIVES' INTERESTS

As at 30 June 2008, save as disclosed below, none of the directors (the "Directors" and each a "Director") or chief executives of the Company had registered any interest or short position in the shares (the "Shares"), underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register where were required to be kept under section 352 of the SFO, or as otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

Long positions in the Shares

Name of Director	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in the Company's issued share capital
Mr. Wu Po Sum	Interest in a controlled corporation	944,246,820 (Note 1)	47.21%
	Beneficial owner	6,350,000 (Note 3)	0.32%
Mr. Wang Tianye	Interest in a controlled corporation	13,647,555 (Note 2)	0.68%
	Beneficial owner	2,500,000 (Note 3)	0.13%
Mr. Lim Ming Yan	Beneficial owner	2,500,000 (Note 3)	0.13%
Mr. Leow Juan Thong Jason	Beneficial owner	1,500,000 (Note 3)	0.08%
Ms. Yan Yingchun	Beneficial owner	1,500,000 (Note 3)	0.08%

Notes:

1. Mr. Wu Po Sum holds 100% of the entire issued share capital of Joy Bright Investments Limited (恩輝投資有限公司) (“Joy Bright”). Mr. Wu Po Sum has a controlling interest in Joy Bright and is therefore deemed to be interested in the 944,246,820 Shares held by Joy Bright for the purposes of the SFO.
2. Mr. Wang Tianye holds 100% of the entire issued share capital of Super Joy International Limited (卓愉國際有限公司) (“Super Joy”). Mr. Wang Tianye has a controlling interest in Super Joy and is therefore deemed to be interested in the 13,647,555 Shares held by Super Joy for the purposes of the SFO.
3. Such interest in the Shares is held pursuant to the share options granted under the Pre-IPO Share Option Scheme (as defined below). A summary of the principal terms and conditions of the Pre-IPO Share Option Scheme is set forth in the section headed “Statutory and General Information — Pre-IPO Share Option Scheme” in Appendix VII to the Prospectus.

Short positions in the Shares

Name of Director	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in the Company’s issued share capital
Mr. Wu Po Sum	Interest in a controlled corporation	75,000,000 (<i>Note</i>)	3.75%

Note:

Mr. Wu Po Sum holds 100% of the entire issued share capital of Joy Bright. Mr. Wu Po Sum has a controlling interest in Joy Bright and is therefore deemed to be interested in the 75,000,000 Shares held by Joy Bright for the purposes of the SFO. Such 75,000,000 Shares were borrowed by Morgan Stanley & Co. International plc from Joy Bright pursuant to the stock borrowing agreement (the “Stock Borrowing Agreement”) dated 30 May 2008 to facilitate the settlement of over-allocations in the Global Offering (as defined in the Prospectus), if any.



VII. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2008, save as disclosed below, none of any persons (except for the Directors or chief executives of the Company) had registered any interest or short position in the Shares, underlying Shares representing 5% or more of the nominal value of Shares comprised in the relevant share capital of the Company as recorded in the register kept by the Company under section 336 of the SFO.

(i) Long positions in the Shares

Name of Shareholder	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in the Company's issued share capital (Note 1)
Joy Bright (Note 2)	Beneficial owner	944,246,820	47.21%
Mr. Wu Po Sum (Note 2)	Interest in a controlled corporation	944,246,820	47.21%
CapitaLand LF (Cayman) Holdings Co., Ltd. ("CapitaLand (Cayman)") (Note 3)	Beneficial owner	542,105,625	27.11%
CapitaLand China Holdings Pte Ltd (凱德置地中國控股私人有限公司*) ("CapitaLand China") (Note 3)	Interest in a controlled corporation	542,105,625	27.11%
CapitaLand Residential Limited ("CapitaLand Residential") (Note 3)	Interest in a controlled corporation	542,105,625	27.11%
CapitaLand Limited ("CapitaLand") (Note 3)	Interest in a controlled corporation	542,105,625	27.11%
Temasek Holdings (Private) Limited (Note 3)	Interest in a controlled corporation	542,105,625	27.11%

- (1) The percentage shareholdings are based on a total of 2,000,000,000 Shares in issue.
- (2) Mr. Wu Po Sum holds 100% of the entire issued share capital of Joy Bright and will be deemed to be interested in the 944,246,820 Shares held by Joy Bright for the purposes of the SFO.
- (3) CapitaLand (Cayman) is directly wholly owned by CapitaLand China, CapitaLand China is directly wholly owned by CapitaLand Residential and CapitaLand Residential is directly wholly owned by CapitaLand. Temasek Holdings (Private) Limited has an interest in approximately 41.5% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand Residential, CapitaLand and Temasek Holdings (Private) Limited is deemed or taken to be interested in the 542,105,625 Shares which are owned by CapitaLand (Cayman) for the purposes of the SFO.

* For identification purposes only

(ii) *Short positions in the Shares*

Name of Shareholder	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in the Company's issued share capital
Joy Bright	Beneficial owner	75,000,000 (<i>Note</i>)	3.75%
Mr. Wu Po Sum	Interest in a controlled corporation	75,000,000 (<i>Note</i>)	3.75%

Note:

Mr. Wu Po Sum holds 100% of the entire issued share capital of Joy Bright. Mr. Wu Po Sum has a controlling interest in Joy Bright and is therefore deemed to be interested in the 75,000,000 Shares held by Joy Bright for the purposes of the SFO. Such 75,000,000 Shares were borrowed by Morgan Stanley & Co. International plc from Joy Bright pursuant to the Stock Borrowing Agreement to facilitate the settlement of over-allocations in the Global Offering (as defined in the Prospectus), if any.

VIII. PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listing securities.

IX. SHARE OPTION SCHEMES

Two share option schemes were adopted by the Company namely, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the share option scheme (the "Share Option Scheme").

A. *Pre-IPO Share Option Scheme*

The Shareholders conditionally adopted the Pre-IPO Share Option Scheme by written resolutions on 14 May 2008. A summary of the principal terms and conditions of the Pre-IPO Share Option Scheme is set forth in the section headed "Statutory and General Information — Pre-IPO Share Option Scheme" in Appendix VII to the Prospectus.





Movement of share options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2008 was as follows:

Name or category of participants	Date of grant	Exercise price per Share	Number of Shares subject to share options				Outstanding as at 30 June 2008
			As at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	
Directors							
Mr. Wu Po Sum	14 May 2008	HK\$2.75	—	6,350,000	—	—	6,350,000
Mr. Lim Ming Yan	14 May 2008	HK\$2.75	—	2,500,000	—	—	2,500,000
Mr. Wang Tianye	14 May 2008	HK\$2.75	—	2,500,000	—	—	2,500,000
Mr. Leow Juan Thong Jason	14 May 2008	HK\$2.75	—	1,500,000	—	—	1,500,000
Ms. Yan Yingchun	14 May 2008	HK\$2.75	—	1,500,000	—	—	1,500,000
			—	14,350,000	—	—	14,350,000
Senior management, other employees and consultants of the Group							
	14 May 2008	HK\$2.75	—	17,650,000	—	—	17,650,000
			—	32,000,000	—	—	32,000,000

Note :

In relation to each grantee of the share options granted under the Pre-IPO Share Option Scheme, no share option is exercisable within the first year from the date of listing of the Shares on the Stock Exchange, that is, 6 June 2008 (the “Listing Date”), not more than 20% of the share options are exercisable within the second year from the Listing Date and not more than 40% of the share options are exercisable in each of the third and fourth year from the Listing Date.

B. Share Option Scheme

The Shareholders conditionally adopted the Share Option Scheme by written resolutions on 14 May 2008. A summary of the principal terms and conditions of the Share Option Scheme is set forth in the section headed “Statutory and General Information — Share Option Scheme” in Appendix VII to the Prospectus.

Under the Share Option Scheme, the employees of the Group (including the executive Directors) and such other persons as the Board may consider appropriate may be granted options which entitle them to subscribe for Shares representing, when aggregated with any Shares subject to any other scheme of the Company, up to a maximum of 10% of the Shares in issue as of 6 June 2008, unless the Company obtains a fresh approval from the Shareholders to renew the said limit or the Shareholders specifically approve the grant. As at 30 June 2008, no option has been granted under the Share Option Scheme.

X. CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has strictly complied with the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules since the Listing on 6 June 2008.

XI. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has strictly complied with the Model Code in Appendix 10 to the Listing Rules since the Listing on 6 June 2008. Having made specific enquiry to all Directors, the Company confirmed that all Directors had complied with the Model Code.

XII. AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set forth in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to assist the Board to provide an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee consists of two independent non-executive Directors, Mr. Cheung Shek Lun and Mr. Fang Fenglei, and one non-executive Director, Mr. Leow Juan Thong Jason. Mr. Cheung Shek Lun, who has professional qualifications in accountancy, is the chairman of the Audit Committee.

XIII. REMUNERATION COMMITTEE

The Company established a remuneration committee (the “Remuneration Committee”) with written terms of reference setting out its authority and duties. The Remuneration Committee comprises two independent non-executive Directors, Mr. Cheung Shek Lun and Mr. Fang Fenglei, and one executive Director, Mr. Wu Po Sum. Mr. Wu Po Sum is the chairman of the Remuneration Committee.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Po Sum

Mr. Wang Tianye

Ms. Yan Yingchun

Non-executive Directors

Mr. Lim Ming Yan

Mr. Leow Juan Thong Jason

Ms. Wallis Wu

Independent Non-executive Directors

Mr. Cheung Shek Lun

Mr. Fang Fenglei

Mr. Wang Shi

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Tang Man Joe

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 88, Jianye City Garden, Jianye Road

Zhengzhou City, Henan Province, the PRC

PLACE OF BUSINESS IN HONG KONG

Room 1008, Concordia Plaza, 1 Science Museum Road

Tsimshatsui East, Kowloon, Hong Kong

WEBSITE OF THE COMPANY

www.centralchina.com



PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
Grand Cayman
KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation

LEGAL ADVISER (AS TO HONG KONG LAW)

Li & Partners

AUDITOR

KPMG *Certified Public Accountants*

COMPLIANCE ADVISER

Guotai Junan Capital Limited

INVESTOR AND MEDIA RELATIONS ADVISOR

Wonderful Sky Financial Group Limited

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INTERIM FINANCIAL REPORT UNAUDITED CONSOLIDATED INCOME STATEMENT

(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2008 RMB'000	2007 RMB'000
Turnover	2	1,208,271	571,851
Cost of sales		<u>(753,264)</u>	<u>(425,919)</u>
Gross profit		455,007	145,932
Other revenue	3	13,532	9,130
Other net income/(loss)	3	22,201	(81)
Selling and marketing expenses		(39,215)	(37,876)
General and administrative expenses		(57,942)	(41,792)
Other operating expenses		<u>(11,749)</u>	<u>(1,503)</u>
Profit from operations		381,834	73,810
Share of loss of a jointly controlled entity		—	(512)
Share of loss of an associate		(910)	—
Finance costs	4(a)	<u>(28,331)</u>	<u>(27,366)</u>
Profit before increase in fair value of investment properties and income tax		352,593	45,932
Increase in fair value of investment properties		<u>2,200</u>	<u>13,450</u>
Profit before taxation	4	354,793	59,382
Income tax	5	<u>(117,443)</u>	<u>(22,797)</u>
Profit for the period		<u>237,350</u>	<u>36,585</u>
Attributable to:			
Equity holders of the Company		236,239	37,717
Minority interests		<u>1,111</u>	<u>(1,132)</u>
Profit for the period		<u>237,350</u>	<u>36,585</u>
Dividends	6	<u>152,000</u>	—
Basic earnings per share (RMB cents)	7	<u>11.81</u>	<u>1.89</u>

The notes on pages 29 to 49 form part of this interim financial report.



UNAUDITED CONSOLIDATED BALANCE SHEET

(Expressed in Renminbi Yuan)

	Note	30 June 2008 RMB'000	31 December 2007 RMB'000
Non-current assets			
Property, plant and equipment	8	155,110	155,084
Investment properties under development	8	24,461	23,683
Investment properties	9	248,800	246,600
Interest in an associate		24,375	25,285
Other financial assets		15,400	15,400
Deferred tax assets		38,845	47,677
		<u>506,991</u>	<u>513,729</u>
Current assets			
Inventories	10	4,538,281	3,344,470
Trade and other receivables	11	664,388	760,917
Prepaid tax		57,047	35,203
Restricted bank deposits	12	351,497	504,601
Cash and cash equivalents		1,101,579	399,602
		<u>6,712,792</u>	<u>5,044,793</u>
Current liabilities			
Bank loans	13	866,903	1,001,273
Other loans	14	95,210	—
Trade and other payables and accruals	15	1,459,663	1,335,943
Receipts in advance		1,353,893	1,244,186
Tax payable		59,549	53,135
		<u>3,835,218</u>	<u>3,634,537</u>
Net current assets		<u>2,877,574</u>	<u>1,410,256</u>
Total assets less current liabilities		<u>3,384,565</u>	<u>1,923,985</u>
Non-current liabilities			
Bank loans	13	613,128	248,000
Other loans	14	26,260	136,430
Deferred tax liabilities		68,101	64,754
		<u>707,489</u>	<u>449,184</u>
NET ASSETS		<u>2,677,076</u>	<u>1,474,801</u>

UNAUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)

(Expressed in Renminbi Yuan)

	Note	30 June 2008 RMB'000	31 December 2007 RMB'000
CAPITAL AND RESERVES	16		
Share capital		179,637	114
Reserves		2,344,269	1,330,173
Total equity attributable to equity holders of the Company		2,523,906	1,330,287
Minority interests		153,170	144,514
TOTAL EQUITY		2,677,076	1,474,801

Approved and authorised for issue by the board of directors on 12 September 2008.

The notes on pages 29 to 49 form part of this interim financial report.



UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Renminbi Yuan)

	Note	Attributable to equity holders of the Company										
		Share capital	Share premium	Statutory reserve fund	Other capital reserve	Exchange reserve	Employee share-based		Retained profits	Total	Minority interests	Total equity
							compensation reserve	reserve				
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2007	16(a)	106	499,974	41,360	134,911	(1,538)	—	62,145	736,958	73,158	810,116	
Profit for the period		—	—	—	—	—	—	37,717	37,717	(1,132)	36,585	
Exchange difference on translation of financial statements of overseas subsidiaries		—	—	—	—	(535)	—	—	(535)	—	(535)	
Appropriation of statutory reserve fund		—	—	10,990	—	—	—	(10,990)	—	—	—	
Contributions from minority shareholders		—	—	—	—	—	—	—	—	48,000	48,000	
At 30 June 2007	16(a)	106	499,974	52,350	134,911	(2,073)	—	88,872	774,140	120,026	894,166	
At 1 July 2007	16(a)	106	499,974	52,350	134,911	(2,073)	—	88,872	774,140	120,026	894,166	
Profit for the period		—	—	—	—	—	—	127,271	127,271	6,712	133,983	
Exchange difference on translation of financial statements of overseas subsidiaries		—	—	—	—	(7,949)	—	—	(7,949)	—	(7,949)	
Appropriation of statutory reserve fund		—	—	62,816	—	—	—	(62,816)	—	—	—	
Dividend declared and paid		—	—	—	—	—	—	(76,612)	(76,612)	—	(76,612)	
Acquisition of additional interest in a subsidiary		—	—	—	(5,997)	—	—	—	(5,997)	(41,658)	(47,655)	
Issue of new shares	16(b)	8	499,992	—	—	—	—	—	500,000	—	500,000	
Acquisition of subsidiaries		—	—	—	19,434	—	—	—	19,434	33,334	52,768	
Dividend paid to a minority shareholder		—	—	—	—	—	—	—	—	(6,500)	(6,500)	
Contribution from minority shareholders		—	—	—	—	—	—	—	—	32,600	32,600	
At 31 December 2007	16(b)	114	999,966	115,166	148,348	(10,022)	—	76,715	1,330,287	144,514	1,474,801	

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(Expressed in Renminbi Yuan)

	Attributable to equity holders of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserve fund RMB'000	Other capital reserve RMB'000	Employee share-based		Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
						Exchange reserve RMB'000	compensation reserve RMB'000				
At 1 January 2008		114	999,966	115,166	148,348	(10,022)	—	76,715	1,330,287	144,514	1,474,801
Profit for the period		—	—	—	—	—	—	236,239	236,239	1,111	237,350
Exchange difference on translation of financial statements of overseas subsidiaries		—	—	—	—	(12,639)	—	—	(12,639)	1,045	(11,594)
Appropriation of statutory reserve fund		—	—	35,003	—	—	—	(35,003)	—	—	—
Equity settled share-based transaction		—	—	—	—	—	697	—	697	—	697
Dividend declared and paid		—	—	—	—	—	—	(152,000)	(152,000)	—	(152,000)
Nominal value of share capital of the subsidiary transferred	16(c)	135,021	(999,966)	—	864,945	—	—	—	—	—	—
Issue of new shares, net of listing expenses	16(d)	44,502	1,076,820	—	—	—	—	—	1,121,322	—	1,121,322
Contributions from minority shareholders		—	—	—	—	—	—	—	—	6,500	6,500
At 30 June 2008		<u>179,637</u>	<u>1,076,820</u>	<u>150,169</u>	<u>1,013,293</u>	<u>(22,661)</u>	<u>697</u>	<u>125,951</u>	<u>2,523,906</u>	<u>153,170</u>	<u>2,677,076</u>

The notes on pages 29 to 49 form part of this interim financial report.



UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Cash (used in)/generated from operations	(32,751)	52,716
PRC income tax paid	(119,030)	(40,496)
Net cash (used in)/generated from operating activities	(151,781)	12,220
Net cash used in investing activities	(303,334)	(20,892)
Net cash generated from financing activities	1,168,686	74,630
Net increase in cash and cash equivalents	713,571	65,958
Cash and cash equivalents at the beginning of the period	399,602	319,758
Effect of changes in foreign exchange rate	(11,594)	(535)
Cash and cash equivalents at the end of the period	1,101,579	385,181

The notes on pages 29 to 49 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

1 CORPORATE INFORMATION AND BASIS OF PREPARATION

(a) Corporate information and group reorganisation

Central China Real Estate Limited (“the Company”) was incorporated in the Cayman Islands on 15 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal place of business is at Room 1008, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong and its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Pursuant to a reorganisation (“the Reorganisation”) of the Company and its subsidiaries (“the Group”) which was completed on 14 May 2008 and rationalise the Group’s structure in preparation for the public listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (“the Stock Exchange”), the Company became the holding company of the subsidiaries comprising the Group. The shares of the Company were listed on the Stock Exchange on 6 June 2008. Details of the Reorganisation are set out in the Prospectus dated 26 May 2008 issued by the Company (“Prospectus”) for the purpose of listing of the Company’s shares on the Stock Exchange (“the Listing”).

(b) Basis of preparation

The interim financial report is presented in Renminbi (“RMB”), rounded to the nearest thousand, on the historical cost basis, except for investment properties which are stated at their fair value.

The interim financial report included the financial position, results, and cash flows of the companies comprising the Group as if the current group structure had been in existence since 1 January 2007, or since their respective dates of incorporation/establishment. For companies acquired from a third party during the period, they would be included in the interim financial report of the Group from the date of acquisition.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

1 CORPORATE INFORMATION AND BASIS OF PREPARATION (CONTINUED)

(b) Basis of preparation (continued)

The interim financial report has been prepared in accordance with the same accounting policies adopted in the preparation of the Group's financial statements included in the Prospectus.

The preparation of interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the date of the audited consolidated financial statements of the Group set forth in the Prospectus. The interim financial report and notes thereon do not include all of the information required for full set of financial statements prepared in conformity with Hong Kong Financial Reporting Standards issued by the HKICPA.

The interim financial report is unaudited, but have been reviewed by KPMG 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 HKICPA. KPMG's independent review report to the board of directors is included on page 50.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Group's financial statements for that financial year but is derived from those financial statements. The financial statements for the year ended 31 December 2007 are available from the Company's registered office.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. No segment information is presented in respect of the Group's geographical segments as the Group's principal activities are largely carried out in Henan Province, the PRC.

Business segments

The Group comprises the following main business segments:

- Property development : the development and sale of residential and commercial properties
- Property leasing : the leasing of commercial properties, schools and kindergartens
- Construction contract : the construction of residential properties for external customers

	Property development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Construction contract <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2008				
Turnover	1,139,469	6,500	62,302	1,208,271
Segment results	446,268	6,342	2,397	455,007
Unallocated operating income and expenses				(73,173)
Profit from operations				381,834
Share of loss of an associate	(910)	—	—	(910)
Finance costs				(28,331)
Profit before increase in fair value of investment properties and income tax				352,593
Increase in fair value of investment properties	—	2,200	—	2,200
Profit before taxation				354,793
Income tax				(117,443)
Profit for the period				237,350
Amortisation and depreciation	4,349	—	—	4,349

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SEGMENT REPORTING (CONTINUED)

Business segments (continued)

	Property development RMB'000	Property leasing RMB'000	Construction contract RMB'000	Total RMB'000
Six months ended 30 June 2007				
Turnover	<u>559,959</u>	<u>3,776</u>	<u>8,116</u>	<u>571,851</u>
Segment results	142,002	3,618	312	145,932
Unallocated operating income and expenses				<u>(72,122)</u>
Profit from operations				73,810
Share of loss of a jointly controlled entity	(512)	—	—	(512)
Finance costs				<u>(27,366)</u>
Profit before increase in fair value of investment properties and income tax				45,932
Increase in fair value of investment properties	—	13,450	—	<u>13,450</u>
Profit before taxation				59,382
Income tax				<u>(22,797)</u>
Profit for the period				<u>36,585</u>
Amortisation and depreciation	<u>3,909</u>	<u>—</u>	<u>—</u>	<u>3,909</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

3 OTHER REVENUE AND NET INCOME/(LOSS)

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
<hr/>		
Other revenue		
Interest income	<u>13,532</u>	<u>9,130</u>
<hr/>		
	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
<hr/>		
Other net income/(loss)		
Gain/(loss) on disposals of property, plant and equipment	4	(81)
Net exchange gain	<u>22,197</u>	<u>—</u>
	<u>22,201</u>	<u>(81)</u>
<hr/>		



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

4 PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
(a) Finance costs:		
Interest on bank loans	43,644	22,074
Interest on other loans	9,574	23,225
Interest on advances from customers (Note)	9,163	10,355
Other ancillary borrowing costs	3,165	3,540
	<u>65,546</u>	<u>59,194</u>
Less: Borrowing costs capitalised	<u>(37,215)</u>	<u>(31,828)</u>
	<u>28,331</u>	<u>27,366</u>

Note: Under certain agreements with buyers of the properties of the Group, the Group agreed to lease-back the respective properties with put options from the buyers for a specific period, typically three years from the date of signing the sale agreements. Within one month after the expiry of the lease-back period, the buyers have the option to sell back the respective properties to the Group at agreed amounts. Accordingly the related sales would not be recognised in the consolidated income statements until the expiry of the repurchase period. The annual rent for the lease-back properties were 7%-8% of the relevant purchase price paid by the buyers and the related expenses were recorded as finance costs in the consolidated income statement.

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
(b) Other item:		
Amortisation and depreciation	<u>4,349</u>	<u>3,909</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

5 INCOME TAX

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax	64,042	28,968
PRC Land Appreciation Tax	41,222	11,657
	<u>105,264</u>	<u>40,625</u>
Deferred tax		
Revaluation of properties	(408)	3,363
Tax losses	8,832	(23,155)
Withholding tax on dividends	3,755	—
Effect of change in PRC tax rate on opening deferred tax balance	—	1,964
	<u>12,179</u>	<u>(17,828)</u>
	<u>117,443</u>	<u>22,797</u>



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

5 INCOME TAX (CONTINUED)

- (i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.
- (ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.
- (iii) PRC Enterprise Income Tax (“EIT”)

The provision for EIT is based on the respective applicable rates on the estimated assessable income of the Group’s subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain subsidiaries of the Group were subject to EIT calculated based on the deemed profit which represents 10% to 14% of their revenue in accordance with the authorised taxation method (核定徵收) pursuant to the applicable PRC tax regulations. The tax rate was 25% (six months ended 30 June 2007: 33%) on the deemed profit. Other PRC subsidiaries of the Group, which were subject to the audited taxation method (查賬徵收), were charged EIT at a rate of 25% (six months ended 30 June 2007: 33%) on the estimated assessable profit for the respective period.

Pursuant to the PRC income tax law that was passed by the Standing Committee of the Tenth National People’s Congress (“NPC”) on 16 March 2007 (“the New Tax Law”), the EIT was revised to 25% with effect from 1 January 2008. Accordingly, the relevant deferred tax assets and liabilities have been calculated using the new rate of 25% starting from the six months ended 30 June 2007.

- (iv) Land Appreciation Tax (“LAT”)

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items. Certain subsidiaries of the Group were subject to LAT which is calculated based on 1.5% to 3.5% (six months ended 30 June 2007: 1.5% to 3.5%) of their revenue in accordance with the authorised taxation method.





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (*CONTINUED*)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

5 INCOME TAX (*CONTINUED*)

(v) Withholding tax

Pursuant to the New Tax Law, a 5% withholding tax is levied on the Hong Kong companies in respect of dividend distributions arising from a PRC foreign investment enterprise's profit earned after 1 January 2008. Deferred tax liabilities were recognised for the undistributed earnings of the Group's PRC subsidiaries earned after the year ended 31 December 2007 with reference to the Group's dividend policy for the period from 1 January 2008 to 30 June 2008.

6 DIVIDENDS

Dividends were approved and declared by a subsidiary of the Company to its then shareholders prior to the Reorganisation. The dividends have been settled prior to the Listing. No dividends have been declared by the Company after the Listing.

The dividend rates and number of shares ranking for the dividend are not presented as such information is not considered meaningful.

7 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the profit attributable to equity holders of the Company of RMB236,239,000 (six months ended 30 June 2007: RMB37,717,000) during the period and the 2,000,000,000 shares in issue as at the date of the interim financial report as if the shares were in issue throughout the entire periods ended 30 June 2008 and 2007.

No diluted earnings per share is presented as the Company's pre-IPO share options as at 30 June 2008 do not give rise to any dilution.

There were no dilutive potential ordinary shares in issue as at 30 June 2007.

8 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

During the six months ended 30 June 2008, the Group acquired items of property, plant and equipment and investment properties under development with a cost of RMB4,668,000 (six months ended 30 June 2007: RMB20,893,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

9 INVESTMENT PROPERTIES

All investment properties of the Group were revalued as at 30 June 2008 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on an open market value basis calculated by reference to net rental income allowing for reversionary income potential.

Certain investment properties were pledged to various banks to secure bank loans of the Group. Details are set forth in note 13(c) to the interim financial report.

10 INVENTORIES

	30 June 2008 RMB'000	31 December 2007 RMB'000
Properties held for future development and under development for sale	3,799,805	2,709,400
Completed properties held for sale	738,476	635,070
	<u>4,538,281</u>	<u>3,344,470</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

11 TRADE AND OTHER RECEIVABLES

	30 June 2008 RMB'000	31 December 2007 RMB'000
Bills receivable	968	9,409
Trade receivables (Note (a))	27,627	26,530
Other receivables and deposits (Note (b))	414,659	716,431
Amount due from a director	—	46
Amounts due from related companies	124	—
Amounts due from minority shareholders	91,870	—
Gross amount due from customers for contract work	129,140	8,501
	<u>664,388</u>	<u>760,917</u>

- (a) Included in trade and other receivables are trade receivables with the following aging analysis:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Current or less than 1 month overdue	2,871	18,061
1 to 3 months overdue	583	4,337
3 to 6 months overdue	21,301	815
6 months to 1 year overdue	190	626
More than 1 year overdue	2,682	2,691
	<u>27,627</u>	<u>26,530</u>



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

- (a) Included in trade and other receivables are trade receivables with the following aging analysis: *(continued)*

In respect of trade receivables of mortgage sales, no credit terms will be granted to the purchasers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such purchasers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate. If there is default in payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownership of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

- (b) Included in other receivables and deposits as at 30 June 2008 were prepayment and deposits for leasehold land of RMB149,362,000 (31 December 2007: RMB460,208,000).

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

12 RESTRICTED BANK DEPOSITS

	30 June 2008 RMB'000	31 December 2007 RMB'000
Guarantee deposits in respect of:		
— mortgage loans related to properties sale	98,607	97,596
— bills payable	62,890	217,005
— bank loans (Note 13(c))	190,000	190,000
	<u>351,497</u>	<u>504,601</u>

13 BANK LOANS

(a) At each balance sheet date, the bank loans were repayable as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within 1 year	866,903	1,001,273
After 1 year but within 2 years	613,128	248,000
	<u>1,480,031</u>	<u>1,249,273</u>

(b) At each balance sheet date, the bank loans were secured as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Secured	908,745	1,052,273
Unsecured	571,286	197,000
	<u>1,480,031</u>	<u>1,249,273</u>



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

13 BANK LOANS (CONTINUED)

- (c) At each balance sheet date, assets of the Group secured against bank loans are analysed as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Investment properties	175,200	172,600
Inventories	778,238	825,957
Restricted bank deposits	190,000	190,000
	<u>1,143,438</u>	<u>1,188,557</u>

- (d) As at 31 December 2007, secured bank loans with carrying amount of RMB150,282,000 were guaranteed by Mr. Wu Po Sum, the Company's controlling shareholder. The guarantees were released prior to or upon the Listing.

14 OTHER LOANS — SECURED

At each balance sheet date, other loans were repayable as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within 1 year	95,210	—
After 1 year but within 2 years	26,260	109,130
After 2 years but within 5 years	—	27,300
	<u>26,260</u>	<u>136,430</u>
	<u>121,470</u>	<u>136,430</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

14 OTHER LOANS — SECURED (CONTINUED)

The Group entered into certain trust arrangements with a trust company, Zhongyuan Trust Investment Co., Limited, an independent third party to the Group. Under these trust arrangements, the trust company injected paid-in capitals to subsidiaries and the legal titles of these shares were transferred to the trust company. On the other hand, the Group committed to repurchase such shares within pre-set periods. The trust company does not entitle to any profit distributions from these subsidiaries but receives fixed interest income periodically. Such paid-in capitals are classified as other loans in the consolidated balance sheet.

Apart from the above, secured other loans with carrying amount of RMB40,000,000 (31 December 2007: RMB40,000,000) was pledged by future lease income of certain properties held by the Group. The expected future lease income is RMB171,478,000 (31 December 2007: RMB175,631,000).

15 TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2008 RMB'000	31 December 2007 RMB'000
Bill payables	92,524	213,994
Trade payables	405,136	272,208
Other payables and accruals	685,671	701,577
Amount due to an associate	1,005	—
Amounts due to related parties	—	336
Amounts due to minority shareholders	275,327	147,828
	<u>1,459,663</u>	<u>1,335,943</u>

Include in trade and other payables and accruals are trade payables with the following ageing analysis as at each balance sheet date:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Due within 1 month or on demand	384,379	243,090
Due after 1 year	20,757	29,118
	<u>405,136</u>	<u>272,208</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

16 CAPITAL AND RESERVES

- (a) The share capital as at 1 January 2007, 30 June 2007 and 1 July 2007 represented the share capital of Joy Ascend Holdings Limited ("Joy Ascend"), the former holding company of the Group prior to the Listing.
- (b) On 8 August 2007, CapitaLand LF (Cayman) Holdings Co., Ltd. ("CapitaLand (Cayman)") subscribed for 1,329 new shares of Joy Ascend at a consideration of RMB500,000,000 of which RMB8,000 was credited to share capital and the balance of RMB499,992,000 was credited to the share premium account of Joy Ascend.

On 15 November 2007, the Company was incorporated in Cayman Islands with authorised share capital of HK\$1,000,000,000 divided into 10,000,000,000 shares with a nominal value of HK\$0.10 per each share. One nil-paid subscriber share of HK\$0.10 each was issued and allocated to Joy Bright Investments Limited ("Joy Bright").

The share capital as at 31 December 2007 represented the aggregate of share capital of Joy Ascend and the Company.

- (c) Pursuant to the Reorganisation on 14 May 2008, the Company allotted and issued, in each case credited as fully paid, a total of 1,499,999,999 ordinary shares as to 944,246,819 ordinary shares to Joy Bright, as to 13,647,555 ordinary shares to Super Joy International Limited and as to 542,105,625 ordinary shares to CapitaLand (Cayman), and credited as fully paid at par the initial one subscriber share already allotted to Joy Bright, in consideration for the acquisition of each of their respective shareholding interests in Joy Ascend.
- (d) On 6 June 2008, the Company issued 500,000,000 shares with par value of HK\$0.10 each at a price of HK\$2.75 per share by way of a global initial public offering to Hong Kong and overseas investors upon the Listing. The Group raised approximately HK\$1,259,862,000 (equivalent to RMB1,121,322,000) in total net of related expenses from the share offer.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

16 CAPITAL AND RESERVES (CONTINUED)

(e) The share capital as at 30 June 2008 is as follows:

	2008	
	No. of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each	<u>10,000,000,000</u>	<u>1,000,000</u>
Ordinary shares, issued and fully paid:		
Ordinary shares of HK\$0.1 each	<u>2,000,000,000</u>	<u>200,000</u>
		'000
	RMB equivalent	<u>179,637</u>

(f) Share options

On 14 May 2008, the Company conditionally granted certain pre-IPO share options to the Company's directors, employees and consultants. The exercise of these share options would entitle five of the Company's directors and ninety employees and consultants of the Group to subscribe for an aggregate of 14,350,000 shares and 17,650,000 shares of the Company respectively. The exercise price is HK\$2.75 per share. The pre-IPO share option scheme was effective from the listing date of the Company's share on the Stock Exchange. Each option granted under the Pre-IPO option has a vesting period of two to four years commencing from the listing date and the options are exercisable for a period of five years.

The weighted average value per pre-IPO share option granted during the period estimated at the date of grant using binomial (Cox, Ross, Rubinstein) model was HK\$0.8. The weighted average assumptions used are as follows:

Risk-free interest rate	1.7% to 2.3%
Expected life	1 year from different vesting periods
Volatility	50%
Dividend yield	4%



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

17 COMMITMENTS

Capital commitments outstanding at each balance sheet date not provided for were as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Authorised but not contracted for	4,361,689	4,930,150
Contracted but not provided for	2,255,816	628,666
	<u>6,617,505</u>	<u>5,558,816</u>

Capital commitments mainly related to land and development costs for the Group's properties under development and investment in subsidiaries.

18 CONTINGENT LIABILITIES

The Group 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 any accrued interests and penalties owed by the defaulted purchasers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the purchasers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at each balance sheet date is as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>1,689,543</u>	<u>1,476,321</u>

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods under guarantees as the Group has not applied for individual building ownership certificates for these purchasers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS

Particulars of material transactions between the Group and the related parties during the six months ended 30 June 2008 and 2007 are as follows:

(a) Football sponsorship expense

For the six months ended 30 June 2007, the Group paid football sponsorship expense of RMB6,000,000 to Construction Football Club Company Limited. Construction Football Club Company Limited was no longer a related party of the Group after the resignation of Mr. Wu Po Sum as a director in December 2007.

(b) Operating lease expense of a property

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Construction Housing Group Company Limited	<u>262</u>	<u>262</u>

The directors are of the opinion that all the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and senior management, are as follows:

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Salary and other emoluments	3,745	3,119
Contribution to retirement benefit schemes	26	27
Share-based payment	362	—
	<u>4,133</u>	<u>3,146</u>

(d) The balances with related parties are set out in notes 11 and 15.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

20 ACQUISITION OF SUBSIDIARIES

On 11 May 2007 and 24 February 2008, the Group entered into a cooperation development and equity interest transfer agreement (“the Cooperation Agreement”), and a supplemental agreement to the Cooperation Agreement pursuant to which Artstar Investments Limited, in which the Group has a 65% interest, agreed to acquire a 100% equity interest in Luoyang Zhongya Real Estate Development Company Limited (“Luoyang Zhongya”) through acquisition of Country Star Holdings Limited (“Country Star”) at a consideration of RMB350 million. Upon completion of the transaction on 30 June 2008, the Group has an indirect 65% equity interest in Luoyang Zhongya and Country Star.

The acquisition had the following effect on the Group’s asset and liabilities:

	Carrying amount RMB'000	Fair value adjustments RMB'000	Recognised values on acquisitions RMB'000
Property, plant and equipment	660	—	660
Trade and other receivables	125,783	—	125,783
Prepaid tax	1,664	—	1,664
Inventories	133,943	299,357	433,300
Cash and cash equivalents	51,155	—	51,155
Receipts in advance	(142,946)	—	(142,946)
Trade and other payables	(119,616)	—	(119,616)
Net identifiable assets and liabilities	<u>50,643</u>	<u>299,357</u>	<u>350,000</u>
Consideration paid			350,000
Cash and cash equivalents acquired			<u>(51,155)</u>
Net cash outflow			<u>298,845</u>

Since the date of the acquisition, Luoyang Zhongya and Country Star did not have significant impact on the Group’s net profit.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (*CONTINUED*)

For the six months ended 30 June 2008

(Expressed in Renminbi Yuan unless otherwise indicated)

21 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD BEGINNING 1 JANUARY 2008

Up to the date of issue of the interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning 1 January 2008 and which have not been adopted in the interim financial report.

The Group has made an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application but has so far concluded that these new HKFRSs would not have a significant impact on the Group's results of operations and financial position.



REVIEW REPORT TO THE BOARD OF DIRECTORS OF CENTRAL CHINA REAL ESTATE LIMITED

INTRODUCTION

We have reviewed the interim financial report set out on pages 23 to 49 which comprise the consolidated balance sheet of Central China Real Estate Limited as of 30 June 2008 and the consolidated income statement, and the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2008 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

12 September 2008

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