

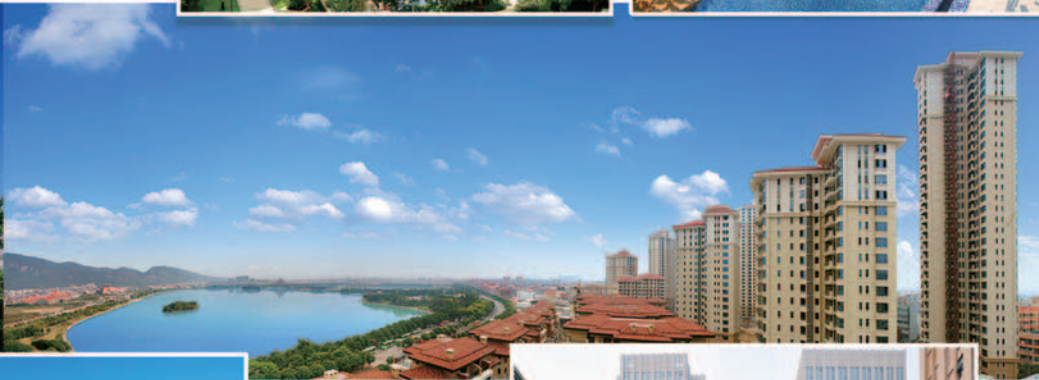


CHINA SCE PROPERTY HOLDINGS LIMITED

中骏置业控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1966



Interim Report 2010

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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Wong Chiu Yeung (*Chairman*)  
Mr. Chen Yuanlai (*Vice Chairman*)  
Mr. Cheng Hiu Lok (*Vice Chairman*)  
Mr. Li Wei

### Non-executive Director

Mr. Fung Ka Pun

### Independent Non-executive Directors

Mr. Ting Leung Huel Stephen  
Mr. Lu Hong Te  
Mr. Dai Yiyi

## COMPANY SECRETARY

Mr. Li Siu Po

## AUTHORIZED REPRESENTATIVES

Mr. Wong Chiu Yeung  
Mr. Li Siu Po

## AUDIT COMMITTEE

Mr. Ting Leung Huel Stephen (*Chairman*)  
Mr. Lu Hong Te  
Mr. Dai Yiyi

## REMUNERATION COMMITTEE

Mr. Wong Chiu Yeung (*Chairman*)  
Mr. Ting Leung Huel Stephen  
Mr. Dai Yiyi

## NOMINATION COMMITTEE

Mr. Cheng Hiu Lok (*Chairman*)  
Mr. Li Wei  
Mr. Lu Hong Te

## AUDITORS

Ernst & Young  
Certified Public Accountants

## LEGAL ADVISOR

As to Hong Kong Law:  
Chiu & Partners

## COMPLIANCE ADVISOR

Cinda International Capital Limited

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## **PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC**

SCE Building  
No. 208, Nanwu Road  
Gaoqi, Xiamen  
Fujian Province  
China 361006

## **PLACE OF BUSINESS IN HONG KONG**

Room 1606, Nanyang Plaza  
No. 57 Hung To Road  
Kwun Tong, Kowloon  
Hong Kong

## **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

### **Codan Trust Company (Cayman) Limited**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## **HONG KONG SHARE REGISTRAR**

### **Computershare Hong Kong Investor Services Limited**

Shops 1712-1716  
17/F, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## **PRINCIPAL BANKERS**

Agricultural Bank of China  
China Construction Bank

## **INVESTOR RELATIONS**

Email: [ir@sce-re.com](mailto:ir@sce-re.com)  
Fax: (86) 592 5721 855

## **STOCK CODE**

Hong Kong Stock Exchange: 1966.HK

## **COMPANY WEBSITE**

[www.sce-re.com](http://www.sce-re.com)

# Corporate Profile

China SCE Property Holdings Limited (“China SCE Property”) was established in 1996. It specializes in investment holding, real estate development, property investment and property management. After years of development, China SCE Property has established a positive brand image in the industry and was named and awarded with the title “China Top 100 Real Estate Enterprises” and “Stars of China Top 100 Real Estate Developers” on many occasions.

Relying on the advantage of diversification development of the China SCE Group and taking Xiamen as its development base, China SCE Property has carried out its national development strategy that focuses on the West Taiwan Strait Economic Zone, the Pearl River Delta Economic Zone and the Bohai Rim Economic Zone. As of 30 June 2010, the Group together with its jointly-controlled entities and associates, owned a land bank with an aggregate planned gross floor area of approximately 8.57 million sq.m., located in Fujian, Shenzhen, Beijing, Shanxi and Liaoning.

On 5 February 2010, China SCE Property was listed on the Main Board of The Stock Exchange of Hong Kong Limited. China SCE Property will fully utilize the international capital platform that was built after its listing in Hong Kong to implement sound financial development strategies. At the same time, China SCE Property will, as usual, actively implement its development strategies with a focus on improving product quality in its future development; and we will set our mission on becoming a regional leader in the industry to maximize value for our shareholders and to make greater contribution to the real estate industry and the society.

# Management Discussion And Analysis

The board (the “Board”) of directors (“Directors”) of China SCE Property Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2010.

## MARKET REVIEW

The real estate market of the PRC fully recovered in 2009, trading volume of commodity housing continued to grow and the prices of commodity housing rose continuously, surpassing the peak in 2007. In the first quarter of 2010, the PRC real estate market sustained the growing trend in 2009, with real estate investment growing significantly.

However, signs of over-heating of the real estate market were taken seriously by the central government of the PRC. To facilitate the stable and healthy development of the real estate market, the central government of the PRC initiated various macro-economic control measures targeting the real estate market. On 10 January 2010, the State Council issued the “Notice on Facilitating the Stable and Healthy Development of the Real Estate Market” (關於促進房地產市場平穩健康發展的通知). On 17 April 2010, the State Council issued the “Notice on Firmly Curbing the Rapid Rise of the Price of Housing in Certain Cities” (關於堅決遏制部分城市房價過快上漲的通知). The central government gradually increased its control over the real estate market. Immediately following these measures, local governments also promulgated relevant real estate control measures and implementation rules. Such control measures led to a significant drop in the trading volume of commodity housing in the PRC since May 2010 and the price of commodity housing also declined.

As the central government gradually stepped up its macro-economic control efforts on the real estate market, the real estate market will face with a new round of adjustments. Under such undesirable market environment, the Group continued to respond actively by adopting cautious and sound operating strategies and achieved a satisfactory result and performance in the first half of 2010.

## BUSINESS REVIEW

For the six months ended 30 June 2010, the Group sold and delivered 142,829 sq.m. of sales area, representing an increase of 616% from 19,962 sq.m. in the same period in 2009, and contributed RMB2,062,235,000 to our revenue, an increase of 309% from RMB504,308,000 recorded in the same period in 2009. As the property portfolio delivered was different from that in the first half of last year, the average selling price of the properties delivered during the period decreased 43% to RMB14,438 per sq.m.. The core profit attributable to the owners of the parent increased by 386% from RMB124,757,000 in the first half of 2009 to RMB606,844,000 in the first half of 2010.

In the first half of 2010, despite the effect of the macro-economic control policies targeting the PRC real estate market, the operation of the Group still recorded stable growth. During the reporting period, the Group had a total of four projects in the selling stage, two of which were rolled out for sale during the period. Sunshine Town (Phase 1) located in Quanzhou was rolled out for sale on 7 February 2010 and more than 400 units were sold on that day, bringing in a contract sales amount of approximately RMB150 million; and Fortune Plaza (Phase 1) 裕景灣 located in eastern part of Quanzhou was rolled out for sale on 8 May 2010 and almost all units were subscribed on that day. For the six months ended 30 June 2010, the Group sold 193,379 sq.m. of contract sales area, representing a growth of 118% over the same period of last year; and recorded RMB1.228 billion of contract sales income, representing a growth of 51% over the same period last year. As at 30 June 2010, contract sales amount and contract sales area that have been contracted but not yet recognized as sales income were RMB2.4 billion and 356,000 sq.m., respectively.

# Management Discussion And Analysis

As at 30 June 2010, the Group, together with its jointly-controlled entities, had a total of eight projects at different stages of development and they all made good progress in the reporting period. Those eight projects under construction had a total gross floor area of 1,188,931 sq.m.. The details are set out below:

Name of project	City	Type of property	Total gross	Interest of
			floor area ("GFA") (sq.m.)	the Company (%)
Fortune Plaza • 裕景灣	Quanzhou	Residential and commercial	300,398	58
West Lake No. 1	Quanzhou	Residential and commercial	198,782	100
Sapphire Uptown	Quanzhou	Residential and commercial	105,623	51
Sunshine Town (Phase 1) (Block 1-8)	Quanzhou	Residential and commercial	60,063	100
Sunshine Town (Phase 1) (Block 9-17)	Quanzhou	Residential and commercial	152,634	100
Sapphire Peninsula (Phase 1)	Quanzhou	Residential and commercial	141,213	100
Purple Lake International Golf Villa (Phase 1)	Quanzhou	Low density residential	62,217	49
The Regent	Xiamen	Fine-furnished residential	85,192	60
SCE International Community (Phase 1)	Linfen	Residential and commercial	82,809	80
Total			1,188,931	

In respect of land bank, as at 30 June 2010, the Group, together with its jointly-controlled entities and associates, owned a land bank with a planned GFA of approximately 8.57 million sq.m. (6.17 million sq.m. was interest attributable to the Group), including an aggregate planned GFA of approximately 1.45 million sq.m. for which framework agreements had been entered into but the public tender process had not been completed. New addition to land bank during the period was approximately 2.15 million sq.m..

## MARKET OUTLOOK

The macro-economic control measures targeting the real estate market implemented in the first half of 2010 will certainly continue to affect the real estate market in the second half of the year. Since May 2010, trading volume in the market has shrunk. As the supply of property in the market increases in the second half of the year, real estate enterprises will face increasing pressure in terms of sales in the second half of the year. As the land bank of the Group is mostly located in second and third tier cities with stronger demand from owner-occupiers, it is justifiable for us to believe that the effect of macro-economic control measures on the Group will be relatively small. In addition, we strongly believe that the macro-economic control policies implemented by the central government were aimed at guiding the real estate industry towards a stable and healthy development. As the PRC economy rapidly develops, the pace of urbanization will continue to accelerate. It is believed that there will be a great demand for housing in the PRC in the coming 10 to 20 years, and the development outlook of the real estate market is still optimistic.

# Management Discussion And Analysis

In the second half of 2010, the Group will continue to develop its business in a cautious manner. The construction works of five new property projects with aggregate planned GFA of 871,669 sq.m. are planned for commencement; three property projects with aggregate planned GFA of 364,468 sq.m. are planned for completion. In addition, four new property projects of the Group and its jointly-controlled entity with saleable GFA of 314,915 sq.m. will be rolled out for sale in the second half of the year. We strongly believe that our efforts this year will lay a solid foundation for our development in 2011 and the time ahead.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group mainly includes property sales, rental income and property management income.

In the first half of 2010, revenue increased by 308% from RMB511,908,000 in the same period in 2009 to RMB2,090,464,000. This was due to the significant increase in property sales, rental income and property management income during the period.

#### *Sale of properties*

For the six months ended 30 June 2010, revenue from property sales was RMB2,062,235,000, representing an increase of 309% from RMB504,308,000 recorded in the same period in 2009. This was attributable to the increase in delivered area from 19,962 sq.m. in the first half of 2009 to 142,829 sq.m. in the first half of 2010.

#### *Rental income*

For the six months ended 30 June 2010, rental income was RMB17,156,000, representing an increase of 328% from RMB4,005,000 recorded in the same period in 2009. This was mainly due to the increase in the leased area for the retail shops in the Beijing World City during the period.

#### *Property management fee*

For the six months ended 30 June 2010, property management income was RMB11,073,000, representing an increase of 208% from RMB3,595,000 recorded in the same period in 2009. This was attributable to the increase in the number and floor area of properties under management.

### Cost of sales

Cost of sales increased by 298% from RMB271,000,000 in the first half of 2009 to RMB1,077,621,000 in the first half of 2010. The increase in cost of sales was mainly attributable to the increase in delivered area in the first half of the year.

### Gross profit

Gross profit increased by 320% from RMB240,908,000 in the first half of 2009 to RMB1,012,843,000 in the first half of 2010. The increase in gross profit was attributable to the increase in delivered area. Gross profit margin increased slightly from 47% in the first half of 2009 to 48% in the first half of 2010.



# Management Discussion And Analysis

## Changes in fair value of investment properties

The changes in the fair value of investment properties decreased by 96% from RMB222,836,000 in the first half of 2009 to RMB8,000,000 in the first half of 2010. The significant decrease in the fair value gains of investment properties was mainly attributable to the fact that the market value of investment properties remained stable in the first half of 2010.

## Selling and marketing expenses

Selling and marketing expenses increased by 416% from RMB9,342,000 in the first half of 2009 to RMB48,213,000 in the first half of 2010. The increase in selling and marketing expenses was mainly attributable to the increase in promotion expenses of property projects rolled out for pre-sale.

## Administrative expenses

Administrative expenses increased by 212% from RMB27,325,000 in the first half of 2009 to RMB85,298,000 in the first half of 2010. The increase in administrative expenses was mainly attributable to the employment of additional management personnel to cope with the needs of business expansion and increase in amortisation of prepaid land lease payments.

## Share of profits of jointly-controlled entities and associates

Share of profits of jointly-controlled entities and associates increased by 224 times from RMB527,000 in the first half of 2009 to RMB118,595,000 in the first half of 2010. The significant increase in profits was mainly attributable to the significant increase in delivered area of the jointly-controlled entities and associates.

## Income tax expense

Income tax expense increased by 190% from RMB144,508,000 in the first half of 2009 to RMB419,076,000 in the first half of 2010. The increase in tax expenses was mainly attributable to the increase in corporate income tax and land appreciation tax resulting from the significant increase in recognized property sales in the first half of 2010.

## Profit attributable to owners of the parent

Profit attributable to owners of the parent increased by 110% from RMB291,884,000 in the first half of 2009 to RMB612,844,000 in the first half of 2010. The increase in profit attributable to owners of the parent was mainly due to the increase in the net profit from property sales in the first half of 2010.

# Management Discussion And Analysis

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Cash position

As at 30 June 2010, the carrying amount of the Group's cash and bank balances was RMB1,335,032,000 (31 December 2009: RMB604,805,000), of which RMB1,170,989,000 (31 December 2009: RMB482,982,000) was denominated in Renminbi, RMB163,494,000 (31 December 2009: RMB44,073,000) was denominated in Hong Kong dollars and RMB549,000 (31 December 2009: RMB77,750,000) was denominated in US dollars.

According to the relevant laws and regulations of the PRC, certain property development companies of the Group were required to place certain amounts of cash and bank deposits into designated bank accounts to provide bank guarantees. As at 30 June 2010, the amount of restricted cash was RMB109,369,000 (31 December 2009: RMB115,325,000).

### Borrowings and pledged assets

As at 30 June 2010, the total amount of interest-bearing bank loans was RMB2,328,148,000 (31 December 2009: RMB2,106,065,000), of which RMB728,062,000 (31 December 2009: RMB567,037,000) was repayable within one year, RMB34,513,000 (31 December 2009: RMB360,330,000) was repayable in the second year, RMB1,555,929,000 (31 December 2009: RMB1,171,059,000) was repayable within three to five years and RMB9,644,000 (31 December 2009: RMB7,639,000) was repayable after five years.

As at 30 June 2010, RMB2,284,613,000 (31 December 2009: RMB2,106,065,000) of bank loans was secured by the Group's properties and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale with a total carrying value of RMB5,337,027,000 (31 December 2009: RMB4,412,427,000). The remaining RMB43,535,000 (31 December 2009: Nil) of bank loans was secured by the pledge of entire equity interests in certain subsidiaries of the Group.

Except for certain secured bank loans of RMB51,665,000 as at 30 June 2010 (31 December 2009: RMB8,378,000) which are denominated in Hong Kong dollars, all the Group's secured bank loans are denominated in Renminbi.

Except for certain short term bank loans of RMB445,000,000 as at 30 June 2010 (31 December 2009: RMB545,000,000), the interest rates of which were fixed in nature, all bank loans bear interest at floating interest rates. The carrying amounts of the Group's bank loans approximate to their fair values.

### Gearing ratio

The net gearing ratio was calculated by dividing the net amount of loans (interest-bearing bank loans after deduction of cash and cash equivalents and restricted cash) by total equity. As at 30 June 2010, the net gearing ratio was 23% (31 December 2009: 65%). The decrease in net gearing ratio as at 30 June 2010 was mainly due to the proceeds from the issue of new shares at the time of the initial public offering of the Company and the inflow of funds from the pre-sale of property projects.

# Management Discussion And Analysis

## Exchange rate fluctuation exposures

The majority of the Group's income and expenses are denominated in Renminbi, therefore any exchange rate changes of Renminbi against other currencies will not have material adverse effect on the operation of the Group. As such, we have not entered into any hedging transaction during the period under review.

## Contingent liabilities

As at 30 June 2010, the Group provided financial guarantees to the banks in respect of the following items:

	<b>30 June</b> <b>2010</b> <b>(Unaudited)</b> <b>RMB'000</b>	31 December 2009 (Audited) RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	<b>1,062,994</b>	879,213

In addition, the Group's share of the jointly-controlled entities' and associates' own financial guarantees which are not included above, is as follows:

	<b>30 June</b> <b>2010</b> <b>(Unaudited)</b> <b>RMB'000</b>	31 December 2009 (Audited) RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	<b>341,789</b>	339,245
Guarantees in respect of mortgage facilities provided for certain purchasers of the associates' properties	<b>26,880</b>	27,867

# Management Discussion And Analysis

## Capital commitments

As at 30 June 2010, the capital commitments of the Group were as follows:

	<b>30 June 2010 (Unaudited) RMB'000</b>	31 December 2009 (Audited) RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, completed properties held for sale, land use rights and construction of owner-occupied properties in Mainland China	<b>1,786,060</b>	1,332,476

In addition, the Group's share of the jointly-controlled entities' own capital commitments which are not included above is as follows:

	<b>30 June 2010 (Unaudited) RMB'000</b>	31 December 2009 (Audited) RMB'000
Contracted, but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development	<b>82,696</b>	9,564

## Employee and remuneration policies

As at 30 June 2010, the Group had 535 employees. The total cost of employees was approximately RMB33.7 million (six months ended 30 June 2009: RMB11.8 million). We provide employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on a regular basis based on the performance of the employees and the industry remuneration level.

# Management Discussion And Analysis

## Use of proceeds

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited since 5 February 2010. Proceeds from the issuance of new shares pursuant to the Company's initial public offering amounted to approximately HK\$1,500 million (RMB1,322 million) (net of related issuing expenses). Such net proceeds have been used in the following manner:

	<b>Amount raised</b>	<b>Amount used as at 30 June 2010</b>
	RMB million	RMB million
Land premium	661	571
Development of existing property projects	529	91
General working capital	132	—
<b>Total</b>	<b>1,322</b>	<b>662</b>

# Disclosure of Interests

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2010, the interests and short positions of the directors or chief executives in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Interest in shares		Number of shares held	Approximate percentage of the Company's issue share capital
	Personal interest	Interest of controlled corporation		
Mr. Wong Chiu Yeung ("Mr. Wong")	1,000,000	1,640,000,000 (Note 1)	1,641,000,000	57.5
Mr. Chen Yuanlai ("Mr. Chen")	—	120,000,000 (Note 2)	120,000,000	4.2
Mr. Cheng Hiu Lok ("Mr. Cheng")	—	120,000,000 (Note 3)	120,000,000	4.2
Mr. Fung Ka Pun ("Mr. Fung")	—	14,000,000 (Note 4)	14,000,000	0.5

Note 1: These 1,640,000,000 shares are registered in the name of Newup Holdings Limited ("Newup"). Mr. Wong holds 100% of the entire issued share capital of Newup and is deemed to be interested in the 1,640,000,000 shares held by Newup pursuant to the SFO.

Note 2: These 120,000,000 shares are registered in the name of Rising Trade Holdings Limited. Mr. Chen holds 100% of the entire issued share capital of Rising Trade Holdings Limited and is deemed to be interested in the 120,000,000 shares held by Rising Trade Holdings Limited pursuant to the SFO.

Note 3: These 120,000,000 shares are registered in the name of Wealthy Gate Holdings Limited. Mr. Cheng holds 100% of the entire issued share capital of Wealthy Gate Holdings Limited and is deemed to be interested in the 120,000,000 shares held by Wealthy Gate Holdings Limited pursuant to the SFO.

Note 4: These 14,000,000 shares are registered in the name of Goodwill International (Holdings) Limited of which 2,600,000 shares are held in trust of the K P Fung Family Trust, a discretionary trust set up by Mr. Fung. 19% and 25.44% of the entire issued share capital of Goodwill International (Holdings) Limited is directly and indirectly owned by Mr. Fung, respectively. As such, he is deemed to be interested in all these shares held by Goodwill International (Holdings) Limited, as to 11,400,000 shares as interest of controlled corporation and as to 2,600,000 shares as founder of a discretionary trust.

Save as disclosed above, as at 30 June 2010, none of the directors or chief executives had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded 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.

# Disclosure of Interests

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2010, the interests or short positions of the persons (other than directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions:

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
Newup (Note)	Directly beneficially owned	1,640,000,000	57.5

Note: Newup is wholly-owned and controlled by Mr. Wong; accordingly, Mr. Wong is deemed to be interested in the shares held by Newup. Mr. Wong is the sole director of Newup.

Save as disclosed above, at 30 June 2010, no person, (other than directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEME

By the resolutions of shareholders of the Company passed on 6 January 2010, a share option scheme (the "Scheme") was approved for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The participants of the Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners and service providers of any member of the Group.

During the six months ended 30 June 2010, no share options were granted, exercised or cancelled by the Company under the Scheme. There are no outstanding share options under the Scheme as at 30 June 2010.

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). The Company confirmed that, save as disclosed below, it had been in compliance with the Code during the period from 5 February 2010 (the date of listing of the Company) to 30 June 2010.

Under Rule A.2.1 in Appendix 14 to the Listing Rules, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the period, Mr. Wong Chiu Yeung performed his duties as the chairman and the chief executive officer of the Company. The Board believes that the serving by the same individual as chairman and chief executive officer when the business is rapidly developing would be beneficial to the consistent business planning and decision-making of the Company.

## AUDIT COMMITTEE

The Company established an Audit Committee on 6 January 2010. The Audit Committee comprises three independent non-executive Directors, with Mr. Ting Leung Huel Stephen as the chairman and the other two members are Mr. Lu Hong Te and Mr. Dai Yiyi. During the period, the Audit Committee oversaw the entire financial reporting process and the internal control measures; discussed the accounting principles and policies adopted by the Group together with the management and the external auditors; and reviewed the unaudited interim condensed financial statements for the six months ended 30 June 2010.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors. The Company has made specific enquiries to all the Directors and all the Directors confirmed that they have complied with the Model Code and the required standards of its code of conduct regarding securities transactions by Directors during the period under review.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period under review.

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$4 cents per share for the six months ended 30 June 2010 which will be payable on 13 September 2010 to shareholders whose names appear on the register of members of the Company on 3 September 2010.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 September 2010 to 3 September 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 31 August 2010.

By order of the Board

**Wong Chiu Yeung**

*Chairman and Chief Executive Officer*

Hong Kong, 17 August 2010



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010	2009
		(Unaudited) RMB'000	(Unaudited) RMB'000
REVENUE	4	<b>2,090,464</b>	511,908
Cost of sales		<b>(1,077,621)</b>	(271,000)
Gross profit		<b>1,012,843</b>	240,908
Other income and gains	4	<b>6,769</b>	8,726
Changes in fair value of investment properties		<b>8,000</b>	222,836
Selling and marketing expenses		<b>(48,213)</b>	(9,342)
Administrative expenses		<b>(85,298)</b>	(27,325)
Other expenses		<b>—</b>	(9)
Finance costs	5	<b>(949)</b>	(1,319)
Share of profits and losses of:			
Jointly-controlled entities		<b>88,228</b>	2,985
Associates		<b>30,367</b>	(2,458)
PROFIT BEFORE TAX	6	<b>1,011,747</b>	435,002
Income tax expense	7	<b>(419,076)</b>	(144,508)
PROFIT FOR THE PERIOD		<b>592,671</b>	290,494
OTHER COMPREHENSIVE INCOME/(LOSS):			
Share of other comprehensive income/(loss)			
of jointly-controlled entities		<b>13</b>	(14)
Share of other comprehensive income of associates		<b>717</b>	—
Exchange differences on translation of foreign operations		<b>(4,650)</b>	(7,471)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		<b>(3,920)</b>	(7,485)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<b>588,751</b>	283,009

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Profit/(loss) attributable to:			
Owners of the parent		<b>612,844</b>	291,884
Non-controlling interests		<b>(20,173)</b>	( 1,390)
		<b>592,671</b>	290,494
Total comprehensive income/(loss) attributable to:			
Owners of the parent		<b>607,507</b>	284,476
Non-controlling interests		<b>(18,756)</b>	(1,467)
		<b>588,751</b>	283,009
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		<b>RMB22.4 cents</b>	RMB14.6 cents

Details of the dividend payable for the period are disclosed in note 8 to the unaudited interim condensed consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property and equipment	10	100,981	76,279
Investment properties		1,304,000	1,296,000
Prepaid land lease payments		2,294,888	2,170,371
Intangible asset		4,736	4,819
Properties under development	10	310,428	354,620
Interests in jointly-controlled entities		133,923	156,218
Interests in associates		37,212	6,128
Prepayments and deposit		521,580	154,976
Deferred tax assets		89,158	82,449
<b>Total non-current assets</b>		<b>4,796,906</b>	4,301,860
<b>CURRENT ASSETS</b>			
Properties under development	10	3,392,001	2,052,276
Completed properties held for sale		60,821	1,131,664
Trade receivables	11	36,037	22,144
Prepayments, deposits and other receivables		327,943	326,140
Due from related parties		161,019	172,809
Tax recoverable		75,562	93,796
Restricted cash		109,369	115,325
Cash and cash equivalents		1,225,663	489,480
<b>Total current assets</b>		<b>5,388,415</b>	4,403,634
<b>CURRENT LIABILITIES</b>			
Trade payables	12	394,350	307,534
Receipts in advance		1,950,727	2,994,693
Other payables and accruals		452,911	487,097
Interest-bearing bank loans	13	728,062	567,037
Due to related parties		106,446	231,266
Tax payable		436,778	74,075
<b>Total current liabilities</b>		<b>4,069,274</b>	4,661,702
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>1,319,141</b>	(258,068)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>6,116,047</b>	4,043,792
NON-CURRENT LIABILITIES			
Other payables		<b>15,000</b>	2,240
Interest-bearing bank loans	13	<b>1,600,086</b>	1,539,028
Deferred tax liabilities		<b>149,943</b>	186,498
Provision for major overhauls		<b>5,190</b>	3,800
Total non-current liabilities		<b>1,770,219</b>	1,731,566
Net assets		<b>4,345,828</b>	2,312,226
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	<b>250,683</b>	11
Reserves		<b>3,168,735</b>	1,509,364
		<b>3,419,418</b>	1,509,375
Non-controlling interests		<b>926,410</b>	802,851
Total equity		<b>4,345,828</b>	2,312,226

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to owners of the parent										
	Issued capital	Share premium	Capital reserve	Statutory surplus reserve	Merger reserve	Other reserves	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	11	681,988*	5,693*	72,759*	30*	3,511*	70,093*	675,290*	1,509,375	802,851	2,312,226
Total comprehensive income for the period	—	—	—	—	—	730	(6,067)	612,844	607,507	(18,756)	588,751
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	181,338	181,338
Capitalisation of share premium	197,956	(197,956)	—	—	—	—	—	—	—	—	—
Issue of shares	52,716	1,317,900	—	—	—	—	—	—	1,370,616	—	1,370,616
Share issue expenses	—	(52,233)	—	—	—	—	—	—	(52,233)	—	(52,233)
Acquisition of non-controlling interests	—	—	(15,847)	—	—	—	—	—	(15,847)	(39,023)	(54,870)
At 30 June 2010	250,683	1,749,699*	(10,154)*	72,759*	30*	4,241*	64,026*	1,288,134*	3,419,418	926,410	4,345,828
At 1 January 2009	10	—	3,463	54,135	30	3,499	75,886	320,480	457,503	116,424	573,927
Total comprehensive income for the period	—	—	—	—	—	(14)	(7,394)	291,884	284,476	(1,467)	283,009
Deregistration of subsidiaries	—	—	—	(10,270)	—	—	—	10,270	—	—	—
At 30 June 2009	10	—	3,463	43,865	30	3,485	68,492	622,634	741,979	114,957	856,936

\* These reserve accounts comprise the consolidated reserves of RMB3,168,735,000 (31 December 2009: RMB1,509,364,000) in the consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	<b>(963,338)</b>	231,998
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	<b>(26,041)</b>	144,671
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	<b>1,726,872</b>	(212,026)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>737,493</b>	164,643
Cash and cash equivalents at beginning of period	<b>489,480</b>	59,679
Effect of foreign exchange rate changes, net	<b>(1,310)</b>	5
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>1,225,663</b>	224,327

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

## 1. BASIS OF PREPARATION

China SCE Property Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal activities of the Company and its subsidiaries (collectively the “Group”) are described in note 3 to the unaudited interim condensed consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2009.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2009 and in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs, and Interpretations) issued by HKICPA, except that the Group has in the current period applied, for the first time, the following new and revised HKFRSs:

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Apart from the above, the Group has also adopted *Improvements to HKFRSs*\* issued by the HKICPA which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

\* *Improvements to HKFRSs* contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The adoption of these new interpretations and amendments has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited interim condensed consolidated financial statements, except for the following:

### **HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements***

The Group applies the revised standards from 1 January 2010. HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by HKFRS 3 (Revised) and HKAS 27 (Revised) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

## 3. SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment and property management. For management purposes, the property development and property investment businesses are monitored as one operating segment on a project basis to allocate resources and assess performance. For financial reporting purposes, the property management segment combines with the property development and investment segment as its reported revenue, reported results and assets are less than 10% of the consolidated revenue, consolidated profit and consolidated assets of the Group.

The Group's revenue from external customers from each product or service is set out in note 4 to the unaudited interim condensed consolidated financial statements.

The Group's revenue from external customers is derived solely from its operations in the People's Republic of China (the "PRC"), and the non-current assets of the Group are substantially located in the PRC.

During the period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

## 4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<b>Revenue</b>		
Sale of properties	<b>2,062,235</b>	504,308
Gross rental income	<b>17,156</b>	4,005
Property management fees	<b>11,073</b>	3,595
	<b>2,090,464</b>	511,908
<b>Other income and gains</b>		
Bank interest income	<b>3,848</b>	1,211
Foreign exchange gains, net	<b>657</b>	7,137
Others	<b>2,264</b>	378
	<b>6,769</b>	8,726

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	68,379	40,514
Interest on bank loans repayable beyond five years	162	629
Interest on loans from companies controlled by Mr. Wong Chiu Yeung ("Mr. Wong")	—	5,825
Increase in a discounted amount of provision for major overhauls arising from the passage of time	86	—
Total interest expense on financial liabilities not at fair value through profit or loss	68,627	46,968
Less: Interest capitalised	(67,678)	(45,649)
	949	1,319

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of properties sold	1,069,000	268,109
Cost of services provided	8,621	2,891
Depreciation	4,400	3,152
Amortisation of prepaid land lease payments	25,217	7,428
Amortisation of an intangible asset	83	—
Employee benefit expense (including directors' remuneration):		
Salaries and other staff costs	32,512	11,428
Pension scheme contributions	1,198	378
Less: Amount capitalised	(6,411)	(5,053)
	27,299	6,753
Write-off of items of property and equipment	402	9

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2009: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Group:		
Current charge for the period:		
PRC corporate income tax	231,878	33,423
PRC land appreciation tax	230,462	48,385
	462,340	81,808
Deferred	(43,264)	62,700
Total tax charge for the period	419,076	144,508

The share of tax charge during the period attributable to jointly-controlled entities and associates amounting to RMB94,735,000 (six months ended 30 June 2009: RMB1,335,000) and RMB20,060,000 (six months ended 30 June 2009: tax credit of RMB198,000), respectively, are included in "Share of profits and losses of jointly-controlled entities and associates" in profit or loss of the consolidated statement of comprehensive income.

## 8. DIVIDEND

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interim – HK\$4 cents (six months ended 30 June 2009: Nil) per ordinary share	99,814	—

The interim dividend was declared after the end of the reporting period and hence was not accrued on that date.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 2,737,177,901 in issue during the period after taking into consideration of the capitalisation issue upon listing on the Stock Exchange. The weighted average number of ordinary shares in issue for the six months ended 30 June 2009 has been retrospectively adjusted to 2,000,000,000 for comparison.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

## 10. ADDITIONS TO PROPERTY AND EQUIPMENT AND PROPERTIES UNDER DEVELOPMENT

During the six months ended 30 June 2010, the Group incurred approximately RMB29,504,000 (six months ended 30 June 2009: RMB968,000) on the acquisition of items of property and equipment.

During the six months ended 30 June 2010, the Group incurred approximately RMB1,199,233,000 (six months ended 30 June 2009: RMB210,130,000) on the additions to properties under development.

## 11. TRADE RECEIVABLES

The Group's trade receivables arise from the sale of properties, leasing of investment properties and provision of property management services.

Consideration in respect of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services. The Group generally grants a rent-free period for three months to the lessees of the Group's investment properties, extending up to six months for major customers.

Since the Group's trade receivables related to a number of diversified customers, there is no significant concentration of credit risk. All trade receivables are non-interest-bearing.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

## 11. TRADE RECEIVABLES *(Continued)*

The aged analysis of the trade receivables that are not considered to be impaired as at the end of the reporting period is as follows:

	<b>30 June</b> <b>2010</b> <b>(Unaudited)</b> <b>RMB'000</b>	31 December 2009 (Audited) RMB'000
Neither past due nor impaired	17,883	17,281
1 to 6 months past due	17,561	2,319
7 to 12 months past due	593	—
Over 1 year past due	—	2,544
	<b>36,037</b>	22,144

## 12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	<b>30 June</b> <b>2010</b> <b>(Unaudited)</b> <b>RMB'000</b>	31 December 2009 (Audited) RMB'000
Within 1 year	383,386	299,075
Over 1 year	10,964	8,459
	<b>394,350</b>	307,534

The trade payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

## 13. INTEREST-BEARING BANK LOANS

	30 June 2010 (Unaudited)			31 December 2009 (Audited)		
	Contractual interest rate (%)		RMB'000	Contractual interest rate (%)		RMB'000
	per annum	Maturity		per annum	Maturity	
<b>Current</b>						
Bank loans - secured	4.80 - 5.84	2010-2011	488,535	5.04 - 6.05	2010	555,000
Current portion of long term bank loans - secured	2.75 - 6.05	2010-2011	239,527	2.50 - 6.53	2010	12,037
			<b>728,062</b>			567,037
<b>Non-current</b>						
Bank loans - secured	2.75 - 6.05	2011-2028	1,600,086	2.50 - 6.53	2011-2028	1,539,028
			<b>1,600,086</b>			1,539,028
			<b>2,328,148</b>			2,106,065

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Analysed into:		
Within one year or on demand	728,062	567,037
In the second year	34,513	360,330
In the third to fifth years, inclusive	1,555,929	1,171,059
In the sixth to tenth years, inclusive	9,644	7,639
	<b>2,328,148</b>	2,106,065

Notes:

- Certain of the Group's bank loans are secured by the Group's buildings, investment properties, prepaid land lease payments, properties under development and completed properties held for sale, details of which are disclosed in note 17.
- Certain of the Group's bank loans were secured by share charges in respect of the equity interests in subsidiaries of the Group.
- At 31 December 2009, Mr. Wong and a family member of Mr. Wong provided guarantees of aggregating to RMB17,804,000 in respect of certain of the Group's bank loans. At 30 June 2010, all the guarantees were released.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

## 14. SHARE CAPITAL

### Shares

	<b>30 June 2010 (Unaudited) HK\$</b>	31 December 2009 (Audited) HK\$
Authorised: 10,000,000,000 (2009: 3,000,000) ordinary shares of HK\$0.10 each	<b>1,000,000,000</b>	300,000
Issued and fully paid: 2,853,200,000 (2009: 112,660) ordinary shares of HK\$0.10 each	<b>285,320,000</b>	11,266
Equivalent to RMB'000	<b>250,683</b>	11

Pursuant to a written resolution of shareholders of the Company passed on 6 January 2010, the authorised share capital of the Company was increased from HK\$300,000 to HK\$1,000,000,000 divided into 10,000,000,000 shares by the creation of 9,997,000,000 additional shares of HK\$0.10 each, ranking pari passu in all respects with the existing share capital of the Company and the directors were conditionally authorised to issue and allot 2,253,087,340 shares at par as fully paid to the shareholders whose names appeared on the register of the members of the Company on 1 January 2010 by way of capitalisation of a sum of HK\$225,308,734 which was then standing to the credit of the share premium account of the Company.

On 5 February 2010, the Company's shares were listed on the Stock Exchange and the Company issued 600,000,000 new ordinary shares of HK\$0.10 each at HK\$2.60 per share, raising gross proceeds of HK\$1,560,000,000.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

## 14. SHARE CAPITAL *(Continued)*

### Shares *(Continued)*

A summary of the transactions during the period with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000	RMB Equivalent		
					Issued share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2010	112,660	11	774,602	774,613	11	681,988	681,999
Capitalisation of share premium (unaudited)	2,253,087,340	225,309	(225,309)	—	197,956	(197,956)	—
Issue of shares (unaudited)	600,000,000	60,000	1,500,000	1,560,000	52,716	1,317,900	1,370,616
Share issue expenses (unaudited)	—	—	(59,468)	(59,468)	—	(52,233)	(52,233)
<b>At 30 June 2010 (unaudited)</b>	<b>2,853,200,000</b>	<b>285,320</b>	<b>1,989,825</b>	<b>2,275,145</b>	<b>250,683</b>	<b>1,749,699</b>	<b>2,000,382</b>



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

## 15. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Note	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	(a)	1,062,994	879,213

Notes:

- (a) As at 30 June 2010, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks.

Under the above arrangement, the related properties were pledged to the banks as collaterals for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of the Company consider that in the case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in the financial statements.

- (b) At the end of the reporting period, the Company did not have any significant contingent liabilities.

In addition, the Group's share of the jointly-controlled entities' and associates' own financial guarantees which are not included in the above, is as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	341,789	339,245
Guarantees in respect of mortgage facilities provided for certain purchasers of the associates' properties	26,880	27,867

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

## 16. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	<b>30 June 2010 (Unaudited) RMB'000</b>	31 December 2009 (Audited) RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, completed properties held for sale, land use rights and construction of owner-occupied properties in Mainland China	<b>1,786,060</b>	1,332,476

In addition, the Group's share of the jointly-controlled entities' own capital commitments which are not included in the above, is as follows:

	<b>30 June 2010 (Unaudited) RMB'000</b>	31 December 2009 (Audited) RMB'000
Contracted, but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development	<b>82,696</b>	9,564

At the end of the reporting period, the Company did not have any significant commitments.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

## 17. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to certain banks for securing the loans granted to the Group:

	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Audited)
	<b>RMB'000</b>	RMB'000
Property and equipment	<b>57,388</b>	52,454
Investment properties	<b>1,304,000</b>	1,296,000
Prepaid land lease payments	<b>951,827</b>	1,132,399
Properties under development	<b>3,023,812</b>	1,928,086
Completed properties held for sale	<b>—</b>	3,488
	<b>5,337,027</b>	4,412,427

## 18. RELATED PARTY TRANSACTIONS

(a) During the period, the Group entered into transactions with related parties as follows:

	Notes	<b>Six months ended 30 June</b>	
		<b>2010</b>	2009
		<b>(Unaudited)</b>	(Unaudited)
		<b>RMB'000</b>	RMB'000
Sale of properties to:			
Director	(i)	<b>3,246</b>	1,171
Family members of the directors	(i)	<b>12,237</b>	1,995
Rental income from companies			
controlled by Mr. Wong	(ii)	<b>839</b>	264
Property management fee income from			
companies controlled by Mr. Wong	(ii)	<b>123</b>	116
Interest expenses on loans from			
companies controlled by Mr. Wong	(iii)	<b>—</b>	5,825
Sales agency fees paid to an associate	(iv)	<b>3,289</b>	—

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

## 18. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

- (i) The properties were sold at prices mutually agreed by both parties.
- (ii) Terms on the rental and management fee income of office premises were mutually agreed between both parties.
- (iii) The interest expenses were charged at rates ranging from 2.86% to 5.40% per annum for six months ended 30 June 2009.
- (iv) The sales agency fees were charged at rates ranging from 1.1% to 1.3% of the selling price of the relevant properties sold.

### (b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Short term employee benefits	2,779	531
Post-employment benefits	20	8
Total compensation paid to key management personnel	2,799	539

In the opinion of the directors, the directors of the Company represent the key management personnel of the Group.

Except for items (a)(iv) and (b), the above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 19. EVENTS AFTER THE REPORTING PERIOD

On 7 June 2010, the Group entered into a share transfer agreement with Beijing Dupeng Real Estate Development Co., Ltd., a state-owned enterprise, for the acquisition of the entire equity interest in Beijing Dushishengjing Real Estate Development Co. Ltd. ("BJ Shengjing") at a cash consideration of approximately RMB127 million. Up to the date of acquisition, BJ Shengjing has not carried out any significant business activities except for holding one parcel of land in Beijing, the PRC. The acquisition was completed on 13 July 2010 and BJ Shengjing became a wholly-owned subsidiary of the Group.

## 20. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved by the board of directors on 17 August 2010.