

花樣年  
FANTASIA

Fantasia Holdings Group Co., Limited Interim Report 2011 Stock Code:1777



Make Life In Style

让生活更有风格

让生活更有风格

Make Life In Style

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Guilin Fantasia Town



Suzhou Lago Paradise

# Corporate Information

## DIRECTORS

### Executive Directors

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

### Independent Non-Executive Directors

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

## COMPANY SECRETARY

Mr. Chan Sze Hon

## AUTHORIZED REPRESENTATIVES

Mr. Chan Sze Hon  
Mr. Feng Hui Ming

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## AUDITORS

Deloitte Touche Tohmatsu  
Certified Public Accountants

## COMPLIANCE ADVISOR

Partners Capital International Limited

## PRINCIPAL BANKERS

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

## LEGAL ADVISORS

### As to Hong Kong Law

Sidley Austin

### As to PRC Law

Commerce & Finance Law Offices

### As to Cayman Islands Law

Conyers Dill & Pearman

## REGISTERED OFFICE

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

## CORPORATE HEAD OFFICE IN HONG KONG

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

## CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

F/27, Block A, Hailrun Complex  
No. 6021 Shennan Boulevard  
Shenzhen 518040, Guangdong Province  
China

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## LISTING INFORMATION

### Share Listing

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

### Senior Notes Listing

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

## WEBSITE

<http://www.cnfantasia.com>

# Honors and Awards

## On Company Level



- In January 2011, Dongguan Fantasia Real Estate Investment Co., Ltd. was awarded "2010 Outstanding Enterprise of Real Estate Development Companies" (2010年度房地產開發企業先進單位) by Dongguan Housing and Urban-Rural Construction Bureau (東莞市住房和城鄉建設局);
- In February 2011, Fantasia (Chengdu) Development Co., Ltd. was awarded "2010 Major Tax-Payer" (2010年度納稅大戶) by the Working Committee of the CPC in Chengdu High-Tech Zone (中共成都高新區工委) and Management Committee in Chengdu High-Tech Zone (成都高新區管委會);
- In February 2011, Fantasia Group (China) Co., Ltd. was awarded "2010 China Real Estate Developing Model Enterprises" (2010中國房地產成長標杆企業) by the Organizing Committee of the Eleventh Annual Meeting for China Real Estate Development 2011 (2011第十一屆中國房地產發展年會組委會);
- In March 2011, Fantasia Group (China) Co., Ltd. was awarded "China Top 100 Real Estate Developers for Three Consecutive Years from 2009 - 2011" (2009 - 2011連續三年中國中國房地產百強企業) by Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所), Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Research Institute (中國指數研究院);
- In March 2011, Fantasia Group (China) Co., Ltd. was honored to be one of the "2011 China Top100 Real Estate Developers" (2011年中國房地產百強企業) chosen by China Real Estate Top 10 Research Team (中國房地產Top 10研究組);
- In March 2011, Fantasia Group (China) Co., Ltd. was awarded "2010 Star Real Estate Developers in China -Top 100" (2010中國房地產百強企業一百強之星) by Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所), Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Research Institute (中國指數研究院);
- In March 2011, Fantasia (Chengdu) Development Co., Ltd. was awarded "2010 Top Ten Brand Enterprise in Chengdu Property Market" (2010成都樓市十大品牌企業) by Chengdu Business Daily (成都商報);
- In April 2011, Fantasia Group (China) Co., Ltd. was awarded "Brand Development Award" (品牌發展獎) by Southern Metropolis Daily (南方都市報);
- In May 2011, Fantasia Holdings Group Co., Limited was honored to be one of "2011 Top 100 China Real Estate Listed Companies" (2011年中國房地產上市公司100強) and "2011 Top 50 China Real Estate Listed Companies in terms of Comprehensive Strength" (2011中國房地產上市公司綜合實力五十強) chosen by China Real Estate Reach Institute (中國房地產研究會), China Real Estate Association (中國房地產協會) and China Real Estate Assessment Center (中國房地產測評中心);
- In July 2011, Fantasia Group (China) Co., Ltd. was awarded "2011 China Real Estate Corporate Citizen Award" (2011年度中國地產企業公民大獎) in Boao 21st Century Real Estate Forum (博鰲21世紀房地產論壇).

**On Project Level**

1. In January 2011, Huizhou Fantasia Special Town (惠州別樣城) was awarded “Top Ten Most Anticipated Real Estate in Huizhou in 2010 – 2011” (2010 – 2011年度惠州十大最值得期待樓盤) by Soufun.com (搜房網);
2. In January 2011, Chengdu Meinian International Plaza (成都美年國際廣場) was awarded “The Most Creative Commercial Property in 2010” (2010最具創新力商業地產) by China Real Estate Mainstream Media Union, Chengdu TV station (中國房地產主流電視媒體聯盟·成都廣播電視台);
3. In January 2011, Chengdu Meinian International Plaza (成都美年國際廣場) was awarded “Western China Top 50 in Sichuan in terms of Comprehensive Strength” (2010四川房地產綜合實力排行榜華西Top 50) by Western China City Daily (華西都市報);
4. In January 2011, Chengdu Future Plaza (成都香年廣場) was awarded “Chengdu Property Market Most Investment Worthy Property” (成都地產年度最具投資價值物業) by Sichuan Daily Press Group (四川日報報業集團) and Chengdu Urban-Rural Housing Bureau (成都市城鄉房產管理局);
5. In March 2011, Chengdu Funian Plaza was awarded “2011Most Anticipated Real Estate in Chengdu Real Estate Market” (2011成都樓市最值得期待樓盤) by Chengdu Business Daily (成都商報);
6. In March 2011, Chengdu Future Plaza was awarded “2010 Most Investment Worthy Commercial Property” (2010最具投資價值商業地產) by Chengdu Business Daily (成都商報);
7. In April 2011, Shenzhen Love Forever (深圳花郡) was awarded “Top Ten of The Best Selling New Property in Bao’an District in First Quarter of 2011” (2011 (第一季度) 寶安區新房成交龍虎榜前十名) by Shenzhen Real Estate Information Web (深圳房地產信息網);
8. In July 2011, Chengdu Future Plaza (成都香年廣場) was awarded “2011 Commercial Property Annual Award” (2011年度商業地產大獎) in Boao 21st Century Real Estate Forum (博鰲21世紀房地產論壇).



# Social Responsibility

In the first half of 2011, while rapidly developing, Fantasia has persisted in fulfilling corporate social responsibilities, and has proactively participated in social and community services, including ramping up the construction of two academic buildings for the Hope Primary School in Ji'an County, promoting annual large-scale community art activity, i.e. the fifth "Fantasia – Voyage to Happiness" (花樣年 • 發現幸福之旅) and sponsoring the fourth Hong Kong & Shenzhen Bi-city Biennale of Urbanism\Architecture.

## DONATION FOR EDUCATION

By now, Fantasia has already donated approximately RMB10 million since 2006 for building the Hope Primary School in Ji'an County and Fantasia Qixiang School in Chengdu. In order to improve the teaching environment and facilities of the Hope Primary School in Ji'an County, Fantasia made further donation to build an academic building and a kindergarten building. In the first half of 2011, two academic buildings are under construction, among which, the kindergarten building has proceeded to the final stage of decoration. Meanwhile, Fantasia has again established the teacher incentive fund for the second time and supported the 2011 spring "Future Pillars" (fresh graduates who joined Fantasia) education support program to enhance the teaching quality of the schools. Fantasia also continuously places strong emphasis on the physical and mental development of children, living environment of the school and gratitude education and source of students, for the purpose of making the Hope Primary School in Ji'an County as a primary school with sound teaching environment and high quality teaching service, which allows sustainable and healthy development.

## VOYAGE TO HAPPINESS

In December 2010, the fifth "Fantasia – Voyage to Happiness" (花樣年 • 發現幸福之旅), the annual large-scale community art activity of Fantasia, was officially launched. This time, Fantasia invited Cao Kefei (曹克非), a well-known theater director, as the co-artist to launch a series of art projects under the theme "Theatres with No Boundary, Living Lives with Dramas". In the first half of 2011, Cao Kefei has selected typical real estate communities in Shenzhen and Chengdu, for organising interactive activities besides interviewing the residents and property owners. She made an actual record for bits of happiness in the lives of the community through sharing her personal experience, words, pictures and videos. With the materials gathered in the first half of the year and the rehearsals undertaken in the second half of the year, Cao Kefei will present "Drama of Happiness" to the audience by the end of 2011, illustrating the livelihood of people from all walks of lives.

## BIENNALE OF URBANISM\ ARCHITECTURE

It has been the fourth consecutive year that Fantasia provided sponsorship support to the Hong Kong & Shenzhen Bi-city Biennale of Urbanism\Architecture and a total of RMB5 million has been contributed. It is expected that the fourth Biennale will be launched in Shenzhen on 8 December 2011 under the theme of "Urbanism Creation". An in-depth discussion on the interaction between architecture and urbanism will be held. Over 10 sub-exhibitions for the fourth Biennale, which present the latest ideology and masterpiece of urban architecture and art realm, will be launched in Shenzhen and Hong Kong respectively.



# Chairman's Statement



Dear Shareholders,

On behalf of the board of directors, I am pleased to present the interim results of Fantasia Holdings Group Co., Limited for the six months ended 30 June 2011.

For the six months ended 30 June 2011, the Group recorded operating revenue of RMB2,005 million, representing an increase of 4.6% over the first half of last year. Net profit attributable to owners of the Company during the half year was RMB502 million, up 22.1% as compared to the first half of last year. Excluding the revenue contributed by the movement of fair value of investment properties and net of the effect on taxation and minority interests, the net profit contributed by the core business of the Group reached RMB441 million, up 44.3% as compared to the first half of last year.

## MARKET AND BUSINESS REVIEW

During the first half of 2011, “purchase-restriction, loan-restriction and price-restriction” have become three main topics prevailing in the real estate market in China. The Chinese government’s has a firm attitude towards the marco-control measures on the real estate market, and mid-term controlling measures have been introduced. This promoted the structural changes on the Chinese real estate market: Firstly, the investment demand for the residential properties has been restricted, making a relative growth for the investment demand for the non-residential products; Secondly, the over-heated market in the first and second-tier cities has been curbed with the share of areas sold decreased, whereas a relative growth in third and fourth-tier cities has been maintained. During January till June, national-wide sales of commodity houses and the unit price were 444,190,000 square meters and RMB5,536 per square meter respectively, representing an increase of 12.9% and 10%, as compared to the same period last year. Under the continuous pressure from the control measures, even though the development of China’s real estate market could decelerate, the price has been maintained at a mid-to-high level.

Over the past fifteen years for which Fantasia has entered the real estate industry, we were fortunate to have benefited from the boom markets constantly, and meanwhile have experienced the ebb and flow of the industry for many times. Hence, we have fully realized that an outstanding real estate enterprise should be capable of effectively carrying out the cyclical management measures in respect of the volatile market when confronting with great opportunities and huge volatilities arising from China’s urbanization and the real estate development. During the reporting period, we have prudently promoted the development of the Company’s business. The cumulated contract sales and areas sold during the first half year have reached RMB3,405 million and 351,203 square meters respectively, representing an increase of 144% and 198% respectively as compared with the same period last year.

### **Adopt flexible and proactive approach to enhance multi-product lines and strengthen edges in urban complex products**

During the reporting period, the Group actively seized the favorable sales opportunities and sales resources, timely adjusted products portfolio, set the non-purchase restricted products and urban complex products as sales focus, continuously enhanced the edges of multi-product lines and urban complex products, and accelerated the pace in the launch and the sales of urban complex products in such cities as Shenzhen, Tianjin, Chengdu and Guilin. The contract sales share of the Group's urban complex products during the first half year reached 57%, helping the Group to achieve 57% of annual sales target of RMB6 billion.

### **Further increase the contribution from teams and from multi-regions**

During the reporting period, the number of employees in the Group increased from 4,199 in 2010 to 5,897. The team size has maintained a good track of the expansion of the Group's business. The teams of new cities which the Group has just entered have become mature in a short period of time. The Group's contract sales contribution has increased from 6 cities in 2010 to 8 cities. The projects in Wuxi and Guilin, the markets in which the Group had entered in 2010, have commenced construction and the first batch of products were sold out on the debut day. Such achievement implies the further enhancement of contributions from the Group's multi regions. To enhance the global management prospective and excellent leadership skills of the senior management of the Company, the Group has entered into continuous cooperation with Cheung Kong Graduate School of Business. During the reporting period, we are in the process of organising the first training course for the senior management of Fantasia.

### **Effectively promote the project planning and execution**

The Group has strictly applied a three level project plan management and control system to efficiently instruct, supervise and guarantee the implementation of the critical element of each project. During the reporting period, areas of the Group's newly commenced projects was 1.27 million square meters, representing 91% of the target of 1.40 million square meters of the year. This helped to assure that the Group would be capable of achieving the target of increasing the saleable resources as planned and achieving the full year target.

### **Streamline the management chain and expand the strategic supplier base**

To accomplish the strategy of "Blossoming China", the Group has to acquire stronger support from eminent suppliers. During the reporting period, the Group continued to streamline the management chain, expand the scope of collaboration with the contractors, expand the number of strategic suppliers through headquarters-to-headquarters communication and annual supplier conferences and establish strategic cooperation relationship with various well-known domestic and foreign enterprises, such as South Decoration, Hitachi and Schindler. We believe that the inclusion of strategic suppliers will enable us to achieve better performance in terms of quality, cost and efficiency.

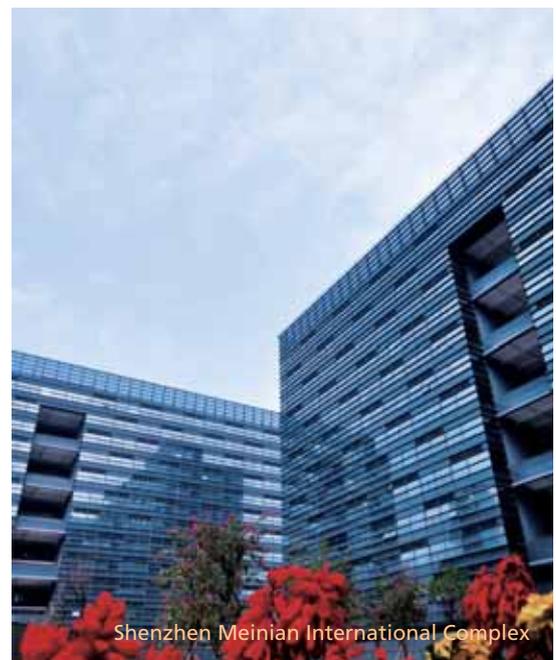


# Chairman's Statement



## DEVELOP DIVERSIFIED PROPERTY SERVICES AND OPERATION CAPACITIES WITH THE FOCUS OF PROPERTY DEVELOPMENT

China will gradually turn into an aged society in the upcoming 10 years and become the country with the largest proportion of the aging population as it is expected that in 2030, the percentage of population aged 65 above in China will exceed that in Japan. Hence, Fantasia is of the view that, with the arrival of the peak of China's population as well as the growing of the aging population, an enterprise which is capable of providing diversified services and maintaining strong operation capacities shall outdo its peers in the future development of China's real estate industry. Since 2009, Fantasia has been exploring diversified property-related businesses, such as boutique hotel, property services, cultural tourism, commercial real estate, and begun to explore the development mode of senior housing in the first half of this year so as to undertake strategic preparation for the future business transformation.



## INVEST PRUDENTLY AND OPERATE STABLY

Against the backdrop of the tightening industrial and financial policies, while ensuring the security of cash flow through the strategy of quick selling, the Group has adopted a more prudent and conservative attitude to screen the land investment opportunities and has only carried out the acquisition for the Shenzhen TCL Shekou Project during the reporting period. As of 30 June 2011, the Group's cash on hand was RMB1,820 million, and net debt ratio was 74.5%, maintaining a solid financial position.

## PROSPECT AND DEVELOPMENT

In the second half of 2011, the US economy is expected to remain sluggish and the development of the European economy will still be shadowed by the debt crisis, whereas the emerging markets, as led by China, will face the increasing pressure of inflation. As of mid-July of 2011, the People's Bank of China had increased the depository reserve ratio for 6 consecutive times and the interest rate for 3 times during the year; however, China's inflation rate as well as various assets value remained at a high level. As a result, we believe that the trend for the measures will continue to suppress inflation and mid-term controlling measures of the real estate market will sustain. At the same time, the State emphasized that the construction of 10 million units of social security housing must be undertaken and as the prediction we have made early this year, the launch of such social security housing to the market may pose threats to the general residential housing market. In the second half of 2011, with the peak of housing supply and the continual suppression from the policies, the property development enterprises will encounter greater sales pressure.

In view to such market judgment, the Group will, in the second half of the year, continue to maintain a flexible and active strategy to boost sales and to strive to achieve or to exceed the planned annual sales target. The Group will continue to prudently acquire premium land parcels at competitive price, reasonably expand the scale of the land bank, capture the opportunities to enter one to three core cities, continue to expand the Group's strategic penetration and follow the schedule to promote the progress of project construction for building up a solid foundation for next year's sustainable growth.

## ACKNOWLEDGEMENT

Notwithstanding that we have to encounter the recession and stagnation of the Chinese real estate industry, we firmly believe that our employees, shareholders, investors and partners are committed to work with us faithfully. This shows their confidence towards the prospects of Fantasia. We would like to express our respect and gratitude to them. Under the dream of "Blossoming China", we are looking forward to more enormous achievements, which will constantly motivate us to devote ourselves to our business while earning fruitful rewards.

**Pan Jun**

*Chairman*

22 August 2011

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

Revenue of the Group mainly consists of revenue derived from (i) the sales of our developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services and (v) the provision of hotel management and related services. For the six months ended 30 June 2011, turnover of the Group amounted to approximately RMB2,005 million, representing an increase of 4.6% from approximately RMB1,918 million for the corresponding period in 2010. Profit and total comprehensive income for the period attributable to the equity holders of the Company was approximately RMB502 million, representing an increase of 22.1% from approximately RMB411 million for the corresponding period in 2010. Excluding the revenue contributed by the movement of fair value of investment properties and

net of the effect on taxation and minority interests, the net profit contributed by the core business of the Group reached RMB441 million, up 44.3% as compared to the first half of last year.

### Property Development

We recognize revenue from the sale of a property when the significant risks and rewards of ownership have been transferred to the purchaser, i.e., when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue from property development represents proceeds from sales of our properties held for sales. Revenue derived from property development increased by 3.3% to approximately RMB1,915 million for the six months ended 30 June 2011 from approximately RMB1,854 million for the corresponding period in 2010. This increase was due primarily to an increase in total gross floor area ("GFA") and an increase in the average selling price of properties sold to our customers.

The table below sets forth the total revenue derived from each of the projects and the aggregate GFA of properties sold in the first half of 2011 and 2010.

	Six months ended 30 June 2011			Six months ended 30 June 2010		
	Total Revenue	GFA sold	Average Selling Price	Total Revenue	GFA sold	Average Selling Price
	RMB'000	Sq. m.	RMB	RMB'000	Sq. m.	RMB
Shenzhen Love Forever (深圳花郡)	907,529	44,903	20,211	-	-	-
Shenzhen Meinian International Complex (深圳美年國際廣場)	641,740	24,060	26,673	-	-	-
Chengdu Meinian International Plaza (成都美年國際廣場)	216,715	16,477	13,153	-	-	-
Chengdu Grand Valley (成都大溪谷)	50,280	6,295	7,987	34,936	7,161	4,879
Chengdu Mont Conquerant (成都君山)	26,557	2,757	9,631	-	-	-
Chengdu Love Forever (成都花郡)	21,865	6,048	3,615	5,920	2,134	2,773
Dongguan Mont Conquerant (東莞君山)	21,000	1,232	17,044	195,815	18,095	10,822
Yixing Town on the Water (宜興雲海間)	11,311	965	11,719	235,995	20,317	11,616
Shenzhen Flower Harbor (深圳花港家園)	9,036	766	11,800	28,962	1,000	28,950
Chengdu Hailrun Plaza (成都喜年廣場)	6,084	168	36,286	1,133,053	89,995	12,590
Tianjin Hailrun Plaza (天津喜年廣場)	892	175	5,090	-	-	-
Shenzhen Future Plaza (深圳香年廣場)	-	-	-	219,041	7,388	29,647
Sub-total	1,913,009	103,846	18,422	1,853,722	146,090	12,689
Other	1,653	388	4,260	-	-	-
<b>Total</b>	<b>1,914,662</b>	<b>104,234</b>	<b>18,369</b>	<b>1,853,722</b>	<b>146,090</b>	<b>12,689</b>



Chengdu Grand Valley

# Management Discussion and Analysis

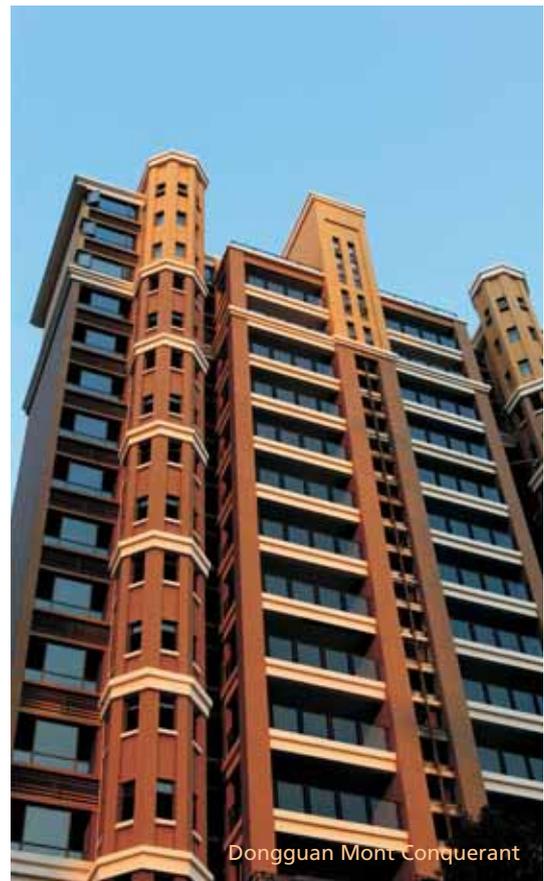


## Property Investment

Revenue generated from property investment increased by 41% to approximately RMB12 million for the six months ended 30 June 2011 from approximately RMB8 million for the corresponding period in 2010. The increase was due primarily to the continuing growth of the investment properties.

## Property Agency Services

Revenue derived from property agency services decreased by 19.5% to approximately RMB10 million for the six months ended 30 June 2011 from approximately RMB12 million for the corresponding period in 2010. Due to the restructuring of the Company's business, the property agency services business has been disposed of in January 2011 in order for the management to concentrate on the major business, but we maintained the property agency services business in the second hand market as a value-added service in the property operation business team.



### Property Operation Services

Revenue derived from property operation services increased by 51.4 % to approximately RMB61 million for the six months ended 30 June 2011 from approximately RMB40 million for the corresponding period in 2010. This increase was due primarily to an increase in the GFA of properties that we managed during the first half of 2011.

### Hotel Services

Revenue derived from hotel services increased by 172.4% to approximately RMB8 million for the six months ended 30 June 2011 from approximately RMB3 million for the corresponding period in 2010. This increase was due primarily to an increase in occupancy rate of the hotel during the first half of 2011.

### Gross Profit and Margin

Gross profit increased by 10.6% to approximately RMB1,053 million for the six months ended 30 June 2011 from approximately RMB952 million for the corresponding period in 2010, while our gross profit margin increased to 52.5% for the six months ended 30 June 2011 from 49.7% for the corresponding period in 2010. This increase in gross profit was in line with the increase in the total revenue for the six months ended 30 June 2011 while the increase in our gross margin was resulted from the contribution from our Shenzhen projects, which remained at a high level.

### Other Income, Gain and Losses

Other income, gain and losses increased by 1,048.2% to approximately RMB56 million for the six months ended 30 June 2011 from approximately RMB5 million for the corresponding period in 2010. The increase was due primarily to the exchange gain resulting from the translation of our US senior notes and a gain from the disposal of a subsidiary.

### Selling and Distribution Expenses

Our selling and distribution expenses increased by 125.8% to approximately RMB131 million for the six months ended 30 June 2011 from approximately RMB58 million for the corresponding period in 2010. This increase was due primarily to an increase in general selling, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold in the first half of 2011 as compared to that in the same period of 2010. Our contract sales in the first half of 2011 was approximately RMB3,405 million while that in the same period of 2010 was approximately RMB1,393 million.

### Administrative Expenses

Our administrative expenses increased by 18.2% to approximately RMB143 million for the six months ended 30 June 2011 from approximately RMB121 million for the corresponding period in 2010. This increase was due primarily to the increase in number of offices and staff cost in new locations due to our expansion.

### Finance Costs

Our finance costs increased by 13.9% to approximately RMB77 million for the six months ended 30 June 2011 from approximately RMB68 million for the corresponding period in 2010. This increase was due primarily to an increase in bank loans and senior notes to finance the business operation and development, which in turn increased the interest expenses.

### Income Tax Expenses

Our income tax expenses decreased by 10.9% to approximately RMB370 million for the six months ended 30 June 2011 from approximately RMB415 million for the corresponding period in 2010. This decrease was due primarily to a tax planning to reduce income tax and land appreciation tax implemented in the first half of 2011.

### Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased by 22.1% to approximately RMB502 million for the six months ended 30 June 2011 from approximately RMB411 million for the corresponding period in 2010. This increase was due primarily to a tax planning implemented in the first half of 2011. Our net profit margin maintained at a satisfactory level of 25.0% in the first half of 2011 as compared to 21.5% in the same period of 2010.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Cash Position

As at 30 June 2011, the Group's bank balances and cash was approximately RMB1,820 million (31 December 2010: approximately RMB2,457 million), representing a decrease of 25.9% as compared to that as at 31 December 2010. A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits relate to. As at 30 June 2011, the Group's restricted cash was approximately RMB565 million (31 December 2010: approximately RMB85 million), representing an increase of 563.3% as compared to that as at 31 December 2010.

### Current Ratio and Gearing Ratio

As at 30 June 2011, the Group has current ratio (being current assets over current liabilities) of approximately 1.53 compared to that of 1.73 as at 31 December 2010. The gearing ratio was 74.5% as at 30 June 2011 compared to that of 69.0% as at 31 December 2010. The gearing ratio was measured by net debt (aggregated bank borrowings and senior notes net of bank balances and cash and restricted cash) over the equity attributable to owners of the Company. The total debt (being aggregated bank borrowings and senior notes) over total assets ratio continued to be healthy, maintaining at 33.7% (31 December 2010: 36.2%) as of 30 June 2011.

# Management Discussion and Analysis

## Borrowings and Charges on the Group's Assets

As at 30 June 2011, the Group had an aggregate bank borrowings and senior notes of approximately RMB4,900 million (31 December 2010: approximately RMB4,775 million) and approximately RMB771 million (31 December 2010: approximately RMB787 million), respectively. Amongst the bank borrowings, approximately RMB2,188 million (31 December 2010: approximately RMB2,132 million) will be repayable within 1 year, approximately RMB2,431 million (31 December 2010: approximately RMB2,537 million) will be repayable between 2 to 5 years and approximately RMB281 million (31 December 2010: approximately RMB106 million) will be repayable after 5 years. The senior notes were repayable between 2 to 5 years.

As at 30 June 2011, a substantial part of the bank borrowings were secured by land use rights and properties of the Group. The senior notes were jointly and severally guaranteed by certain subsidiary companies of the Group and by pledge of their shares.

## Exchange Rate Risk

The Group mainly operates in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. Appreciation in RMB would have a positive effect on the value on paying interest and repayment of foreign currency bank borrowings and senior notes. During the six months ended 30 June 2011, though the exchange rates of RMB against U.S. dollar and the Hong Kong dollar kept on increasing, the directors of the Company (the "Directors") expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

## Commitments

As at 30 June 2011, the Group had committed payment for construction amounting to approximately RMB3,322 million (31 December 2010: RMB1,765 million). The Group had committed payment for the acquisition of a subsidiary of approximately RMB204 million. As at 31 December 2010, the Group had committed payment for the land premium on land acquisition amounting to approximately RMB140 million.



### **Contingent Liabilities**

As at 30 June 2011, the Group had provided guarantees amounting to approximately RMB2,041 million (31 December 2010: approximately RMB1,690 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the six months ended 30 June 2011 as the default risk is low.

### **Employees and Remuneration Policies**

As at 30 June 2011, the Group had approximately 5,897 employees (31 December 2010: approximately 4,199 employees), of which 668 employees (31 December 2010: approximately 607 employees) involved in the property development sector, 47 employees (31 December 2010: approximately 417 employees) in the property agency services sector, 4,740 employees (31 December 2010: approximately 2,794 employees) in the property operation services sector and 442 employees (31 December 2010: approximately 381 employees) in the hotel services sector. Total staff costs, including directors' emoluments, for the six months ended 30 June 2011 amounted to approximately RMB87 million (six months ended 30 June 2010: approximately RMB88 million). Remuneration is determined by reference to their performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme.

As at 30 June 2011, no options had been granted, exercised or cancelled under the share option scheme adopted on 27 October 2009.

### **INTERIM DIVIDEND**

The Directors had resolved that no interim dividend be paid for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

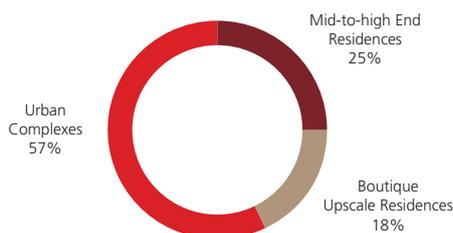
# Business Review

## CONTRACT SALES

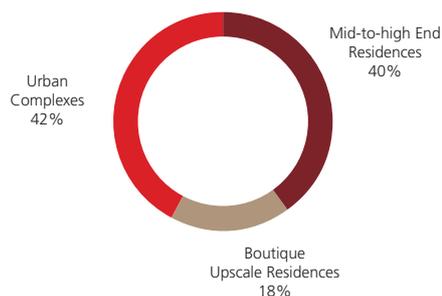
During the reporting period, more stringent policies were further promulgated by the Chinese government to control the real estate market, resulting in a more severe external environment. However, the Group formulated the layouts for its core cities in advance, closely monitored the market demand and adhered to its swift and flexible sales strategy. Benefited from the regional diversity and the edges on the Group's multi product lines of "boutique upscale residences and urban complexes", the Group recorded an outstanding sales performance. In

the first half of 2011, the Group recorded contract sales of RMB3,405 million and contract sales area of 351,203 square meters, representing an increase of 144% and 198% respectively over the same period in the last year, in which RMB1,953 million and 149,351 square meters were attributable to the sales of urban complexes projects, representing an increase of 88% and 96% respectively over the same period in the last year, and RMB594 million and 62,014 square meters were attributable to the sales of boutique upscale residences projects, representing an increase of 313% and 232% respectively over the same period in the last year.

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



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



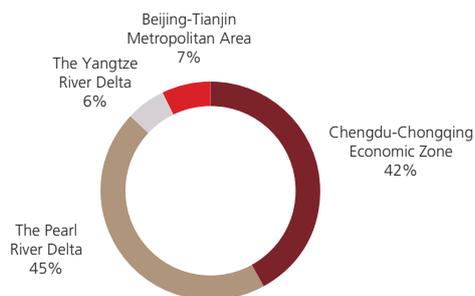
During the reporting period, the number of regions that provided sales contribution increased. In the first half of 2011, the contract sales was mainly derived from 17 projects in 8 core cities, two more cities were added as compared with 2010, namely Guilin and Wuxi. As the first large-scale urban complex project in Guilin, Guilin Fantasia

Town launched the first batch of 90 retail shops along the street, which were sold out on the debut day. Wuxi Love Forever launched multi-storey houses in its phase one, which were also well received among the local consumers, with its sales area ranking the second in that week in Wuxi City.

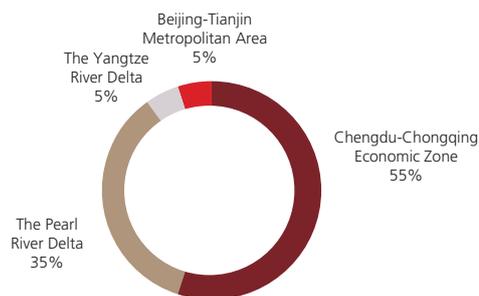
**The breakdown of the Company’s contract sales in the four major regions in the first half year of 2011**

Region	Contract Sales		Contract Sales Area	
	RMB’ million	Percentage	Sq.m.	Percentage
Chengdu-Chongqing Economic Zone	1,413	42%	194,232	55%
The Pearl River Delta	1,535	45%	120,925	35%
The Yangtze River Delta	214	6%	19,045	5%
Beijing-Tianjin Metropolitan Area	243	7%	17,001	5%
<b>Total</b>	<b>3,405</b>	<b>100%</b>	<b>351,203</b>	<b>100%</b>

**THE CONTRACT SALES DISTRIBUTION IN THE FOUR MAJOR REGIONS IN THE FIRST HALF OF 2011**



**THE CONTRACT SALES AREA DISTRIBUTION IN THE FOUR MAJOR REGIONS IN THE FIRST HALF OF 2011**



Chengdu Grand Valley

# Business Review

## PROJECT DEVELOPMENT

In the first half of 2011, the Group strictly followed the three-level project management and control system to ensure the smooth progress in the project development. The Group had an area of 1.27 million square meters for newly developed projects and an area of 60,000 square meters for completed projects. The total gross floor area of projects under construction (representing the projects under construction or completed in the first half of 2011) was 2.25 million square meters, whose saleable area amounted to approximately 1.87 million square meters in total.

## NEWLY DEVELOPED PROJECTS

In the first half of 2011, the Group had 8 projects or phases of projects which were newly developed, with a total gross floor area of 1.27 million square meters.

### The breakdown for newly developed projects for the first half of 2011

Project serial number	Project name	Project location	Nature of land	Estimated completion date	Company's interest	Total GFA sq.m
<b>The Pearl River Delta</b>						
1	Phase 1 and 2 of Dongguan Wonderland	Huangjiang Town, Dongguan City	Residential and commercial	2012	100%	160,139
2	Phase 1 of Guilin Fantasia Town	Lingui New District, Guilin City	Residential and commercial	2012	100%	440,931
<b>Chengdu-Chongqing Economic Zone</b>						
1	Phase 3 of Chengdu Fantasia Town	Wenjiang District, Chengdu City	Residential and commercial	2012	100%	181,559
2	Chengdu Funian Plaza	Chengdu High-technology Zone	Commercial and financial uses land	2012	100%	180,168
3	Dali Human Art Wisdom	Xiaguan Town, Dali City	City and town residential land use (with commercial service)	2012	100%	77,301
<b>The Yangtze River Delta</b>						
1	Remaining portion of Land 6 of Suzhou Lago Paradise	Taihu National Tourism Vacation Zone, Suzhou City	Accommodation, dining, residential	2012	100%	79,951
2	Phase 1 of Wuxi Love Forever	New Development Zone, Wuxi City	Residential and commercial	2012	100%	94,793
<b>Beijing-Tianjin Metropolitan Area</b>						
1	Tianjin Future Plaza	Hexi District, Tianjin City	R&D design	2012	100%	55,080
<b>Total</b>						<b>1,269,922</b>

## COMPLETED PROJECTS

In the first half of 2011, phase 2 of Shenzhen Love Forever project was completed with a gross floor area of approximately 60,000 square meters.

Serial number	Project name	Gross floor area	Total saleable area	Area held for sale		Area held by the Company	Contract sales area during the first half of 2011
				To be contracted	Contracted		
		sq.m	sq.m	sq.m	sq.m	sq.m	sq.m
<b>Shenzhen</b>							
1	Phase 2 of Love Forever	63,505	49,081	38	44,536	4,507	10,674
<b>Total</b>		<b>63,505</b>	<b>49,081</b>	<b>38</b>	<b>44,536</b>	<b>4,507</b>	<b>10,674</b>

Note 1: Completed projects represent the projects or phases of projects completed in the first half of 2011.

Note 2: Contract sales area refers to the cumulated area subject to signed sales contracts as at 30 June 2011.



# Business Review



Shenzhen Funian Plaza

## PROJECTS UNDER CONSTRUCTION

As at 30 June 2011, the Group had 15 projects or phases of projects under construction, with a total planned gross floor area of approximately 2.19 million square meters and a planned gross saleable area of approximately 1.82 million square meters. As at 30 June 2011, the Group has recorded cumulated contract sales of approximately 490,000 square meters with respect to the above projects, and contract sales area sold during the first half of 2011 was approximately 290,000 square meters.

**The breakdown of projects under construction during the first half of 2011**

Serial number	Project name	Project location	Nature of land	Company's Interest	Estimated completion date	Gross floor area	Gross saleable area	Area held for sale		Estimated area to be held by the Company	Contract sales area during the first half of 2011	Product category
								Area for sale	Contract sales area			
						sq.m	sq.m	sq.m	sq.m	sq.m	sq.m	
<b>Shenzhen</b>												
1	Funian Plaza	Futian District, Shenzhen City	Warehouse	100%	2012	61,219	47,213	44,893	0	2,320	0	Urban complex
<b>Huizhou</b>												
1	Phase 1 of Fantasia Special Town	Huinan Road, Huizhou City	Residential and commercial	100%	2011	72,418	70,582	1,724	68,858	0	42,678	Mid-to-high end residence
<b>Dongguan</b>												
1	Phase 2 of Mont Conquerant	Huangkeng Village, Liaobu Town, Dongguan City	Residential and commercial	100%	2011	122,983	90,637	52,824	37,813	0	23,167	Boutique upscale residence
2	Phase 1 and 2 of Wonderland	Huangjiang Town, Dongguan City	Residential and commercial	100%	2012	160,139	112,647	103,219	9,428	0	9,428	Boutique upscale residence
<b>Guilin</b>												
1	Phase 1 of Fantasia Town	Lingui New District, Guilin City	Residential and commercial	100%	2012	440,931	330,646	251,244	8,879	70,523	8,879	Urban complex
<b>Chengdu</b>												
1	Future Plaza	Chengdu High-technology Zone	Commercial and service	100%	2012	243,839	235,246	125,709	39,537	70,000	30,049	Urban complex
2	Section 1 of phase 2 of Mont Conquerant	Laojunshan, Xinjin County	Residential and commercial	100%	2012	12,699	8,673	6,381	0	2,292	0	Boutique upscale residence
3	Phase 2 and 3 of Fantasia Town	Wenjijang District, Chengdu City	Residential and commercial	100%	2011 (Phase 2) 2012 (Phase 3)	295,172	263,495	120,249	143,246	0	79,615	Mid-to-high end residence
4	Phase 1.3 of Meinian International Plaza	Chengdu High-technology Zone	Commercial, residential and education	100%	2011	198,160	178,532	89,367	89,165	0	50,877	Urban complex
5	Funian Plaza	Chengdu High-technology Zone	Commercial and financial uses land	100%	2012	180,168	172,031	138,977	10,054	23,000	10,054	Urban complex
<b>Dali</b>												
1	Human Art Wisdom	Xiaguan County, Dali City	City and town residential land use (with commercial service)	100%	2012	77,301	64,488	64,488	0	0	0	Mid-to-high end residence
<b>Tianjin</b>												
1	Phase 2 of Hailun Plaza	Jinnan District, Tianjin City	Office and commercial	60%	2011	83,289	66,514	3,661	48,436	14,417	12,945	Urban complex
2	Future Plaza	Hexi District, Tianjin City	R&D design	100%	2012	55,080	45,849	41,968	3,881	0	3,881	Urban complex

# Business Review

Serial number	Project name	Project location	Nature of land	Company's Interest	Estimated completion date	Gross floor area	Gross saleable area	Area held for sale		Estimated area to be held by the Company	Contract sales area during the first half of 2011	Product category
								Area for sale	Contract sales area			
						sq.m	sq.m	sq.m	sq.m	sq.m	sq.m	
<b>Suzhou</b>												
1	Land 6 of Lago Paradise	Suzhou Taihu National Tourism Vacation Zone	Accommodation and dining, and residential	100%	2012	91,799	54,440	36,335	18,105	0	9,462	Boutique upscale residence
<b>Wuxi</b>												
1	Phase 1 of Love Forever	New Development Zone, Wuxi City	Residential and commercial	100%	2012	94,793	78,204	69,586	8,618	0	8,618	Boutique upscale residence
<b>Total</b>						<b>2,189,990</b>	<b>1,819,196</b>	<b>1,150,624</b>	<b>486,020</b>	<b>182,552</b>	<b>289,653</b>	

Note 1: Contract sales area refers to the cumulated area subject to signed sales contracts as at 30 June 2011.

Note 2: The gross floor area and saleable area of the projects under construction may be subject to adjustment based on the actual acceptance and operation results at the later stage.

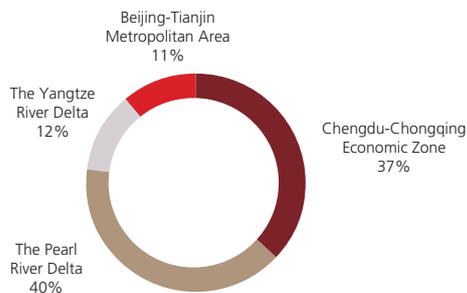


### PROJECTS TO BE DEVELOPED

As at 30 June 2011, the Group had 14 projects or phases of projects to be developed, with a planned gross floor area of approximately 6.67 million square meters, of which, the total planned gross floor area of 4 projects in the Pearl River Delta was approximately 2.65 million square meters, with a proportion of approximately 40%; and the total planned gross floor area of 4 projects in Chengdu-

Chongqing Economic Zone was approximately 2.48 million square meters, with a proportion of approximately 37%; and the 4 projects in Yangtze River Delta had a total planned gross floor area of approximately 0.83 million square meters, with a proportion of approximately 12% and the 2 projects in Beijing-Tianjin Metropolitan Area had a total planned gross floor area of approximately 0.71 million square meters, with a proportion of approximately 11%.

### The breakdown of projects to be developed in four major regions



# Business Review

## The breakdown of projects to be developed for the first half of 2011

Serial number	Project name	Project location	Nature of land	Company's interest	Planned GFA	Average cost of floor area
					sq.m	RMB/sq.m
<b>Huizhou</b>						
1	Love Forever	Huangyuyong, Daya Bay	Residential and commercial	100%	168,545	312
2	Phase 2 to 4 of Fantasia Special Town	Huinan Road, Huizhou City	Residential and commercial	100%	513,582	423
Subtotal					682,127	-
<b>Dongguan</b>						
1	Remaining phases of Wonderland	Huangjiang Town, Dongguan City	Residential and commercial	100%	173,261	923
Subtotal					173,261	-
<b>Guilin</b>						
1	Remaining phases of Gaohua Project	Lingui New District, Guilin City	Residential and commercial	100%	1,790,805	393
Subtotal					1,790,805	-
<b>Chengdu</b>						
1	Remaining phases of Meinian International Plaza	Chengdu High-technology Zone	Residential, commercial and education	100%	449,845	669
2	Remaining phases of Mont Conquerant	Laojun Mountain, Xinjin County	Residential and commercial	100%	283,685	823
3	Remaining phases of Fantasia Town	Wenjiang District, Chengdu City	Residential and commercial	100%	188,590	81
4	Remaining phases of Grand Valley	Pujiang County, Chengdu City	Residential and commercial	100%	1,556,986	281
Subtotal					2,479,106	-
<b>Tianjin</b>						
1	Yingcheng Lake Project	Hangu District, Tianjin City	Residential, commercial, and tourism	100%	168,339	766
2	Wuqing Project	Wuqing District, Tianjin City	City and town residential use land	100%	542,319	1,183
Subtotal					710,658	-
<b>Suzhou</b>						
1	Remaining phases of Lago Paradise	Suzhou Taihu National Tourism Vacation Zone	Accommodation, dining, residential	100%	441,322	1,522
Subtotal					441,322	-
<b>Wuxi</b>						
1	Remaining phases of Love Forever	New Development Zone, Wuxi City	Residential and commercial	100%	243,287	1,523
2	Hailrun Complex	Binhu District, Wuxi City	R&D design, business office and commercial	100%	83,128	842
Subtotal					326,415	-

Serial number	Project name	Project location	Nature of land	Company's interest	Planned GFA	Average cost of floor area
					sq.m	RMB/sq.m
<b>Nanjing</b>						
1	Yuhuatai District Project	Yuhuatai District, Nanjing City	Wholesale and retail land use	100%	66,497	4,337
Subtotal					66,497	-
<b>Total</b>					<b>6,670,191</b>	<b>-</b>

## LAND BANK

As at 30 June 2011, the total planned gross floor area of the Group's land bank amounted to approximately 13.82 million square meters, and planned gross floor area of attributable land bank amounted to approximately 13.79 million square meters. The total gross floor area

of the land bank includes a planned gross floor area of approximately 8.86 million square meters with land use right and a planned gross floor area of approximately 4.96 million square meters with framework agreements.

### The breakdown of land bank by regions as at 30 June 2011

Region	Projects under construction	Projects to be developed	Projects under framework agreements	Aggregate planned gross floor area of land bank	Proportion
	sq.m	sq.m	sq.m	sq.m	
<b>Chengdu-Chongqing Economic Zone</b>				<b>8,400,308</b>	<b>61%</b>
Chengdu	930,038	2,479,106	3,917,332	7,326,476	
Dali	77,301	-	996,531	1,073,832	
<b>The Pearl River Delta</b>				<b>3,503,883</b>	<b>25%</b>
Shenzhen	61,219	-	-	61,219	
Huizhou	72,418	682,127	-	754,545	
Dongguan	283,122	173,261	-	456,383	
Guilin	440,931	1,790,805	-	2,231,736	
<b>Beijing-Tianjin Metropolitan Area</b>				<b>849,027</b>	<b>6%</b>
Tianjin	138,369	710,658	-	849,027	
<b>The Yangtze River Delta</b>				<b>1,070,072</b>	<b>8%</b>
Suzhou	91,799	441,322	49,246	582,367	
Wuxi	94,793	326,415	-	421,208	
Nanjing	-	66,497	-	66,497	
<b>Total</b>	<b>2,189,990</b>	<b>6,670,191</b>	<b>4,963,109</b>	<b>13,823,290</b>	<b>100%</b>

# Business Review

## PROPERTY OPERATION BUSINESS

Color Life Property, a subsidiary of the Group, experienced continuous and rapid growth during the reporting period. It has managed a total of 238 projects with a total area of 19.62 million square meters, a year-on-year increase of approximately 60%, in ten core cities of high strategic importance, including Shenzhen, Huizhou, Dongguan, Zhongshan, Zhuhai, Shanghai, Xi'an, Chengdu, Tianjin and Shenyang. Color Life Property aims to be the most outstanding modern community services company that owns unique business model and value in China, and under such guide, Color Life Property, through a community electronic business platform that combines the community itself with electronic business, continuously increased and expanded the community value-added services, such as commodity group-buying and delivery, housing agency, commercial services and community resources integration, in its core cities of high strategic importance on the basis of the rapid growth in the scale of its management. So far, it has developed into a scientific and integrative modern community service group with a preliminarily established strategic layout throughout all core cities in China. As for the team development, Color Life Property has been continuously building a stronger platform of human resources through active cooperation between the Company and the universities and the implementation of other comprehensive talent cultivation and development programs, such as the Colorful Life Program for the new comers and the training camp for supervisors. Color Life Property is also building a nationwide customer service call and response system and an intelligent community management and service system of greater efficiency to better satisfy the service needs of the customers.

As a high-end property service brand of the Group and with the preparation work undertaken for more than 1 year, Fantasia Property Management International obtained the ISO9000 quality control system certification, the ISO14000 environment management system certification and the OHSAS18000 occupational health and safety management system certification in the first half of 2011. The scale of the Company has been continuously expanding, the corporate management system has been constantly improving and the brand influence has been increasingly enhancing.

## COMMERCIAL MANAGEMENT BUSINESS

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

## HOTEL MANAGEMENT BUSINESS

The Group aims to build a boutique hotel brand with unique characteristics and service connotations. During the reporting period, the Group constantly integrated the design, construction and management resources of famous domestic and international hotels, and two hotels in Shenzhen and Chengdu were already under interior decoration. It is expected that the number of the hotels open for the public will reach five by the end of 2011, and in the coming two years, we will construct and operate more than 10 hotels in Shenzhen, Tianjin, Chengdu, Suzhou and Guilin etc., reflecting the gradual maturity of the Group's hotel business.

# Disclosure of Interests

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION SHARES

As of 30 June 2011, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which will have to be notified to the Company and the

Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Director	Long/short position	Nature of interests	Number of issued ordinary shares held	Approximate percentage of shareholding
Ms. Zeng Jie, Baby	Long position	Interest of controlled corporation	3,174,795,000	60.97%
	Short position	Interest of controlled corporation	450,000,000	8.64%

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

### Long Positions in Association Corporation

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

Notes:

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

Save as disclosed above, as at 30 June 2011, none of the Directors and chief executives of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

# Disclosure of Interests

## SUBSTANTIAL SHAREHOLDERS

As of 30 June 2011, so far as the Directors are aware, the following persons or institutions have beneficial interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of

Part XV of the SFO, Cap 571 of the Laws of Hong Kong, or who is directly and/ or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Nature of Interest	Number of shares	Approximate percentage of interest in our Company as at 30 June 2011
Fantasy Pearl	Beneficial interest <sup>(1)</sup>	3,174,795,000	60.97%
	Short position	450,000,000	8.64%
Ice Apex	Interest of controlled corporation <sup>(2)</sup>	3,174,795,000	60.97%
	Short position	450,000,000	8.64%
Ms. Zeng Jie, Baby	Interest of controlled corporation	3,174,795,000	60.97%
	Short position	450,000,000	8.64%

Notes:

- (1) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the shares held by and short position of Fantasy Pearl for the purpose of Part XV of the SFO. Graceful Star is entitled to a pre-emptive right over shares in the capital of Fantasy Pearl pursuant to an agreement made between, among others, Ms. Zeng Jie, Baby, Mr. Pan Jun, Ice Apex and Graceful Star.
- (2) Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Ms. Zeng Jie, Baby is deemed to be interested in the shares held by Ice Apex for the purpose of Part XV of the SFO.

Save as disclosed above, as of 30 June 2011, no other shareholder, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.



Chengdu Grand Valley

# Corporate Governance and Other Information

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

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

## CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code regarding directors' securities transactions during the six months ended 30 June 2011 and all Directors confirmed that they have complied with the Model Code.

## AUDIT COMMITTEE

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

The audit committee together with the management of the Company has reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2011.

In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the six months ended 30 June 2011 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.

# Corporate Governance and Other Information

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") which became effective on 27 October 2009 for the purpose of rewarding eligible participants who have contributed to the Group and to encourage eligible participants to work towards enhancing the value of the Company. Eligible participants of the Scheme include Directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of our Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders. The maximum number of Shares in respect of which options may be granted under the Scheme to any individual in any 12-month period

is not permitted to exceed 1% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares, in excess of HK\$5 million, such grant of options shall be subject to prior approval by resolutions of the Shareholders (voting by way of poll).

An offer of the grant of an option under the Scheme shall remain open for acceptance for 28 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK\$1 to the Company as consideration. Options may be exercised in accordance with the terms of the Scheme at any time from the date of grant until the expiry of 10 years from such date. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a Share.

As at the date of this report, the total number of Shares available for issue under the Scheme is 486,000,000 Shares, representing 10% of the total number of Shares in issue immediately following completion of the Global Offering and 9.33% as at the date of this report. For the six months ended 30 June 2011, no share option has been granted or agreed to be granted to any person or exercised by any person under the Scheme.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company is empowered by the applicable laws of the Cayman Islands and its articles of association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares during the six months ended 30 June 2011.

# Report on Review of Interim Financial Information



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

花樣年控股集團有限公司

*(incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 34 to 66, which comprises the condensed consolidated statement of financial position of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

22 August 2011

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Revenue	3	2,005,234	1,917,520
Cost of sales		(952,369)	(965,244)
Gross profit		1,052,865	952,276
Other income, gains and losses	4	55,609	4,843
Change in fair value of investment properties		70,837	133,861
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	11	8,543	–
Selling and distribution expenses		(130,536)	(57,811)
Administrative expenses		(143,115)	(121,046)
Finance costs	5	(76,948)	(67,576)
Share of results of associates		201	–
Profit before taxation		837,456	844,547
Income tax expense	6	(369,694)	(414,875)
Profit for the period	7	467,762	429,672
Other comprehensive income (expense)			
Surplus on revaluation of properties		11,795	–
Deferred taxation liability arising from revaluation of properties		(2,949)	–
Other comprehensive income for the period (net of tax)		8,846	–
Total comprehensive income for the period		476,608	429,672
Profit for the period attributable to:			
Owners of the Company		502,266	411,324
Non-controlling interests		(34,504)	18,348
		467,762	429,672
Total comprehensive income attributable to:			
Owners of the Company		511,112	411,324
Non-controlling interests		(34,504)	18,348
		476,608	429,672
Earnings per share – Basic (RMB)	9	0.10	0.08

# Condensed Consolidated Statement of Financial Position

At 30 June 2011

		30 June 2011	31 December 2010
	Notes	RMB'000 (unaudited)	RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	352,132	374,434
Investment properties	11	1,957,853	1,697,677
Interests in associates		1,107	17,795
Advance to an associate		–	72,041
Prepaid lease payments	12	614,016	346,045
Premium on prepaid lease payments	13	356,152	359,203
Prepayment		27,783	43,370
Land development expenditure	14	983,434	393,849
Deposits paid for acquisition of a subsidiary	15	112,000	–
Deposits paid for acquisition of a property project	16	70,000	37,000
Deferred tax assets	24	182,755	157,504
Goodwill	26(a)	451	–
		<b>4,657,683</b>	<b>3,498,918</b>
<b>CURRENT ASSETS</b>			
Properties for sale		8,910,078	7,644,582
Prepaid lease payments	12	13,392	6,881
Premium on prepaid lease payments	13	6,101	6,101
Deposits paid for acquisition of land use rights		–	763,095
Trade and other receivables	17	1,293,135	977,179
Prepayment to a related party for construction work	18	185	7,500
Amounts due from customers for contract works		9,825	15,939
Tax recoverable		29,750	5,580
Restricted bank deposits		564,884	85,161
Bank balances and cash		1,254,754	2,371,452
		<b>12,082,104</b>	<b>11,883,470</b>
Assets held for sale	19	89,467	–
		<b>12,171,571</b>	<b>11,883,470</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	1,542,177	1,686,718
Deposits received for sale of properties		3,016,947	1,834,067
Amount due to a related party	21	–	100,549
Tax payable		1,225,669	1,104,147
Borrowings-due within one year	22	2,188,449	2,132,381
		<b>7,973,242</b>	<b>6,857,862</b>
<b>NET CURRENT ASSETS</b>		<b>4,198,329</b>	<b>5,025,608</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>8,856,012</b>	<b>8,524,526</b>

# Condensed Consolidated Statement of Financial Position

At 30 June 2011

		30 June 2011	31 December 2010
	Notes	RMB'000 (unaudited)	RMB'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Borrowings-due after one year	22	2,711,662	2,642,605
Senior notes	23	771,058	787,330
Deferred tax liabilities	24	110,998	128,121
		<b>3,593,718</b>	<b>3,558,056</b>
		<b>5,262,294</b>	<b>4,966,470</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	25	457,093	429,389
Reserves		4,713,209	4,072,745
Equity attributable to owners of the Company		<b>5,170,302</b>	<b>4,502,134</b>
Non-controlling interests		91,992	464,336
		<b>5,262,294</b>	<b>4,966,470</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	Contribution reserve RMB'000	Statutory reserves RMB'000 (Note iii)	Discretionary reserves RMB'000 (Note iii)	Property revaluation reserve RMB'000 (Note iv)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2010 (audited)	429,389	2,556,336	(595)	40,600	31,120	1,477	-	711,932	3,770,259	311,102	4,081,361
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	411,324	411,324	18,348	429,672
Acquisition of a subsidiary (note 26(a))	-	-	-	-	-	-	-	-	-	42	42
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	2,800	2,800
Dividend paid to shareholders of the Company	-	(75,100)	-	-	-	-	-	-	(75,100)	-	(75,100)
At 30 June 2010 (unaudited)	429,389	2,481,236	(595)	40,600	31,120	1,477	-	1,123,256	4,106,483	332,292	4,438,775
At 1 January 2011 (audited)	429,389	2,481,236	(901)	40,600	34,105	1,477	-	1,516,228	4,502,134	464,336	4,966,470
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	502,266	502,266	(34,504)	467,762
Surplus on revaluation of properties	-	-	-	-	-	-	11,795	-	11,795	-	11,795
Deferred taxation liability arising from revaluation of properties	-	-	-	-	-	-	(2,949)	-	(2,949)	-	(2,949)
Total comprehensive income for the period	-	-	-	-	-	-	8,846	502,266	511,112	(34,504)	476,608
Issue of shares	27,704	304,736	-	-	-	-	-	-	332,440	-	332,440
Acquisition of additional interest in subsidiaries	-	-	(9,496)	-	-	-	-	-	(9,496)	(332,944)	(342,440)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(886)	(886)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4,010)	(4,010)
Dividend paid to shareholders of the Company	-	(165,888)	-	-	-	-	-	-	(165,888)	-	(165,888)
At 30 June 2011 (unaudited)	457,093	2,620,084	(10,397)	40,600	34,105	1,477	8,846	2,018,494	5,170,302	91,992	5,262,294

## Notes:

- (i) Pursuant to article 16 of the Company's Article of Association, the Group is permitted to pay out final dividend for the years ended 31 December 2010 and 2009 from share premium account.
- (ii) Special reserve arising from the acquisition of additional equity interests represents the difference between the consideration paid and the adjustment to the non-controlling interests.
- (iii) The statutory reserves and discretionary reserves relate to subsidiaries in the People's Republic of China (the "PRC") and are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and increase capital upon approval from the relevant authorities.
- (iv) During the six months ended 30 June 2011, revaluation surplus arising from transfer of owner-occupied property to investment properties at the date of change in use amounted to RMB11,795,000.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		837,456	844,547
Adjustments for:			
Change in fair value of investment properties		(70,837)	(133,861)
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		(8,543)	–
Release of prepayment		16,100	19,193
Interest income		(4,405)	(5,252)
Imputed interest income on non-current interest-free advance to an associate		(537)	(1,796)
Finance costs		76,948	67,576
Net foreign exchange (gain) loss		(28,691)	5,272
Gain on disposal of a subsidiary		(16,228)	–
Share of results of associates		(201)	–
Other non-cash-items		24,360	8,936
Operating cash flows before movements in working capital		825,422	804,615
Addition to prepaid lease payments		(140,210)	–
Increase in land development expenditure		(589,585)	–
Increase in properties for sale		(514,829)	(115,378)
Increase in trade and other receivables		(327,717)	(220,272)
Decrease in prepayment		3,500	–
Decrease in prepayment to a related party for construction work		7,315	–
Decrease (increase) in amounts due from customers for contract works		6,114	(149)
(Decrease) increase in trade and other payables		(104,328)	61,809
Increase (decrease) in deposits received on sale of properties		1,182,880	(376,076)
Increase in deposits paid for acquisition of land use rights		–	(616,600)
Cash generated from (used in) operations		348,562	(462,051)
Enterprise income tax ("EIT") paid, net		(179,405)	(70,306)
Land appreciation tax ("LAT") paid		(137,020)	(67,286)
Interest paid		(214,867)	(132,088)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(182,730)</b>	<b>(731,731)</b>
<b>INVESTING ACTIVITIES</b>			
Deposits received for disposal of an associate	19	28,800	–
Settlement of consideration payable in relation to acquisition of subsidiaries in prior year		(63,900)	–
Deposits paid for acquisition of a property project		(33,000)	–
Deposits paid for acquisition of subsidiaries		(112,000)	(239,998)
(Increase) decrease in restricted bank deposits		(479,723)	136,082
Purchases of property, plant and equipment		(30,241)	(90,494)
Additions to investment properties		(130,151)	(40,221)
Acquisition of business (net of cash and cash equivalents acquired)	26(a)	423	(1,407)
Acquisition of assets and liabilities through acquisition of subsidiaries (net of cash and cash equivalents acquired)	26(b)	–	(923,100)
Proceeds from disposal of a subsidiary (net of cash and cash equivalents disposed of)	27	11,691	–
Interest received		4,405	5,252
Proceeds from disposal of property, plant and equipment		7,692	216
Proceeds from disposal of investment properties		1,450	–
Prepaid lease payments paid		–	(52,096)
Deposit paid for acquisition of land use rights		–	(10,000)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(794,554)</b>	<b>(1,215,766)</b>

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
New borrowings raised	1,400,734	1,766,100
Repayment of borrowings	(1,245,714)	(645,000)
Dividend paid to shareholders of the Company	(165,888)	(75,100)
Dividend paid to non-controlling shareholders	(4,010)	–
Repayment to a related party	(100,549)	(337)
Issue of shares	332,440	–
Acquisition of additional interests in subsidiaries	(342,440)	–
Net proceeds from the issuance of senior notes	–	794,076
Contribution from non-controlling shareholders	–	2,800
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(125,427)	1,842,539
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,102,711)	(104,958)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,371,452	3,696,488
Effect of foreign exchange rate changes	(13,987)	(13,890)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	1,254,754	3,577,640

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 1. BASIS OF PREPARATION

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

### **Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary or an associate, all of the assets and liabilities of that subsidiary or associate are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary or associate after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

### **Transfer of property, plant and equipment to investment property**

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

In the current interim period, the Group has applied the following new and revised standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK (IFRIC) – INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new and revised HKFRSs has had no material effect on amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

The Group has not early applied the new and revised standards and amendments that have been issued but are not yet effective. The following new and revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 19 (Revised 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (Revised 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures <sup>1</sup>

1 Effective for annual periods beginning on or after 1 January 2013

2 Effective for annual periods beginning on or after 1 July 2012

HKFRS 10 replaces the parts of HKAS 27 "*Consolidated and Separate Financial Statements*" that deal with in the consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgment. The directors consider that the application of HKFRS 10 will have no material impact on the results and the financial position of the Group.

HKFRS 11 replaces HKAS 31 "*Interests in Joint Ventures*". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The directors consider that the application of HKFRS 11 will have no material impact on the results and the financial position of the Group.

Other than disclosed above, the directors of the Company anticipate that the application of other new and revised standards will have no material impact on the results and the financial position of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 3. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of properties	1,914,662	1,853,722
Rental income from investment properties	11,848	8,402
Agency fee from provision of property agency services	9,909	12,310
Management fee and installation services from provision of property operation services	60,742	40,122
Hotel operations	8,073	2,964
	<b>2,005,234</b>	<b>1,917,520</b>

The segment information reported externally was analysed on the basis of their products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products and services.

Inter-segment revenue are eliminated on consolidation.

The Group has five reportable and operating segments as follows:

Property development – developing and selling of properties in the PRC

Property investment – leasing of investment properties

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

Property operation services – provision of property management, installation of security systems and other related services

Hotel operations – provision of hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services

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

### 3. REVENUE AND SEGMENT INFORMATION (continued)

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

#### Six months ended 30 June 2011 (unaudited)

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Total RMB'000
External segment revenues	1,914,662	11,848	9,909	60,742	8,073	2,005,234
Inter-segment revenue	3,795	–	3,636	14,040	866	22,337
Segment result	789,203	87,873	16,139	16,696	(15,634)	894,277

Inter-segment revenues are charged at prevailing market rate.

#### Six months ended 30 June 2010 (unaudited)

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

Inter-segment revenues are charged at prevailing market rate.

Reconciliation:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Profit or loss:</b>		
Segment result	894,277	942,098
Elimination of inter-segment result	(111)	(1,142)
Unallocated amounts:		
Unallocated income	33,633	7,048
Unallocated corporate expenses	(13,596)	(35,881)
Finance costs	(76,948)	(67,576)
Share of results of associates	201	–
Profit before taxation	837,456	844,547

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 3. REVENUE AND SEGMENT INFORMATION (continued)

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

	30 June 2011	31 December 2010
	RMB'000	RMB'000
	(unaudited)	(audited)
<b>Assets:</b>		
Property development	12,366,307	10,522,812
Property investment	1,958,392	1,703,856
Property agency services	267	10,959
Property operation services	144,521	105,042
Hotel operations	315,466	329,400
<b>Total segment assets</b>	<b>14,784,953</b>	<b>12,672,069</b>
<b>Total unallocated assets</b>	<b>2,044,301</b>	<b>2,710,319</b>
<b>Group's total assets</b>	<b>16,829,254</b>	<b>15,382,388</b>

## 4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	4,405	5,252
Imputed interest income on non-current interest-free advance to an associate	537	1,796
Forfeiture income on deposits received	202	–
Government grant (Note)	3,371	2,958
Net foreign exchange gain (loss)	28,691	(5,272)
Gain on disposal of property, plant and equipment	21	209
Gain on disposal of a subsidiary (note 27)	16,228	–
Others	2,154	(100)
	<b>55,609</b>	<b>4,843</b>

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

## 5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
– borrowings wholly repayable within five years	149,879	128,562
– borrowings not wholly repayable within five years	7,977	–
– senior notes	57,361	15,771
– amount due to a related party	2,015	3,526
Less: Amount capitalised in properties under development for sale and investment		
properties under development	(140,028)	(72,864)
Amount capitalised in construction in progress under property, plant and equipment	(256)	(7,419)
	76,948	67,576

## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The income tax expense comprises:		
PRC taxes		
Enterprise income tax	230,577	204,894
Land appreciation tax	184,440	234,555
	415,017	439,449
Deferred tax (note 24)		
Current year	(44,752)	(20,465)
Underprovision of deferred tax assets	(571)	(4,109)
	(45,323)	(24,574)
	369,694	414,875

For the six months ended 30 June 2011, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 24% to 25% (six months ended 30 June 2010: ranged from 22% to 25%).

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)

Profit for the period has been arrived at after charging:

Release of prepaid lease payments	5,031	3,056
Release of premium on prepaid lease payments	3,051	1,878
Depreciation of property, plant and equipment	16,299	4,211

## 8. DIVIDENDS

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final dividend for 2010 of HK\$4.00 cents per share (2009: HK\$1.75 cents)	165,888	75,100
Dividend paid to non-controlling shareholders (Note)	4,010	–

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

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

## 9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
<b>Earnings:</b>		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	RMB502,266,000	RMB411,324,000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,875,740,600	4,873,888,750

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

## 10. PROPERTY, PLANT AND EQUIPMENT

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

	RMB'000
Carrying amounts as at 1 January 2010 (audited)	163,530
Transfer from properties under development for sale (Note a)	48,468
Acquisition of business (note 26(a))	875
Acquisition of assets and liabilities through acquisition of subsidiaries (note 26(b))	362
Additions	98,866
Depreciation for the period	(4,211)
Disposal of property, plant and equipment	(7)
<b>Carrying amounts as at 30 June 2010 (unaudited)</b>	<b>307,883</b>
Carrying amounts as at 1 January 2011 (audited)	374,434
Acquisition of business (note 26(a))	18
Additions	31,289
Depreciation for the period	(16,299)
Disposal of property, plant and equipment	(7,671)
Disposal of a subsidiary (note 27)	(1,700)
Transfer to investment properties (Note b)	(27,939)
<b>Carrying amounts as at 30 June 2011 (unaudited)</b>	<b>352,132</b>

Notes:

- (a) During the six months ended 30 June 2010, RMB48,468,000 was transferred from properties under development for sale as a result of change in business plan to operate hotel business as approved by the management of the Group.
- (b) During the six months ended 30 June 2011, RMB27,939,000 was transferred to investment properties upon signing of relevant tenancy agreements. The excess of the fair value of these properties at the date of change in use over the carrying amounts, amounting to approximately RMB11,795,000 were recognised in the revaluation surplus.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 11. INVESTMENT PROPERTIES

	Completed RMB'000	Under development RMB'000	Total RMB'000
At 1 January 2010 (audited)	496,996	84,372	581,368
Transfer from deposits paid for acquisition of a property project	50,086	301,970	352,056
Acquisition of assets and liabilities through acquisition of subsidiaries (note 26(b))	6,717	–	6,717
Additions	–	40,221	40,221
Transfer upon completion of construction work	29,432	(29,432)	–
Net change in fair value recognised in profit or loss	16,001	117,860	133,861
At 30 June 2010 (unaudited)	599,232	514,991	1,114,223
At 1 January 2011 (audited)	844,530	853,147	1,697,677
Additions	–	133,808	133,808
Transfer from property, plant and equipment (note 10)	39,734	–	39,734
Transfer from completed properties for sale (Note)	17,247	–	17,247
Transfer upon completion of construction work	840,617	(840,617)	–
Disposals	(1,450)	–	(1,450)
Net change in fair value recognised in profit or loss	4,148	66,689	70,837
At 30 June 2011 (unaudited)	1,744,826	213,027	1,957,853

Note: During the six months ended 30 June 2011, completed properties for sale with an aggregate carrying amount of approximately RMB8,704,000 were transferred to investment properties upon signing of relevant tenancy agreements. The excess of the fair value of these properties at the date of transfer over their carrying amounts, amounting to approximately RMB8,543,000 were recognised in the condensed consolidated statement of comprehensive income.

At 30 June 2011, the fair values of the Group's completed investment properties of approximately RMB1,744,826,000 (31 December 2010: RMB844,530,000) and investment properties under development of was nil (31 December 2010: RMB682,815,000) at the end of the reporting period were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited. Jones Lang LaSalle Sallmanns Limited is a firm of independent qualified professional valuers not connected with the Group, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations of completed investment properties were arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The valuations of investment properties under development has been arrived at using the capitalisation of net income derived from the properties located nearby, taking into account the construction costs that would be expended to complete the development, the developer's profit and percentage of completion of the properties.

At 30 June 2011, the Group has concluded the fair value of certain investment properties under development with carrying amounts of approximately RMB213,027,000 (31 December 2010: RMB170,332,000) are not reliably determinable on a continuing basis, therefore, these investment properties under development continued to be measured at cost until either its fair value becomes reliably determinable or construction is completed.

At 30 June 2011, investment properties with fair value of RMB455,164,420 (31 December 2010: RMB476,825,000) represents completed car parks which can be legally transferred, leased and mortgaged but the title certificates cannot be currently applied as there was no special provisions to obtain any title certificates, according to the relevant laws and regulations in Shenzhen, Suzhou and Tianjin areas.

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

## 12. PREPAID LEASE PAYMENTS

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

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

	RMB'000
Carrying amounts as at 1 January 2010 (audited)	169,161
Additions	52,096
Acquisition of assets and liabilities through acquisition of subsidiaries (note 26(b))	675,204
Amortisation during the period (Note a)	(4,009)
Transfer to properties under development for sale (Note b)	(93,826)
<b>Carrying amounts as at 30 June 2010 (unaudited)</b>	<b>798,626</b>
Carrying amounts as at 1 January 2011 (audited)	352,926
Transfer from deposits paid for acquisition of land use rights	763,095
Additions	140,210
Amortisation during the period (Note a)	(5,823)
Transfer to properties under development for sale (Note b)	(623,000)
<b>Carrying amounts as at 30 June 2011 (unaudited)</b>	<b>627,408</b>

Notes:

- a. During the six months ended 30 June 2011, amortisation charge of approximately RMB792,000 (six months ended 30 June 2010: RMB953,000) provided for the leasehold land is capitalised to construction in progress under property, plant and equipment.
- b. During the six months ended 30 June 2011, RMB623,000,000 (six months ended 30 June 2010 : RMB93,826,000) was transferred to properties under development for sale upon commencement of the related construction work.

Analysed for reporting purposes as:

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Non-current asset	614,016	346,045
Current asset	13,392	6,881
	<b>627,408</b>	<b>352,926</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 13. PREMIUM ON PREPAID LEASE PAYMENTS

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

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

	RMB'000
Carrying amounts as at 1 January 2010 (audited)	47,222
Acquisition of assets and liabilities through acquisition of subsidiaries (note 26(b))	603,601
Amortisation during the period	(1,878)
Transfer to properties for sales under development for sale (Note)	(46,508)
Carrying amounts as at 30 June 2010 (unaudited)	602,437
Carrying amounts as at 1 January 2011 (audited)	365,304
Amortisation during the period	(3,051)
Carrying amounts as at 30 June 2011 (unaudited)	362,253

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

Analysed for reporting purposes as:

	30 June 2011	31 December 2010
	RMB'000	RMB'000
	(unaudited)	(audited)
Non-current asset	356,152	359,203
Current asset	6,101	6,101
	362,253	365,304

## 14. LAND DEVELOPMENT EXPENDITURE

	30 June 2011	31 December 2010
	RMB'000 (unaudited)	RMB'000 (audited)
Cost incurred	983,434	393,849

- (i) In September 2009, the Group entered into agreement ("Agreement 1") with the People's Government of Pixian County ("Pixian Government") relating to the joint development of the Wangcong Ancient Sichuan Culture Park located in Pixian County, Chengdu, Sichuan Province ("Land Development Project 1"). Under the Agreement 1, the Group is responsible for preparing overall plans and detailed designs of the culture park including the improvement for parcels of land and its ancillary facilities pursuant to the guidelines set by the Pixian Government as well as the construction of road nearby while the Pixian Government is required to complete the demolition and resettlement work on these parcels of land. The land development expenditure represents the cost incurred in respect of the road construction, demolition and resettlement work. The additions during the six months ended 30 June 2011 amounted to approximately RMB324,585,000 and the balance at 30 June 2011 is RMB718,434,000.

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

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

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

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

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

## 15. DEPOSITS PAID FOR ACQUISITION OF A SUBSIDIARY

During the year six months ended 30 June 2011, the Group has made deposits of approximately RMB112,000,000 in relation to the acquisition of 100% equity interests in TCL King Electronics (Shenzhen) Company Limited (TCL王牌電子(深圳)有限公司) from an independent third party at a consideration of approximately RMB315,500,000. The aforesaid company does not have any business activities except for holding land. The land is intended for development of properties for sale in the ordinary course of business.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 16. DEPOSITS PAID FOR ACQUISITION OF A PROPERTY PROJECT

During the year ended 31 December 2010, the Group has made deposit of approximately RMB37,000,000 in relation to the acquisition of a property project from an independent property developer. During the six months ended 30 June 2011, the Group has made additional deposits of approximately RMB33,000,000 for acquiring the aforesaid property project.

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

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

## 17. TRADE AND OTHER RECEIVABLES

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Trade receivables	437,593	116,301
Other receivables	99,313	90,403
Prepayments and other deposits	59,554	44,733
Prepayments for suppliers	215,926	336,598
Prepayment for construction work	377,542	339,971
Other tax prepayment	103,207	49,173
	<b>1,293,135</b>	<b>977,179</b>

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

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

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
0 – 30 days	232,634	87,063
31 – 90 days	150,784	10,229
91 days – 180 days	31,746	5,544
181 days – 365 days	15,761	10,576
Over 1 year	6,668	2,889
	<b>437,593</b>	<b>116,301</b>

## 18. PREPAYMENT TO A RELATED PARTY FOR CONSTRUCTION WORK

	30 June 2011	31 December 2010
	RMB'000 (unaudited)	RMB'000 (audited)
惠州市國勝土石方工程有限公司 Huizhou Guosheng Tushifang Industry Company Limited ("Huizhou Guosheng") (Note)	185	7,500

Note: Huizhou Guosheng held 24% equity interests in a subsidiary of the Company.

The balance represents the prepayment for construction work in a property under development for sale project and hence is trade in nature, and is expected to utilise within twelve months from the end of the reporting period. The amount is unsecured and non-interest bearing.

## 19. ASSETS HELD FOR SALE

On 18 February 2011, the Group entered into a share transfer framework agreement with an independent third party ("Purchaser"), in connection with the disposal of 37.5% equity interest in and advance to an associate of the Group at a total consideration of approximately RMB96,000,000. The associate, namely Dongguan Zuoting Youyuan Industry Investment Company Limited (東莞市左庭右院實業投資有限公司) ("Dongguan Zuoting Youyuan"), is engaged in property development.

At 30 June 2011, the Group has received deposits of approximately RMB28,800,000 from the Purchaser. The Group further entered into a share transfer agreement with the Purchaser on 25 July 2011. In the opinion of the directors, the disposal is expected to complete in the second half of 2011.

At 30 June 2011, the assets held for sale presented separately in the condensed consolidated statement of financial position represented the following:

	RMB'000
Interest in an associate	17,426
Advance to an associate	72,041
Carrying amounts as at 30 June 2010 (unaudited)	89,467

The proceeds of disposal are expected to exceed the interest in an associate and advance to an associate, accordingly no impairment loss has been recognised.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 20. TRADE AND OTHER PAYABLES

	30 June 2011	31 December 2010
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade payables	1,146,576	1,319,641
Other payables	285,156	220,721
Other taxes payables	46,569	36,520
Payroll payable	11,264	20,192
Welfare payable	395	2,895
Retention payable	19,366	16,442
Consideration payable in respect of acquisition of subsidiaries	–	63,900
Deposits received for disposal of an associate (note 19)	28,800	–
Accruals	4,051	6,407
	<b>1,542,177</b>	<b>1,686,718</b>

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

	30 June 2011	31 December 2010
	RMB'000	RMB'000
	(unaudited)	(audited)
0 – 60 days	926,385	881,583
61 – 180 days	88,482	346,243
181 days – 365 days	92,588	67,903
1 – 2 years	48,205	37,944
2 – 3 years	8,531	1,272
Over 3 years	1,751	1,138
	<b>1,165,942</b>	<b>1,336,083</b>

## 21. AMOUNT DUE TO A RELATED PARTY

	30 June 2011	31 December 2010
	RMB'000 (unaudited)	RMB'000 (audited)
Tianjin Songjiang Group Company Limited ("Songjiang Group") (Note)	–	100,549

Note: Songjiang Group held 40% equity interests in a subsidiary of the Company. The balance with Songjiang Group was interest bearing which carried fixed interest rate at 7.02% per annum.

The balance represented the advance from a related party which was non-trade nature. The balance was fully settled during the six months ended 30 June 2011.

## 22. BORROWINGS

	30 June 2011	31 December 2010
	RMB'000 (unaudited)	RMB'000 (audited)
Bank loans	4,432,111	4,306,986
Other loans	468,000	468,000
	4,900,111	4,774,986
Secured	3,797,810	4,206,986
Unsecured	1,102,301	568,000
	4,900,111	4,774,986

During the current period, the Group obtained new borrowings amounting to approximately RMB1,400,734,000 (six months ended 30 June 2010: RMB1,766,100,000).

The new borrowings raised are denominated in Renminbi, Hong Kong Dollars and United States Dollars. The new borrowings raised in the current period are either having variable interest rate at Hong Kong Interbank Offering Rate plus 2.0%, variable interest rate at London Interbank Offered Rate plus 1%, variable interest rate at Benchmark Borrowing Rate of the PRC plus 2.14% or minus 2.80%, and fixed interest rate at a range from 5.4% to 6.80% per annum.

The new borrowings raised are repayable in instalments over a periods from within one year to more than 5 years. The borrowings are used to finance the development of properties.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 23. SENIOR NOTES

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

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

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

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

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

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

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

- (ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 30 June 2011.

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

	RMB'000
Carrying amount as at 1 January 2011 (audited)	787,330
Exchange gains	(18,637)
Interest expenses (note 5)	57,361
Less: Interest paid to Notes holders	(54,996)
Carrying amount as at 30 June 2011 (unaudited)	771,058

The fair value of the Notes at 30 June 2011 amounted to approximately RMB779,005,000. The fair value is calculated using the market price of the Notes at the end of reporting period (or the nearest day of trading).

## 24. DEFERRED TAXATION

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

	Fair value adjustment of investment properties RMB'000	Revaluation of properties RMB'000	Temporary difference on accruals RMB'000	Tax losses RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2011 (audited)	174,856	–	(2,251)	(26,503)	(175,485)	(29,383)
Charge to the equity for the period	–	2,949	–	–	–	2,949
Charge (credit) to profit or loss	19,845	–	(3,044)	(46,138)	(15,415)	(44,752)
Underprovision of deferred tax assets	–	–	(30)	–	(541)	(571)
At 30 June 2011 (unaudited)	194,701	2,949	(5,325)	(72,641)	(191,441)	(71,757)

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

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

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Deferred tax assets	(182,755)	(157,504)
Deferred tax liabilities	110,998	128,121
	(71,757)	(29,383)

At 30 June 2011, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was approximately RMB249,392,000 (31 December 2010: RMB1,783,074,000). No liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 25. SHARE CAPITAL

	Number of shares	Nominal value HK\$
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2011 and 30 June 2011	8,000,000,000	800,000,000
Issued and fully paid:		
At 1 January 2011	4,873,888,750	487,388,875
Subscription of new shares (Note)	333,333,000	33,333,300
At 30 June 2011	5,207,221,750	520,722,175

	RMB'000
Shown in the condensed consolidated statement of financial position	457,093

Note: On 24 June 2011, the Company and the former non-controlling shareholder of a subsidiary ("Subscriber") entered into a subscription agreement, which the Subscriber has agreed to subscribe for the subscription shares ("Subscription Shares") at a total subscription amount of RMB332,440,000. The issue price of the Subscription Shares is HK\$1.2 per share which is determined with reference to the share price quoted on The Stock Exchange of Hong Kong Limited on 24 June 2011.

The Subscription Shares represent approximately 6.84% of the then existing issued share capital of the Company as at 24 June 2011 and approximately 6.4% of the enlarged issued share capital of the Company immediately after issue of the Subscription Shares. The Company intends to use the proceeds to finance continuing capital expenditure requirements and as general working capital for the Group's operating activities.

On 30 June 2011, total 333,333,000 Subscription Shares have been allotted and issued by the Company.

These new issued shares rank pari passu with existing shares.

## 26. ACQUISITION OF SUBSIDIARIES

### (a) Acquisition of business

#### For the six months ended 30 June 2011

On 19 April 2011, the Group acquired 100% equity interests in Tianjin Xingtang Property Management Company Limited 天津新塘物業管理有限公司 (“Tianjin Xingtang”) from an independent third party at a consideration of approximately RMB78,000. Tianjin Xingtang is principally engaged in provision of property operation services and was acquired with the objective of expansion of property operation services.

#### Consideration transferred

	RMB'000
Cash	78

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

#### Assets and liabilities recognised at the date of acquisition

	Carrying amount before acquisition and fair value RMB'000
Net liabilities acquired	
Property, plant and equipment	18
Other receivables	269
Bank balances and cash	501
Trade and other payables	(1,134)
Tax payable	(27)
	(373)

The other receivables acquired with a fair value of approximately RMB269,000 had gross contractual amounts of approximately RMB269,000.

#### Goodwill arising on acquisition

	RMB'000
Consideration transferred	78
Less: fair value of net liabilities acquired	(373)
Goodwill arising on acquisition	451

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 26. ACQUISITION OF SUBSIDIARIES (continued)

### (a) Acquisition of business (continued)

For the six months ended 30 June 2011 (continued)

#### Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	(78)
Bank balances and cash acquired	501
	423

#### Impact of acquisition on the results of the Group

Included in the profit for the interim period is approximately RMB42,000 attributable by Tianjin Xingtang. Revenue for the period includes approximately RMB790,000 in respect of Tianjin Xiangtang.

Had the acquisition of Tianjin Xingtang been effected at 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have been approximately RMB1,835,873,000, and the profit for the period would have been approximately RMB381,817,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2011, nor is intended to be a projection of future results.

#### For the six months ended 30 June 2010

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

#### Consideration transferred

	RMB'000
Cash	5,500

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

## 26. ACQUISITION OF SUBSIDIARIES (continued)

### (a) Acquisition of business (continued)

For the six months ended 30 June 2010 (continued)

#### Assets and liabilities recognised at the date of acquisition

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

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

#### Non-controlling interests

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

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

#### Goodwill arising on acquisition

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

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

Subsequent to the acquisition, in the opinion of the directors, the performance of Shenzhen Hui Gang is not as good as expected due to the vigorous competition among other competitors and therefore the goodwill is fully impaired as at 31 December 2010.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 26. ACQUISITION OF SUBSIDIARIES (continued)

### (a) Acquisition of business (continued)

For the six months ended 30 June 2010 (continued)

#### Net cash outflow arising on acquisition

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

#### Impact of acquisition on the results of the Group

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

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

### (b) Acquisition of assets and liabilities through acquisition of subsidiaries

#### For the six months ended 30 June 2010

On 20 April 2010, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Suzhou Huawanli Real Estate Company Limited (蘇州花萬裡房地產開發有限公司) from independent third parties at a consideration of approximately RMB219,215,000.

On 20 April 2010, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Suzhou LKN Real Estate Company Limited (蘇州林甲岩房產發展有限公司) from independent third parties at a consideration of approximately RMB226,383,000.

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

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

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

## 26. ACQUISITION OF SUBSIDIARIES (continued)

### (b) Acquisition of assets and liabilities through acquisition of subsidiaries (continued)

#### For the six months ended 30 June 2010 (continued)

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 27. DISPOSAL OF A SUBSIDIARY

### For the six months ended 30 June 2011

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

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

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

## 28. OTHER COMMITMENTS

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Construction commitments in respect of properties for sale contracted for but not provided in the condensed consolidated financial statements	3,033,996	1,631,646
Construction commitments in respect of investment properties contracted for but not provided in the condensed consolidated financial statements	136,094	50,366
Construction commitments in respect of hotels contracted for but not provided in the condensed consolidated financial statements	151,464	83,455
Commitments in respect of the acquisition of land use rights contracted for but not provided in the condensed consolidated financial statements	–	140,000
Commitments in respect of the acquisition of a subsidiary contracted for but not provided in the condensed consolidated financial statements	203,500	–

## 29. CONTINGENT LIABILITIES

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	2,040,692	1,689,775

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

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

## 30. PLEDGE OF ASSETS

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

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Investment properties	302,522	325,457
Prepaid lease payments	146,494	148,237
Property, plant and equipment	40,940	244,072
Properties for sales	1,743,455	2,048,054
	2,233,411	2,765,820

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 31. RELATED PARTY DISCLOSURES

- (a) During the period, in addition to those disclosed in notes 18, 21 and 25, the Group had significant transactions with related parties as follows:

Related parties	Relationship	Transactions	Six months ended 30 June	
			2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Huidong Dayawan San Jiao Zhou Company Limited 惠東縣大亞灣三角洲島俱樂部有限公司	Company controlled by Ms. Zeng Jie, a director of the Company	Management service fee received	250	250
Shenzhen Xi Fu Hui Club Management Company Limited 深圳喜福會會所管理有限公司	Company controlled by Ms. Zeng Jie, a director of the of the Company	Property rental income received	150	150
Huizhou Guosheng 惠州市國勝土石方工程有限公司	Non-controlling shareholder of a subsidiary of the Company	Provision of construction work services	7,315	–
Mr. Yu Shui 于水	Non-controlling shareholder of a subsidiary of the Company	Consideration paid in respect of acquisition of additional interest in a subsidiary of the Group	332,440	–
Zhongxu Investment Limited 中旭投資有限公司	Non-controlling shareholder of a subsidiary of the Company	Consideration paid in respect of acquisition of additional interest in a subsidiary of the Group	10,000	–

During the six months ended 30 June 2011, the Group sold certain properties to its key management personnel of the Group, at a consideration of approximately RMB27,059,000 (six months ended 30 June 2010: RMB2,472,000).

- (b) Compensation of key management personnel

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

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Short-term benefit	22,543	26,905
Post-employment benefit	1,224	579
	23,767	27,484

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