天譽置業（控股）有限公司

SKYFAME REALTY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 00059)

2012
INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

Directors

Executive Directors:

YU Pan *(Chairman and Chief Executive Officer)*
SIU Shawn
WONG Lok

Independent Non-executive Directors:

CHOY Shu Kwan
CHENG Wing Keung, Raymond
CHUNG Lai Fong

Company Secretary

CHEUNG Lin Shun

Audit Committee

CHOY Shu Kwan *(Chairman)*
CHENG Wing Keung, Raymond
CHUNG Lai Fong

Remuneration Committee

CHUNG Lai Fong *(Chairman)*
CHOY Shu Kwan
CHENG Wing Keung, Raymond
YU Pan

Nomination Committee

YU Pan *(Chairman)*
CHOY Shu Kwan
CHEUNG Wing Keung, Raymond
CHUNG Lai Fong

Share Listing

Main Board of The Stock Exchange of Hong Kong Limited, Stock Code: 00059

Auditor

BDO Limited
Certified Public Accountants

Company's Website

http://www.sfr59.com

Head Office and Principal Place of Business in the PRC

32nd to 33rd Floors of HNA Tower,
8 Linhe Zhong Road, Tianhe District,
Guangzhou, Guangdong Province, the PRC.
Telephone: (86-20) 2208 2888
Facsimile: (86-20) 2208 2889

Principal Place of Business in Hong Kong

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18 Harcourt Road,
Hong Kong.
Telephone: (852) 2111 2259
Facsimile: (852) 2890 4459

Registered Office

Clarendon House, 2 Church Street,
Hamilton, HM 11, Bermuda.

Principal Share Registrar and Transfer Office

HSBC Securities Services (Bermuda) Limited
6 Front Street, Hamilton, HM 11, Bermuda.

Branch Share Registrar and transfer office

Tricor Abacus Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong.

Principal Bankers

Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited

Legal Advisers

Hong Kong Laws:
Sidley Austin
Leung & Associates

Bermuda Laws:
Conyers Dill & Pearman

PRC Laws:
廣東國鼎律師事務所 (Guangdong Guardian Law Firm)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Business Review

For the six months ended 30 June 2012, the Group's total turnover, mainly leasing income, was RMB14 million, representing a decrease of 12% when compared with last corresponding period. The decrease in revenue was caused by the drop in sales of properties in Guiyang Project despite a rise in occupancy rate in the Tianyu Garden Phase II from 80 to 86%. The sale of properties, an important stream of income of the Group, did not generate much revenue for the period and recorded revenue of only RMB3 million from the sale of remaining units of phase one of Guiyang Project. Pending delivery of phase two of Guiyang Project which is duly expected in the fourth quarter of the financial year and the first quarter of 2013, the pre-sale proceeds of phase two and phase three received so far up to the end of the interim period in the amounts of RMB534 million and RMB29 million respectively will then be recorded as income of the Group when the completed units are handed over to purchasers. There will then be marked improvements in both the turnover and profitability of the Group.

Since late last year, as part of the strategies on expansion, the management has put in new proficient manpower into the management team which resulted in increased staff costs, a major overhead item representing 44% of total operating expenses. Coupled with exchange losses of RMB4 million arising from the appreciation of the US$ and HK$, the currencies in which the money market loans and guaranteed bonds are denominated, compared with exchange gains of RMB7 million in preceding period, overall operating expenses for the period increased 27% to RMB44 million.

Due to the low revenue booked from property sales but increased staffing costs in the central office which are not capitalised as property development costs, the Group recorded a loss before interest, tax, depreciation and amortisation of RMB33 million (2011: RMB17 million).

The Group had higher finance costs of RMB42 million incurred during the period (2011: RMB23 million) due to higher level of borrowing throughout the period and higher interest rates charged which were, however, largely capitalised as development project costs, resulting to lower finance cost of RMB12 million charged to the income statement (2011: RMB21 million). Due to an overprovision in tax of RMB21 million of a disposed subsidiary adjusted in the last period, the previous period showed a smaller post-tax loss than the current period. The post-tax loss attributable to shareholders for the period was RMB32 million (2011: RMB6 million).

To enhance the equity and improve further the leverage of the Company, on 28 June 2012, the Company completed a rights issue raising gross proceeds of HK$369 million (equivalent to approximately RMB301 million) by issuing additional 738,843,725 shares of the Company. The proceed was utilised to repay the bonds issued by the Company in principal value of HK$200 million (equivalent to approximately RMB163 million) and interests accrued thereon in full and partially the money market loan of US$17.5 million (equivalent to approximately RMB111 million) for releasing of a corresponding bank deposit pledged in favour of the loan lender to increase the Company's liquidity of cash.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review and Outlook *(Continued)*

Business Review *(Continued)*

Properties development

The Group is undergoing four real estate development projects in mainland China during the period and on the reporting date.

Guiyang Project

The development, which the Group holds a 55% stake, consists of high-end residential apartments of a total GFA of approximately 449,000 sq.m. for residential apartments and GFA of approximately 142,000 sq.m. for commercial complex, community facilities and carparking spaces. Out of the first phase of the development with GFA totaling approximately 134,000 sq.m. which was completed in 2010, almost all of residential apartment had been sold. Sale revenue of those remaining units sold during the period was recorded as revenue for the period. Construction of phase two of the project is being finalised and is expected to take place in late 2012 and early 2013. Up to the date of this report, the pre-sale of phase two reached 80% of the total GFA which were contracted at an average price of approximately RMB4,500 per sq.m., generating a total revenue of RMB582 million that will be recognised in late this year and early 2013, depending on the timing of hand-over. The third phase of the project, consisting of five residential buildings with common facilities and car parking spaces of GFA of approximately 244,000 sq.m., is under construction and is expected to be completed in 2014. GFA of approximately 63,000 sq.m. of phase three are launched for pre-sale in April 2012 at an average selling price of approximately RMB4,600 per sq.m. and recorded contracted sale proceed of RMB89 million up to the date of this report.

Zhoutouzui Project

The project is held by a sino-foreign cooperative joint venture enterprise which is jointly controlled by the Group and two other independent third parties, namely 廣州越秀企業（集團）公司 (Guangzhou Yuexiu Enterprise (Group) Company Limited) and 廣州港集團有限公司 (Guangzhou Port Group Co., Limited), the former being the original land use right holder with no vested interest in the project and the latter an original user of the land who is entitled to share 28% in GFA of the completed properties pursuant to a joint venture agreement entered into in 2001 which also stipulates that the Group has to finance all construction costs of the entire development.

The development on the site of 43,609 sq.m. consists of 7 towers of residential apartments, offices, service apartments, underground car parking facilities and a commercial complex in a total GFA of approximately 320,000 sq.m.. The site, opposite to the renowned White Swan Hotel, offers a full waterfront view of the Pearl River. The project company has obtained the construction permit for phase one to develop GFA of approximately 97,000 sq.m. where preliminary construction works have commenced. The detailed planning parameters for phase two of the development with aggregated GFA of approximately 127,000 sq.m. are in process for governmental approval and the construction permits in the next step are expected to be received in late 2012 when construction of the entire project will be commenced in full force.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review and Outlook *(Continued)*

Business Review *(Continued)*

Properties Development (Continued)

Yongzhou Project

According to a framework agreement entered into with the district government of Lingling in Yongzhou, Hunan province, The project, offers an opportunity to the Group in the development on a total site area of 1,000 mu on which a GFA of about 1,600,000 sq.m., will be developed into residential, commercial complex and retail shops in Yongzhou, Hunan province by a subsidiary in which the Group holds a 70% equity interest. As a condition to the development rights granted to the project company, the project company is also obligated to manage the remodelling works of certain scenic spots in the city surrounding the development sites. The entire project has a development period of 6 years. The first phase of the Project has started construction in the second quarter of the year featuring a residential development of villas, apartments and retail shops with a total GFA of approximately 212,000 sq.m. on a 106 mu site. It is planned that phase one will be launched for pre-sale in late August 2012.

Tianhe Project

The equity interest in the project was sold to a third party in late 2010 at a gross consideration of RMB1.09 billion before deduction of finance and other costs which are yet to be ascertained. Payments, net of costs borne and paid by the Group, totalling RMB849 million have been received from the purchaser so far. As the Group is obliged to bear overruns of construction costs and indemnify the timely completion of the construction of the properties within the agreed timeline, the criteria for recognition of revenue set out in the Hong Kong accounting standard has yet to be met. Hence, the revenue arising from the disposal has not yet been recognised but deferred to a time when construction is close to completion and substantial part of the associated costs can be ascertained reliably. The construction of the project, consisting of a GFA of approximately 113,000 sq.m. for two blocks of serviced apartments and offices, was started in 2011 and the foundation works and the construction of the basements have been completed at the reporting date. Given the current progress of the construction of properties, the directors expect that the construction will be completed in 2014 when the sale transaction can be recorded and the management estimated that a gain of RMB212 million in respect of the disposal will be recognised.

Out of the unpaid disposal consideration, an instalment payment for RMB130 million has been overdue and negotiations have been continued with the purchaser for settlement. The parties have agreed to extend the payment date to the end of this financial year to enable the purchaser to transfer the ownership titles of the commercial properties in Skyfame Tower (now known as HNA Tower) at Tianhe which the Group is currently using as office, as an alternative to cash settlement.

As at 30 June 2012, the Group's projects on hand renders a land reserve for property development of a total GFA of approximately 1,100,000 sq.m., all of which will be put under construction by late 2012.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review and Outlook *(Continued)*

Business Review *(Continued)*

The Group also holds an investment property with details as follows:

Investment property

A 20,000 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou. The property is now 86% occupied, tenanted with renowned corporations and a US consulate.

Outlook

Since last year, the global economy has been hit hard by the everlasting debt crisis in the European countries and the slowing major economies in the PRC and USA. Coupled with the continuing stringent austerity measures taken by the central government of mainland China on real estate developers, the Group is foreseeing some further difficult times to come. However, the Group has managed to counter the tight capital market by having successfully sought the required banking facilities for Zhoutouzui Project in the amount of RMB1 billion for the entire developments thanks for the Group's low leverage. Further, banking facilities in an aggregate amount of around RMB300 million are being sought for the construction of phase three of Guiyang Project and the first phase of Yongzhou Project. The management expects that the facilities available being sought and the pre-sales proceeds from the existing projects can be sufficient to meet with the needs of the project development. The first phase of the Yongzhou Project is due to be launched for pre-sale which is expected to generate resources to meet with the construction costs of the ongoing stages in the first phase of construction should the development loan from bank is not yet made available due to the banks' tight credit controls under the current environment. Despite these difficulties, the Group is in a solid position to achieve faster paces in its developments in Guiyang, Yongzhou and Zhoutouzui in the coming years.

To cope with the weakening economic performance which is the centre point of attention of the central government of the mainland China, the directors take the view that the government will take gradual steps to stimulate the economic growth but maintain existing tightened controls over the property market, indicating that fluctuations and uncertainties in the real estate market will continue. The management will monitor its business plans to respond actively to any policy adjustment and market trend changes. Nonetheless, the directors, whilst aiming to sustain a steady growth in the Group's future business on one hand, will remain prudent in its expansion plan which is only restricted to affordable opportunities with attractive returns on the other hand. Meanwhile, the Group has won a bid for a development in a new town in Nanning, Guangxi province for a residential development with a GFA of approximately 1,000,000 sq.m.. The parties are actively in negotiations about the contractual terms and we expect a binding agreement can be concluded with the district government of Nanning. The investment, if crystalised, will further enhance the cash flow and earnings of the Group in the coming few years.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and Financial Resources

Capital structure and liquidity

In June 2012, upon the completion of the rights issue, the Group has paid off the bonds in a principal value of HK$200 million (equivalent to approximately RMB163 million) and partially a money market loan in the amount of US$17.5 million (equivalent to approximately RMB111 million), reducing the Group's indebtedness to a further extent. At the end of the reporting period, the Group is indebted to a commercial bank for a mortgage loan totaling RMB70 million, two money market loans totaling US$52.6 million (equivalent to RMB333 million) secured by two short-term bank deposits totaling RMB358 million, other unsecured borrowing due to a third party of RMB60 million and advances from non-controlling shareholders of a subsidiary totaling RMB169 million and outstanding warrants at fair value of RMB2 million issued to the holder of the bonds. These indebtedness, exclusive of the money market loans that are secured by bank deposits, totaling RMB300 million, represents a decrease of RMB233 million when compared with the total indebtedness at the year-end of last year.

The indebtedness of the Group excludes a deferred income of RMB977 million, now recorded as a material liability item on the balance sheet, which is in fact represented by the estimated net income arising from the disposal of Tianhe Project net of certain costs associated with the obligations to be fulfilled by the Group under the contract of disposal. The revenue and related costs of investment in the project will be recognised in the income statement at the time when the associated costs relating to the performance of the obligations of the Group can be ascertained.

The gearing ratio of the Group was 1.6% (31 December 2011: 14.7%), based on the net debt of RMB30 million (represented by total indebtedness mentioned in the preceding paragraph of RMB633 million comprising bank and other borrowings, money market loans, warrants, loans from non-controlling shareholders, net of cash and bank balances and bank deposits securing for the money market loans) to the equity attributable to equity holders plus net debt of RMB1,861 million as at 30 June 2012. The ratio dropped as a reflection of the decline in indebtedness level and the increase in equity by the rights issue as at the end of the reporting period.

During the period, construction works of all projects have commenced and hence related development costs incurred in these projects were reclassified as current assets other than the Tianhe Project which costs are not borne by the Group. Current assets, totaling RMB3,091 million as at 30 June 2012, show a rise by RMB35 million from last year. Apart from the properties under development at an aggregated value of RMB2,070 million, the current assets at the end of the reporting period comprise mainly properties held for sale of RMB104 million, consideration receivable for the disposal of Tianhe Project of RMB130 million before netting of provision made for impairment loss of RMB13 million, bank balances totaling RMB635 million including restricted deposits of RMB358 million securing for the money market loan facilities, RMB31 million pre-sale proceeds received from buyers that are restricted for payment of construction costs incurred in the Guiyang Project, and deposits made to contractors and other deposits totaling RMB126 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and Financial Resources *(Continued)*

Capital structure and liquidity *(Continued)*

Total current liabilities amounted to RMB1,300 million, a decrease of RMB126 million compared with that on 31 December 2011. The current liabilities at the current period-end comprise, other than the secured money market loans, the current portion of a mortgage loan due to a commercial bank totaling RMB7 million, warrants issued to the holder of the bonds at fair value of RMB2 million, loans from non-controlling shareholders of RMB169 million, the other items represented advanced payments received from buyers of pre-sale properties of RMB563 million, and miscellaneous items in trade payables, accruals and income tax payable aggregated to RMB226 million.

The current ratio shows further improvement which is 2.38 times at the end of the reporting period (2011: 2.14 times).

Borrowings and pledge of assets

As at 30 June 2012, since the repayment of the construction loan granted by a bank for Guiyang Project, the security held over the properties under construction in the Guiyang Project has been discharged. The land and construction in progress in phase one of the Zhoutouzui Project and certain property units in Tianyu Garden Phase II are mortgaged to a commercial bank to secure for banking facilities granted to the subsidiaries engaged in the Zhoutouzui Project and property investment of Tianyu Garden Phase II. As at 30 June 2012, bank loan in the amount of RMB70 million is outstanding but bank facility for the property development in Zhoutouzui has not yet been drawn down. Other than the construction loan, bank deposits of pre-sale proceeds received from property buyers of approximately RMB31 million were restricted to the payment of construction costs of properties under construction. To secure the back-to-back guarantees given by two local banks in mainland China to a Hong Kong-based bank for money market loans of US$52.6 million (equivalent to RMB333 million), bank deposits of approximately RMB358 million were placed in bank accounts as security.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and Financial Resources *(Continued)*

Foreign Currency Management

The Group is principally engaged in property development activities which are all conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. At the same time, some financing activities of the Group are denominated in other currencies, such as the money market loans and the guaranteed bonds are in US dollars and Hong Kong dollars respectively.

During the period, RMB has been in mild fluctuations in both ends against HK and US dollars, foreign exchange losses were realised on transactions when the money market loan and bonds were repaid during the period whilst exchange loss of RMB7,000 recorded on consolidation of assets and liabilities as at 30 June 2012 of a small subsidiary operating in Hong Kong which carries its books in HK dollars was written against the exchange reserve forming part of the equity of the Company. Since the US and HK dollars are pegged whilst RMB has being moving in small extents in both ends against the US and HK dollars, the Group foresees no significant foreign currency adverse exposure in the foreseeable future. However, any change in the managed system of RMB against the US dollars and HK dollars and the peg system of US dollars against HK dollars may have possible impact on the Group's results and financial position. Nonetheless, the Group sees the need to minimise the currency exposure and plans to repay the money market loans in full in the near future.

Contingent Liabilities

The Group provides guarantees to the extent of HK$414 million as at 30 June 2012 (31 December 2011: RMB383 million) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates to the purchasers.

Employees

To keep pace with the growth of the Group, the Group has been actively recruiting suitable staff in capable caliber to help the Group in achieving its long-term goals. As at 30 June 2012, other than the Executive Directors, the Group employed 231 staff in property development and central management. Employees are remunerated according to qualifications and experience, job nature and performance. They are incentivised by bonuses benchmarked with performance targets. Remuneration packages are aligned with job markets in the business territories.

The board of Directors (the "**Board**") of Skyfame Realty (Holdings) Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2012, together with comparative figures for the corresponding period of 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	**Six months ended 30 June** **2012** **RMB'000** **(Unaudited)**	2011 RMB'000 (Unaudited and restated)
Revenue	*2*	**13,995**	15,858
Cost of sales and services		**(5,272)**	(6,687)
Gross profit		**8,723**	9,171
Other income and gain, net		**1,022**	7,465
Sales and marketing expenses		**(5,129)**	(6,171)
Administrative and other expenses		**(38,532)**	(28,083)
Fair value changes in financial derivative liabilities		**2,505**	–
Loss on derecognition of the Bonds due to early repayment	*14(c)*	**(3,129)**	–
Finance costs	*3*	**(11,730)**	(20,632)
Finance income	*3*	**10,079**	6,601
Loss before income tax	*4*	**(36,191)**	(31,649)
Income tax credit	*5*	**520**	20,920
LOSS FOR THE PERIOD		**(35,671)**	(10,729)
Other comprehensive income:			
Exchange differences arising on foreign operations		**(7)**	(7)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(35,678)**	(10,736)
Loss for the period attributable to:			
– Owners of the Company		**(32,464)**	(5,781)
– Non-controlling interests		**(3,207)**	(4,948)
		(35,671)	(10,729)
Total comprehensive income for the period attributable to:			
– Owners of the Company		**(32,471)**	(5,788)
– Non-controlling interests		**(3,207)**	(4,948)
		(35,678)	(10,736)
Loss per share	*7*		
– Basic		**(RMB0.021)**	(RMB0.004)
– Diluted		**(RMB0.021)**	(RMB0.004)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	**6,995**	6,531
Investment properties	8	**495,000**	495,000
Properties held for development		**765,059**	765,059
Goodwill		**13,554**	13,554
Consideration receivable – non-current portion	9	**87,470**	81,290
		1,368,078	1,361,434
Current assets			
Properties under development		**2,069,821**	1,917,289
Properties held for sale		**103,769**	106,717
Consideration receivable – current portion	9	**116,685**	111,809
Loan to non-controlling shareholder of a subsidiary	10	**–**	5,100
Trade and other receivables	11	**165,817**	158,488
Restricted and pledged deposits	12	**389,492**	556,213
Cash and cash equivalents		**245,280**	200,211
		3,090,864	3,055,827
Current liabilities			
Trade and other payables	13	**722,838**	602,710
Bank and other borrowings – current portion	14	**339,690**	567,480
Financial derivative liabilities	14	**1,875**	4,355
Loans from non-controlling shareholders of a subsidiary	15	**168,534**	168,420
Income tax payable		**66,734**	83,087
		1,299,671	1,426,052
Net current assets		**1,791,193**	1,629,775
Total assets less current liabilities		**3,159,271**	2,991,209

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)
As at 30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Non-current liabilities			
Bank and other borrowings – non-current portion	*14*	**123,000**	218,080
Deferred income	*16*	**977,431**	977,431
Deferred tax liabilities		**170,548**	170,548
		1,270,979	1,366,059
Net assets		**1,888,292**	1,625,150
Capital and reserves			
Share capital	*17*	**21,068**	15,040
Reserves		**1,809,993**	1,549,672
Equity attributable to owners of the Company		**1,831,061**	1,564,712
Non-controlling interests		**57,231**	60,438
Total equity		**1,888,292**	1,625,150

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

		Attributable to owners of the Company												
	Notes	Share capital RMB'000	Share premium RMB'000	Contributed surplus reserve RMB'000	Share-based payment reserve RMB'000	Property revaluation reserve RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Foreign exchange reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Six months ended 30 June 2012 (Unaudited)														
At 31 December 2011 *(Audited)* and at 1 January 2012		**15,040**	**1,216,194**	**16,116**	**14,770**	**34,499**	**(293,095)**	**6,471**	**(395)**	**7,351**	**547,761**	**1,564,712**	**60,438**	**1,625,150**
Loss for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(32,464)**	**(32,464)**	**(3,207)**	**(35,671)**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7)**	**-**	**-**	**(7)**	**-**	**(7)**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7)**	**-**	**(32,464)**	**(32,471)**	**(3,207)**	**(35,678)**
Issue of shares upon rights issue	*17*	**6,028**	**295,347**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**301,375**	**-**	**301,375**
Share issue expenses	*17*	**-**	**(4,377)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,377)**	**-**	**(4,377)**
Reallocation of lapsed options to retained profits		**-**	**-**	**-**	**(3,753)**	**-**	**-**	**-**	**-**	**-**	**3,753**	**-**	**-**	**-**
Recognition of equity-settled share-based payment expenses	*18*	**-**	**-**	**-**	**1,822**	**-**	**-**	**-**	**-**	**-**	**-**	**1,822**	**-**	**1,822**
At 30 June 2012 *(Unaudited)*		**21,068**	**1,507,164**	**16,116**	**12,839**	**34,499**	**(293,095)**	**6,471**	**(402)**	**7,351**	**519,050**	**1,831,061**	**57,231**	**1,888,292**
Six months ended 30 June 2011 (Unaudited and restated)														
At 31 December 2010 *(Audited)* and at 1 January 2011		15,040	1,216,194	16,116	13,251	34,499	(293,095)	6,471	(369)	7,351	599,622	1,615,080	31,406	1,646,486
Loss for the period		-	-	-	-	-	-	-	-	-	(5,781)	(5,781)	(4,948)	(10,729)
Other comprehensive income		-	-	-	-	-	-	-	(7)	-	-	(7)	-	(7)
Total comprehensive income for the period		-	-	-	-	-	-	-	(7)	-	(5,781)	(5,788)	(4,948)	(10,736)
Contribution from non-controlling shareholder of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	30,000	30,000
At 30 June 2011 *(Unaudited)*		15,040	1,216,194	16,116	13,251	34,499	(293,095)	6,471	(376)	7,351	593,841	1,609,292	56,458	1,665,750

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Operating activities		
Cash (used in) generated from operations	**(45,026)**	382,099
Income tax paid	**(15,833)**	(8,369)
Other borrowing costs paid	**(4,373)**	(1,041)
Interest paid	**(22,425)**	(25,476)
Net cash (used in) from operating activities	**(87,657)**	347,213
Investing activities		
Consideration received for disposal of a subsidiary in prior year	**–**	43,970
Purchase of property, plant and equipment	**(1,238)**	(292)
Decrease (increase) in restricted and pledged deposits	**166,721**	(105,356)
Other investing activities	**6,802**	1,624
Net cash from (used in) investing activities	**172,285**	(60,054)
Financing activities		
Proceeds from issue of ordinary shares *(Note 17)*	**301,375**	–
Expenses incurred on issue of shares	**(4,377)**	–
New bank and other borrowings	**15,106**	51,000
Repayment of bank and other borrowings	**(352,411)**	(141,574)
Repayment of loans from non-controlling shareholders of a subsidiary	**(4,341)**	(7,595)
Repayment of loan advance to non-controlling shareholder of a subsidiary	**5,100**	–
Capital contributions from non-controlling shareholder of a subsidiary	**–**	30,000
Net cash used in financing activities	**(39,548)**	(68,169)
Net increase in cash and cash equivalents	**45,080**	218,990
Effect of foreign exchange rate changes	**(11)**	(39)
Cash and cash equivalents at beginning of period	**200,211**	24,347
Cash and cash equivalents at end of period – Cash and bank balances	**245,280**	243,298

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2012 (the "**Interim Financial Statements**") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Financial Statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

During the year ended 31 December 2011, the Group changed its presentation currency for the preparation of its financial statements from Hong Kong dollar ("**HK$**") to Renminbi ("**RMB**"). As such, the comparative figures in the consolidated financial statements are re-presented in RMB following the policy in note 4(o) of the Group's annual financial statements for the year ended 31 December 2011.

2. REVENUE AND SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment, the Group is currently organised into two operating divisions – property development and property investment. As management of the Group considers that all consolidated revenue are attributable to the markets in the People's Republic of China ("**PRC**") and consolidated non-current assets are substantially located in the PRC, no geographical information is presented. The Group's reportable segments are as follows:

Property development	–	Property development and sale of properties
Property investment	–	Property leasing

The Group's senior executive management monitors the results attributable to each reportable segment on the basis that revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments, the expenses directly incurred by those segments and the depreciation charges of assets attributable to those segments. Corporate income and expenses, finance costs and income, results of associate and any non-operating items which cannot be directly associated with the reportable segments are not allocated to the respective segments.

The measure used for reporting segment results is operating (loss) profit before interest (finance costs and income), income tax, depreciation and amortisation ("**adjusted EBITDA**").

Segment assets/liabilities include all assets/liabilities attributable to those segments with the exception of cash and bank balances, unallocated bank and other borrowings, financial derivative liabilities and taxes.

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance in the Interim Financial Statements is set out below:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2012

2. REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities

	Property development RMB'000	Property investment RMB'000	Total RMB'000
Six months ended 30 June 2012 (Unaudited)			
External and consolidated revenue			
Sale of properties	**3,233**	**–**	**3,233**
Rental income	**1,263**	**9,499**	**10,762**
Reportable segment revenue	**4,496**	**9,499**	**13,995**
Operating results	**(23,856)**	**5,419**	**(18,437)**
Add: Depreciation	**212**	**503**	**715**
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	**(23,644)**	**5,922**	**(17,722)**
Bad debts recovered	**–**	**36**	**36**
Additions to properties under development	**118,673**	**–**	**118,673**
Capital expenditure	**678**	**–**	**678**
As at 30 June 2012 (Unaudited)			
Assets			
Reportable segment assets	**3,319,609**	**502,056**	**3,821,665**
Liabilities			
Reportable segment liabilities	**1,840,728**	**13,172**	**1,853,900**
Six months ended 30 June 2011 (Unaudited and restated)			
External and consolidated revenue			
Sale of properties	7,542	–	7,542
Rental income	537	7,779	8,316
Reportable segment revenue	8,079	7,779	15,858
Operating results	(20,240)	1,769	(18,471)
Add: Depreciation	95	182	277
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	(20,145)	1,951	(18,194)
Bad debts recovered	–	27	27
Additions to properties held for/under development	155,278	–	155,278
Capital expenditure	88	–	88
As at 31 December 2011 (Audited)			
Assets			
Reportable segment assets	3,158,481	501,494	3,659,975
Liabilities			
Reportable segment liabilities	1,731,561	12,160	1,743,721

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)
For the six months ended 30 June 2012

2. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment results, and assets and liabilities

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Results		
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	**(17,722)**	(18,194)
Unallocated corporate (expenses) income before depreciation	**(15,442)**	859
	(33,164)	(17,335)
Depreciation		
– Reportable segment	**(715)**	(277)
– Unallocated	**(37)**	(6)
	(33,916)	(17,618)
Fair value changes in financial derivative liabilities	**2,505**	–
Loss on derecognition of the Bonds due to early repayment	**(3,129)**	–
Finance costs	**(11,730)**	(20,632)
Finance income	**10,079**	6,601
Consolidated loss before income tax	**(36,191)**	(31,649)
Capital expenditure incurred during the period		
– Reportable segment	**678**	88
– Unallocated	**560**	204
	1,238	292

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2012

2. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment results, and assets and liabilities *(Continued)*

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Assets		
Reportable segment assets	**3,821,665**	3,659,975
Restricted and pledged deposits	**389,492**	556,213
Cash and cash equivalents	**245,280**	200,211
Unallocated corporate assets	**2,505**	862
Consolidated total assets	**4,458,942**	4,417,261
Liabilities		
Reportable segment liabilities	**1,853,900**	1,743,721
Income tax payable	**66,734**	83,087
Deferred tax liabilities	**170,548**	170,548
Financial derivative liabilities	**1,875**	4,355
Unallocated bank and other borrowings	**462,690**	785,560
Unallocated corporate liabilities	**14,903**	4,840
Consolidated total liabilities	**2,570,650**	2,792,111

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)
For the six months ended 30 June 2012

3. FINANCE COSTS AND INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Finance costs:		
Interest on bank and other borrowings		
– wholly repayable within five years	**35,104**	16,153
– wholly repayable after five years	**2,239**	2,134
Imputed interest on loans from non-controlling shareholders of a subsidiary	**4,455**	4,455
	41,798	22,742
Less: Amount capitalised as properties under development		
Interest on bank and other borrowings	**(29,294)**	(3,151)
Imputed interest on loans from non-controlling shareholders of a subsidiary	**(4,455)**	–
	(33,749)	(3,151)
	8,049	19,591
Other borrowing costs	**3,681**	1,041
Finance costs charged to profit or loss	**11,730**	20,632
Finance income:		
Bank interest income	**7,433**	6,601
Other interest income	**2,646**	–
Finance income credited to profit or loss	**10,079**	6,601

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)
For the six months ended 30 June 2012

4. LOSS BEFORE INCOME TAX

Loss before income tax for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Cost of properties sold	**2,860**	4,777
Staff costs (including Directors' emoluments) comprise:		
– Basic salaries and other benefits	**20,965**	14,050
– Equity-settled share-based payment expenses	**1,822**	–
– Contributions to defined contribution pension plans	**1,186**	731
Total staff costs (including Directors' emoluments)	**23,973**	14,781
Less: Amount capitalised as properties under development	**(4,867)**	(5,232)
Staff costs charged to profit or loss	**19,106**	9,549
Auditors' remuneration – current year	**418**	344
Depreciation of property, plant and equipment	**774**	312
Less: Amount capitalised as properties under development	**(22)**	(29)
Depreciation charged to profit or loss	**752**	283
Gain on disposal of property, plant and equipment	**(69)**	(10)
Exchange loss (gain), net	**3,750**	(7,318)
Bad debts recovered	**(36)**	(27)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2012

5. INCOME TAX CREDIT

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Current tax		
Hong Kong profits tax		
– over provision in respect of prior years	**552**	–
PRC land appreciation tax ("**LAT**")		
– current year	**(32)**	(75)
– over provision in respect of prior years	**–**	20,995
Total income tax credit	**520**	20,920

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil) as the Group has no estimated assessable profits in respect of operation in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% (six months ended 30 June 2011: 16.5%) for the six months ended 30 June 2012.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2011: 25%) on the estimated assessable profits.

The provision of PRC LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided, as appropriate, at ranges of progressive rates from 30% to 60% on the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditure.

6. DIVIDENDS

The Directors do not recommend the payment of interim dividend in respect of the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2012

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted loss per share is based on the loss attributable to ordinary equity holders of the Company and the following data:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Loss for the purposes of basic and diluted loss per share	**(32,464)**	(5,781)

	Number of shares	
	'000	'000
	(Unaudited)	(Unaudited and restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,560,473**	1,540,759

The weighted average number of ordinary shares in issue during the period and the comparative period were adjusted to reflect the effect of the rights issue.

For the six months ended 30 June 2012 and 2011, basic loss per share are same as diluted loss per share as any effect from the Company's options and warrants is anti-dilutive.

8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The movements of the property, plant and equipment and investment properties are as follows:

	Property, plant and equipment RMB'000	**Investment properties RMB'000**
Net book value at 31 December 2011 *(Audited)* and 1 January 2012	**6,531**	**495,000**
Additions	**1,238**	**–**
Depreciation	**(774)**	**–**
Net book value at 30 June 2012 *(Unaudited)*	**6,995**	**495,000**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2012

9. CONSIDERATION RECEIVABLE

	Gross consideration	(Received) /Paid	**30 June 2012 RMB'000 (Unaudited)**	31 December 2011 RMB'000 (Audited)
Gross sale consideration for the equity interest plus net assets of Huan Cheng (net of relocation cost of fire-station borne by the Group)	1,128,273	(858,658)	**269,615**	264,738
Less: Development costs and finance costs borne by the Group	(55,000)	9,305	**(45,695)**	(49,596)
	1,073,273	(849,353)	**223,920**	215,142
Less: Impairment loss recognised in overdue consideration receivable	(12,929)	–	**(12,929)**	(12,929)
Less: Amortisation of future value in final payment	(6,836)	–	**(6,836)**	(9,114)
Amortised value	1,053,508	(849,353)	**204,155**	193,099
Amounts due within one year included in current assets	(116,685)	–	**(116,685)**	(111,809)
Amount due after one year	936,823	(849,353)	**87,470**	81,290

The balance relates to the outstanding instalments receivable for the disposal of the equity interest in 廣州寰城實業發展有限公司 (Guangzhou Huan Cheng Real Estate Development Company Limited) ("**Huan Cheng**") that is unsecured and interest-free. A sum of approximately RMB8,778,000 had been paid by the Group as relocation costs of the fire station, design and development costs during the period. An outstanding amount of approximately RMB130,138,000 was due in April 2011 and remained unsettled. Based on a supplemental agreement entered into on 1 July 2011 with, amongst the others, HNA Hotel, the purchaser of the interest in Huan Cheng, HNA Hotel agrees to transfer the property interests of part of the 32nd and 33rd floors of HNA Tower owned by HNA Hotel, which are being leased by the Group as the head office in Guangzhou, to the Group as full and final settlement of the outstanding consideration payable by HNA Hotel of approximately RMB129,614,000 (net of relocation costs) (31 December 2011: RMB124,738,000). As the supplemental agreement has lapsed, the parties have agreed to extend the payment date to the end of the financial year to enable the purchaser to transfer the ownership titles of the commercial properties in HNA Tower as an alternative to cash settlement.

The Directors believed that HNA Hotel is taking appropriate steps to complete the transfer of ownership and have made a provision for impairment loss of RMB12,929,000, based on the discounted cash flows estimated on 31 December 2011 from market rental to be received from leasing of the properties to be transferred.

A final instalment of approximately RMB87,470,000 (31 December 2011: RMB81,290,000) is receivable when the construction of the properties are completed, which is expected to occur in more than twelve months from the end of reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)
For the six months ended 30 June 2012

10. LOAN TO NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

As at 31 December 2011, the balance represented cash advanced to a non-controlling shareholder of a subsidiary. The loan was unsecured and bears interest at the rate of 15% per annum which was settled in June 2012.

11. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 8 to 30 days to its trade customers. The following includes an ageing analysis of trade receivables at the end of the reporting period:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Current or less than 1 month	**984**	171
1 to 3 months	**335**	159
More than 3 months but less than 12 months	**171**	374
More than 1 year	**21**	–
Trade receivables, net of impairment	**1,511**	704
Refundable earnest money in development project	**10,000**	10,000
Tender deposit in development project	**6,000**	6,000
Prepaid construction costs	**96,517**	98,202
Business taxes and surcharges paid for pre-sold properties	**32,074**	28,386
Interest receivable on bank deposits	**6,694**	5,993
Deposits, prepayments and other receivables	**13,021**	9,203
	165,817	158,488

The Group's formal credit policy in place is to monitor the Group's exposure to credit risk through regular reviews of receivables and follow-up enquires on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2012

12. RESTRICTED AND PLEDGED DEPOSITS

	Notes	**30 June 2012 RMB'000 (Unaudited)**	31 December 2011 RMB'000 (Audited)
To secure for:			
– letters of credit issued by banks which guarantee repayment of money market loans	*(a)*	**357,693**	487,585
– the payment of construction cost of a development project	*(b)*	**31,799**	68,628
		389,492	556,213

Notes:

(a) As at 30 June 2012, to secure two back-to-back letters of credit issued by two local banks in the PRC in favour of a Hong Kong-based bank and guarantee repayment of the latter's grant of money market loan facilities in a total of US$52,600,000 (approximately RMB332,690,000) (31 December 2011: US$67,700,000 (approximately RMB425,480,000)) to the Group (as disclosed in note 14(b)), two bank deposits with an aggregate balance of RMB357,693,000 (31 December 2011: RMB487,585,000) were placed in the local banks in the PRC.

(b) The balance represents balance of deposits received from buyers of pre-sold properties. These funds shall be released only to pay construction costs of the development project in Guiyang.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2012

13. TRADE AND OTHER PAYABLES

The following includes an ageing analysis of trade payables at the end of the reporting period:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Current or less than 1 month	**24**	385
1 to 3 months	**723**	2,502
More than 3 months but less than 12 months	**2,821**	709
More than 12 months	**673**	3,063
Total trade payables	**4,241**	6,659
Construction costs payable	**87,461**	71,408
Advanced payments received		
– Pre-sale deposits received from buyers	**563,161**	476,955
– Receipts in advance, rental and other deposits from buyers, customers and/or tenants	**21,242**	12,449
Accrued transaction costs in relation to disposal of subsidiaries	**1,489**	1,489
Interest payable on bank and other borrowings	**9,449**	2,538
Other accrued expenses and other payables	**35,795**	31,212
	722,838	602,710

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2012

14. BANK AND OTHER BORROWINGS AND FINANCIAL DERIVATIVE LIABILITIES

	Notes	**30 June 2012 RMB'000 (Unaudited)**	31 December 2011 RMB'000 (Audited)
Bank and other borrowings			
Interest-bearing, secured			
– bank borrowings			
(i) term loan and construction loan	*(a)*	**70,000**	128,500
(ii) money market loans	*(b)*	**332,690**	425,480
– other borrowing	*(c)*	**–**	151,580
Interest-bearing, unsecured			
– other borrowings	*(d)*	**60,000**	80,000
		462,690	785,560
Amounts due within one year included in current liabilities		**(339,690)**	(567,480)
Amounts due after one year		**123,000**	218,080
Financial derivative liabilities			
Warrants	*(c)*	**1,875**	4,355

Notes:

(a) During the period, the construction loan of RMB55,000,000 was fully repaid. As at 30 June 2012, the term loan is secured by mortgages of ownership titles of investment properties with carrying amount of approximately RMB284,000,000 (31 December 2011: RMB284,000,000). The bank loans carry interest at variable market rate of 6.12% per annum as at 30 June 2012 (31 December 2011: 6.12% per annum). The tern loan will be repaid by quarterly instalments and mature in 2019.

As at 30 June 2012, a PRC bank has operated a new construction loan facility of RMB1,000,000,000 which is secured by mortgages of ownership titles of properties under development in Zhoutouzui Project. The first drawdown is expected to happen in the third quarter of 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2012

14. BANK AND OTHER BORROWINGS AND FINANCIAL DERIVATIVE LIABILITIES *(Continued)*

Notes: (Continued)

(b) A sum of RMB357,693,000 (31 December 2011: RMB487,585,000) was deposited with two banks in the PRC which were used to secure money market loans aggregated at US$52,600,000 (approximately RMB332,690,000) (31 December 2011: US$67,700,000 (approximately RMB425,480,000)) extended by a bank in Hong Kong. In addition to the pledge of deposits, the Company provides a corporate guarantee of US$41,600,000 (approximately RMB263,116,000) (31 December 2011: US$41,600,000) to secure for the repayment of the money market loans. The money market loans carry variable interests at the rate of 1 year and 8 months US$ LIBOR of 1.04% and 0.84% and a spread at 3.70% per annum in respect of the loan of US$39,200,000 and 12 months US$ LIBOR of 1.05% and a spread at 4.40% per annum in respect of the loan of US$11,000,000 (2011: 4 to 12 months US$ LIBOR of 0.42% to 1.04% and a spread at 3.70% and 4.1% per annum), and are repayable in November 2012 and March 2013 respectively.

(c) The 20% secured and guaranteed bonds due 2013 in the principal amount of HK$200,000,000 (RMB165,740,000) (the "**Bonds**") with warrants were issued on 20 September 2011, amortised at the effective interest method by applying the effective interest rate of 23.30% per annum, were fully repaid in June 2012.

The warrants confer rights to the subscriber of the Bonds to subscribe in aggregate up to a principal amount of HK$10,000,000 (RMB8,152,000) for shares of the Company, exercisable in whole or in part at any time during the subscription period from 20 September 2012 to 19 September 2013 at a subscription price of HK$0.6527 per share (initial subscription price: HK$0.7187 per share) which was adjusted as a result of the rights issue. The warrants are not listed on the Stock Exchange of Hong Kong Limited and are accounted for as financial derivative liabilities at fair value through profit or loss.

The movements of the Bonds are as follows:

	Nominal value HK$'000	Liability component RMB'000
At 31 December 2011 *(Audited)* and 1 January 2012	**200,000**	**151,580**
Accrued interest expense	**–**	**16,066**
Loss on derecognition of the Bonds due to early repayment	**–**	**3,129**
Early repayment on 25 June 2012	**(200,000)**	**(163,040)**
Interest paid	**–**	**(8,666)**
Exchange differences	**–**	**931**
At 30 June 2012 *(Unaudited)*	**–**	**–**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2012

14. BANK AND OTHER BORROWINGS AND FINANCIAL DERIVATIVE LIABILITIES *(Continued)*

Notes: (Continued)

(c) *(Continued)*

Mr. YU Pan, controlling shareholder of the Company unconditionally and irrevocably guarantees and undertakes the due performance of the Company under the Bonds. In addition to the personal guarantee, Mr. YU Pan, through his indirect beneficially interest in Grand Cosmos Holdings Limited, has charged all his rights, title and interest from time to time in and to the security shares, which is 963,776,271 ordinary shares of the Company, by way of first fixed charge in favour of the holder of the Bonds. The pledge of shares of the Company and charges over the assets of Grand Cosmos Holdings Limited in favour of the holders of the Bonds were released upon full settlement of the Bonds.

(d) The balance represents unsecured loans advanced from a third party bearing interest at the rate of 20% per annum (31 December 2011: 20% per annum) and is repayable in November 2012 and December 2012 respectively but is further agreed to be extended for an additional one year to November 2013 and December 2013 respectively.

15. LOANS FROM NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

The balances due to 貴州協輝房地產開發有限公司 (Guizhou Xiehui Property Development Company Limited) and 貴州眾佳和力房地產信息諮詢有限公司 (Guizhou Zhongjia Heli Properties Consulting Company Limited), are unsecured, interest-free and have no fixed terms of repayment but are expected to be repaid within one year.

Interest expense on loans from non-controlling shareholders is calculated using the effective interest method by applying the effective interest rate of 6% per annum to the carrying amount.

16. DEFERRED INCOME

In July 2010, a framework agreement ("**Agreement**") for the disposal of the entire equity interest in Huan Cheng, the project company for the development of the Tianhe Project, was entered into between the Company, Yaubond Limited and a third party, HNA Hotel for a gross sale consideration ("**Consideration**") of RMB1,090,000,000, before certain adjustments.

As at 30 June 2012, deferred income (having the Consideration been increased by approximately RMB38,273,000 representing adjustment of net assets transferred to HNA Hotel and reduced by future development costs and finance costs to be borne by the Group, which are estimated to be RMB20,000,000 and RMB35,000,000 respectively), was estimated to be approximately RMB977,431,000.

Since the disposal of Huan Cheng, total proceeds amounting to approximately RMB849,353,000, being the first instalment and partial payment of second instalment, have been received from HNA Hotel. The remaining balance receivable before impairment loss as at 30 June 2012 of approximately RMB223,920,000 (31 December 2011: RMB215,142,000) is detailed in note 9.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2012

16. DEFERRED INCOME *(Continued)*

The Directors consider that the Agreement constitutes an agreement for the sale of goods/services and the criteria for recognition of revenue set out in paragraph 14 of HKAS 18 "Revenue" apply. At the end of reporting period, the Directors are uncertain about the due performance of certain obligations under the Agreement in particular, the costs to be deducted from the Consideration under the prevailing agreement caused by overruns in construction costs not due to the change in design plan proposed by HNA Hotel and claim for delays in construction of the project. Accordingly, the Directors are of the view that the revenue recognition criteria set out in HKAS 18 have not been fully satisfied and therefore the disposal of the assets and liabilities of the Tianhe Project is not recognised in the income statement until when substantial part of the revenue can be ascertained reliably. The revenue and associated costs of the Tianhe Project are deferred until the construction is completed to a substantial progress where the revenue can be reliably measured. Therefore, the net sale consideration is recorded as deferred income as at 30 June 2012 and 31 December 2011. The costs of the Tianhe Project are not derecognised, but instead included in properties held for development in the consolidated statement of financial position.

17. SHARE CAPITAL

	Number of shares '000	Nominal value of share capital HK$'000	Equivalent nominal value of share capital RMB'000
Authorised:			
Ordinary shares of HK$0.01 each	29,000,000	290,000	**301,600**
Convertible preference shares of HK$0.01 each	1,000,000	10,000	**9,716**
At 31 December 2011 *(Audited)*, at 1 January 2012 and 30 June 2012 *(Unaudited)*	30,000,000	300,000	**311,316**
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 31 December 2011 *(Audited)* and at 1 January 2012	1,477,687	14,777	**15,040**
Issue of shares pursuant to rights issue *(Note)*	738,844	7,388	**6,028**
At 30 June 2012 *(Unaudited)*	2,216,531	22,165	**21,068**
Convertible preference shares of HK$0.01 each			
At 31 December 2011 *(Audited)*, at 1 January 2012 and 30 June 2012 *(Unaudited)*	–	–	**–**
	2,216,531	22,165	**21,068**

Note:

On 28 June 2012, the Company completed the rights issue of 738,843,725 ordinary shares at an issue price of HK$0.50 (approximately RMB0.416) per rights share on the basis of 1 rights share for every 2 existing ordinary shares held by members registered on 31 May 2012. The Company raised total proceeds of approximately HK$369,422,000 (equivalent to approximately RMB301,375,000) (before deduction of related expenses of approximately RMB4,377,000).

All the new ordinary shares issued during the period ended 30 June 2012 ranked pari passu with the existing shares in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2012

18. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

During the six months ended 30 June 2012 and 30 June 2011, no share options were granted under a share option scheme adopted on 4 August 2005 (the "**2005 Scheme**"). No share options previously granted under the 2005 Scheme were exercised or lapsed during the six months ended 30 June 2011. Adjustments were made to the exercise prices of and the number of shares that can be subscribed for under the outstanding share options upon completion of rights issue on 28 June 2012. The movements in the number of share options during the period and the balance outstanding at 30 June 2012 are as follows:

Date of grant	Exercise period	Exercise price per share before the completion of rights issue HK$	Adjusted exercise price per share after the completion of rights issue HK$	Number of options outstanding at 31 December 2011 and 1 January 2012	During the six months ended 30 June 2012: Options granted	Options exercised	Adjusted upon completion of rights issue	Options lapsed	Number of options outstanding at 30 June 2012
12 September 2006	13 March 2007/2008/2009 to 31 July 2015	1.3100	1.2565	45,900,000	–	–	1,615,273	(13,213,097)	34,302,176
11 August 2011	11 August 2012 to 10 August 2021	0.7000	0.6714	8,666,665	–	–	369,368	–	9,036,033
11 August 2011	11 August 2015 to 10 August 2021	0.7000	0.6714	8,666,667	–	–	369,367	–	9,036,034
11 August 2011	11 August 2018 to 10 August 2021	0.7000	0.6714	8,666,668	–	–	369,368	–	9,036,036
				26,000,000	–	–	1,108,103	–	27,108,103
				71,900,000	–	–	2,723,376	(13,213,097)	61,410,279
Analysis by category:									
Directors				9,800,000	–	–	289,810	(3,000,000)	7,089,810
Other employees				57,100,000	–	–	2,220,469	(10,213,097)	49,107,372
Non-employees				5,000,000	–	–	213,097	–	5,213,097
				71,900,000	–	–	2,723,376	(13,213,097)	61,410,279

The Group recognised approximately RMB1,822,000 as equity-settled share-based payment expenses for the six months ended 30 June 2012 (six months ended 30 June 2012: Nil) in relation to share options granted by the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)
For the six months ended 30 June 2012

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of members of key management, including Directors' emoluments, incurred during the period is as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Short-term benefits	**4,826**	5,260
Other long-term benefits	**109**	150
Equity-settled share-based payment expenses	**1,802**	–
	6,737	5,410

Members of key management are those persons who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and executive officers.

20. CAPITAL COMMITMENTS

	30 June 2012	31 December 2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Expenditure contracted but not provided for in respect of		
– Property construction and development costs	**513,648**	507,271
Expenditure authorised but not contracted for in respect of		
– Property construction and development costs	**2,088,455**	2,253,484
– Acquisition of land use rights	**931,648**	1,031,648
	3,020,103	3,285,132

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2012

21. CONTINGENT LIABILITIES

The Group provides guarantees to the extent of approximately RMB413,835,000 as at 30 June 2012 (31 December 2011: RMB382,691,000) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates to the purchasers.

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2012 which would materially affect the Group's operating and financial performance as of the date of the Interim Financial Statements.

OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

Directors' and Chief Executives' Interests in Shares and Underlying Shares

As at 30 June 2012, the interests and short positions of the Directors and chief executives of the Company in the share of the Company (the "**Shares**"), underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), to be notified to the Company and the Stock Exchange, were as follows:

(a) Interests in the Shares or underlying Shares

Name of Director	Company/ Associated corporation	Capacity	Number of Shares or underlying Shares		Approximate shareholding percentage *(Note 2)*
Mr. YU Pan	Company	Interest of controlled corporation and/or beneficial owner	1,587,168,407 42,764,000 *(Note 1)*	(long) (short)	71.61% 1.93%
Mr. SIU Shawn	Company	Beneficial owner	6,238,000	(long)	0.28%

Notes:

1. These Shares comprised (i) 141,504,000 existing Shares; and (ii) 1,445,664,407 existing Shares held directly by Grand Cosmos Holdings Limited ("**Grand Cosmos**"). The entire issued share capital of Grand Cosmos was held by Sharp Bright International Limited ("**Sharp Bright**"), the entire issued share capital of which was held by Mr. YU Pan. The 1,445,664,407 Shares (including 481,888,136 Shares allotted on 27 June 2012 pursuant to the Rights Issue (as defined below and details of which was set out in the Company's prospectus dated 6 June 2012) were charged in favour of CCB International Securities Limited ("**CCB Securities**") by way of a share charge dated 19 June 2012. In addition, Grand Cosmos has issued warrants to CCB Securities to purchase Shares from Grand Cosmos in aggregate of HK$25,000,000 at a purchase price of HK$0.5846 for 42,764,000 Shares.

2. For the purposes of this section, the shareholding percentage in the Company was calculated on the basis of 2,216,531,175 Shares in issue as at 30 June 2012.

OTHER INFORMATION *(Continued)*

Directors' and Chief Executives' Interests in Shares and Underlying Shares *(Continued)*

(b) Interests in underlying Shares arising from share options

As at 30 June 2012, the following Directors had interests as beneficial owners in options to subscribe for Shares granted under the share option scheme adopted by the Company on 4 August 2005 (the "**2005 Scheme**"):

Name of Director	Exercise price HK$ *(Note 1)*	Exercise period	Number of underlying Shares *(Note 1)*	Approximate shareholding percentage *(Note 2)*
Mr. SIU Shawn	0.6714	11 August 2012 to 10 August 2021	5,213,097	0.24%
Mr. CHOY Shu Kwan	1.2565	13 March 2007 to 31 July 2015	625,571	0.03%
Mr. CHENG Wing Keung, Raymond	1.2565	13 March 2007 to 31 July 2015	625,571	0.03%
Ms. CHUNG Lai Fong	1.2565	13 March 2007 to 31 July 2015	625,571	0.03%

Notes:

1. As a result of the issue of 738,843,725 Shares by way of rights on the basis of one rights Share for every two Shares in issue and held on 31 May 2012 (the "**Rights Issue**") and in compliance with Rule 17.03(13) of the Listing Rules, the exercise price and the number of Shares to be issued under the outstanding Share Options was adjusted under the terms of the 2005 Scheme with effect from 28 June 2012, the date of completion of the Rights Issue.

2. For the purpose of this section, the shareholding percentage in the Company was calculated on the basis of 2,216,531,175 Shares in issue as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange.

OTHER INFORMATION *(Continued)*

Substantial Shareholders

At 30 June 2012, so far as known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Interests in the Shares or underlying Shares

Name of shareholder	Capacity	Number of Shares and underlying Shares		Approximate shareholding percentage *(Note 3)*
Sharp Bright	Interest of controlled corporation	1,445,664,407 42,764,000 *(Note 1)*	(long) (short)	65.22% 1.93%
Grand Cosmos	Beneficial owner	1,445,664,407 42,764,000 *(Note 1)*	(long) (short)	65.22% 1.93%
Central Huijin Investment Ltd. ("**Huijin**")	Interest of controlled corporation	1,503,748,407 *(Note 2)*	(long)	67.84%
China Construction Bank Corporation ("**CCB**")	Interest of controlled corporation	1,503,748,407 *(Note 2)*	(long)	67.84%
CCB International Group Holdings Limited ("**CCB Holdings**")	Interest of controlled corporation	1,503,748,407 *(Note 2)*	(long)	67.84%
CCB Financial Holdings Limited ("**CCB Financial**")	Interest of controlled corporation	1,503,748,407 *(Note 2)*	(long)	67.84%
CCB International (Holdings) Limited ("**CCB International**")	Interest of controlled corporation	1,503,748,407 *(Note 2)*	(long)	67.84%
CCB Securities	Beneficial owner and person having a security interest in shares	1,488,428,407 *(Note 2)*	(long)	67.15%

OTHER INFORMATION *(Continued)*

Substantial Shareholders *(Continued)*

Interests in the Shares or underlying Shares (Continued)

Notes:

1. The 1,445,664,407 existing Shares were held directly by Grand Cosmos and Grand Cosmos has issued warrants to CCB Securities to purchase Shares from Grand Cosmos in aggregate of HK$25,000,000 at a purchase price of HK$0.5846 for 42,764,000 Shares. As the entire issued share capital of Grand Cosmos was held by Sharp Bright, Sharp Bright was deemed to be interested in the Shares in which Grand Cosmos was interested by virtue of the SFO. As the entire issued share capital of Sharp Bright was held by Mr. YU Pan, Mr. YU Pan was deemed to be interested in the Shares in which Sharp Bright was interested by virtue of SFO. The 1,445,664,407 Shares were charged in favour of CCB Securities by way of a share charge dated 19 June 2012, Mr. YU's interest is included in the preceding paragraph as director's interests which is under Division 7 and 8 of Part XV of SFO.

2. These Shares comprise (i) 1,445,664,407 Shares charged in favour of CCB Securities; (ii) 15,320,000 underlying Shares which would be issued upon exercise of the subscription rights attaching to the warrants issued by the Company to Lang Xing Investments Limited ("**Lang Xing**") at adjusted subscription price of HK$0.6527; and (iii) 42,764,000 underlying Shares which would be transferred upon exercise of the purchase rights attaching to the warrants issued by Grand Cosmos to CCB Securities at purchase price of HK$0.5846. Lang Xing is a wholly owned subsidiary of CCB International Asset Management Limited ("**CCB Asset**"). Both CCB Asset and CCB Securities are wholly-owned subsidiaries of CCB International, which is in turn a wholly-owned subsidiary of CCB Financial, which is in turn a wholly-owned subsidiary of CCB Holdings, which is in turn a wholly-owned subsidiary of CCB (stock code: 939), the shares of which are listed on the main board of the Stock Exchange. CCB is owned as to 57.13% by Huijin. Accordingly, Huijin was deemed to be interested in the Shares in which CCB, CCB Holdings, CCB Financial, CCB International, CCB Securities, CCB Asset and Lang Xing were interested by virtue of the SFO.

3. For the purpose of this section, the shareholdings percentage in the Company was calculated on the basis of 2,216,531,175 Shares in issue as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, the Company had not been notified by any other persons or corporations who had any long or short position in the Shares and/or underlying Shares, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

OTHER INFORMATION *(Continued)*

Share Options Scheme

The Company has adopted the 2005 Scheme for eligible employees of the Group and certain non-employees.

The following table discloses details of the Company's share options under the 2005 Scheme held by employees (including Directors) and non-employees, and movement in such holdings during the six months ended 30 June 2012.

Date of grant	Exercise period	Exercise price	Number of options outstanding at 31 December 2011	During the six months ended 30 June 2012: Options adjusted	During the six months ended 30 June 2012: Options lapsed	Number of options outstanding at 30 June 2012
		HK$ *(Note)*		*(Note)*		
12 September 2006	13 March 2007/2008/2009 to 31 July 2015	1.2565	45,900,000	1,615,273	(13,213,097)	34,302,176
11 August 2011	11 August 2012 to 10 August 2021	0.6714	8,666,665	369,368	–	9,036,033
11 August 2011	11 August 2015 to 10 August 2021	0.6714	8,666,667	369,367	–	9,036,034
11 August 2011	11 August 2018 to 10 August 2021	0.6714	8,666,668	369,368	–	9,036,036
			26,000,000	1,108,103	–	27,108,103
			71,900,000	2,723,376	(13,213,097)	61,410,279
Analysis of category:						
Directors			9,800,000	289,810	(3,000,000)	7,089,810
Other employees			57,100,000	2,220,469	(10,213,097)	49,107,372
Non-employees			5,000,000	213,097	–	5,213,097
			71,900,000	2,723,376	(13,213,097)	61,410,279

OTHER INFORMATION *(Continued)*

Share Options Scheme *(Continued)*

Note:

As a result of the issue of 738,843,725 Shares by way of rights on the basis of one rights Share for every two Shares is issue and held on 31 May 2012 and in compliance with Rule 17.03(13) of the Listing Rules, the exercise price and the number of Shares to be issued under the outstanding Share Options shall be adjusted under the terms of the 2005 Scheme with effect from 28 June 2012, the date of completion of the Rights Issue.

During the period, no share options were granted or exercised under the 2005 Scheme. There were 45,900,000 share options outstanding as at 30 June 2011.

Corporate Governance

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the Interim Financial Statements, in compliance with the code provisions in the revised Corporate Governance Code as set out in Appendix 14 to the Listing Rules as well as the former Code on Corporate Governance Practices except for code provision A2.1, where the roles of chairman and chief executive officer of the Company is not separated as required but is currently performed by the same individual.

Due to the small size of the team, both the roles of the chairman and chief executive officer of the Company are currently played by Mr. YU Pan. The Board considers the currently simple but efficient management team serves sufficiently enough the need of the Group. The Board will, nonetheless, continue to review the business growth of the Group and, when considered essential, will set out a clear division of responsibilities at the board level and the management team to ensure a proper balance of power and authority within the Company.

Model Code for Securities Transaction by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period under review.

OTHER INFORMATION *(Continued)*

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2012.

Audit Committee

The principal duties of the Audit Committee include the review of the Company's financial reporting procedures, internal controls and results of the Group. The Interim Financial Statements have been reviewed by the Audit Committee.

By order of the Board
YU Pan
Chairman

Hong Kong, 15 August 2012