



2012 INTERIM REPORT



CHINA SCE PROPERTY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

HKEx Stock Code:1966.HK

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Corporate Information

DIRECTORS

Executive Directors

Mr. Wong Chiu Yeung (*Chairman*)
Mr. Chen Yuanlai
Mr. Cheng Hiu Lok
Mr. Li Wei
Mr. Huang Youquan
Mr. Liu Zhijie (*retired on 10 May 2012*)

Non-executive Director

Mr. Fung Ka Pun

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Li Siu Po

AUTHORISED REPRESENTATIVES

Mr. Wong Chiu Yeung
Mr. Li Siu Po

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Dai Yiyi (*appointed as Chairman on 1 April 2012*)
Mr. Wong Chiu Yeung (*resigned as Chairman on 1 April 2012
but remained as member*)
Mr. Ting Leung Huel Stephen

NOMINATION COMMITTEE

Mr. Wong Chiu Yeung (*appointed as Chairman and member
on 1 April 2012*)
Mr. Lu Hong Te
Mr. Dai Yiyi (*appointed on 1 April 2012*)
Mr. Cheng Hiu Lok (*resigned as Chairman and member
on 1 April 2012*)
Mr. Li Wei (*resigned on 1 April 2012*)

CORPORATE GOVERNANCE COMMITTEE

(*established on 1 April 2012*)

Mr. Li Wei (*Chairman*)
Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong Law:
Chiu & Partners

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

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

PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of China
China Construction Bank
Hongkong and Shanghai Banking Corporation
Hang Seng Bank

INVESTOR RELATIONS

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STOCK CODE

The Stock Exchange of Hong Kong Limited: 1966.HK

COMPANY WEBSITE

www.sce-re.com

Corporate Profile

China SCE Property Holdings Limited (“China SCE Property” or the “Company”) and its subsidiaries (collectively, the “Group”) were established in 1996 and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) in February 2010 (Stock Code: 1966). The Group’s major businesses include investment holding, real estate development, property investment and property management. The Company upholds “constructing a classic homestead” as its corporate mission and strives for excellence in product quality. After many years of development, the Company has established a good brand image in the industry and was granted the awards and honours of “Top 100 Real Estate Enterprises in China” and “Star of the Top 100 Real Estate Enterprises in China” for five consecutive years.



Fortune Plaza • Parkview Bay

China SCE Property is headquartered in Xiamen as its development base for carrying out its national development strategy of “firming its foothold on West Taiwan Strait Economic Zone; expanding into the Bohai Rim Economic Zone; and paying attention to the Pearl River Delta Economic Zone”. As at 30 June 2012, the Group together with its jointly-controlled entities and associates, owned a land bank with aggregate planned gross floor area of approximately 7.98 million sq.m., distributed over Quanzhou, Xiamen, Zhangzhou, Shenzhen, Beijing, Tangshan, Anshan, Linfen, etc.

China SCE Property will fully utilise its international capital platform established through its listing in Hong Kong to flexibly expand its financing channels and to continue to implement prudent financial development strategies. In future development, the Company will actively implement its development strategies on the basis of emphasising and improving product quality as it always did, and strive to become a regional leader in the industry to maximise the value created for our shareholders and make greater contributions to both the real estate industry and the society at large.

Management Discussion and Analysis

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2012.

MARKET REVIEW

In order to facilitate property prices to return to a more reasonable level, the central government insists on strengthening macro-control on the real estate sector. In the meantime, it has implemented the policy of “both protection and suppression” which emphasizes both protecting the reasonable demand for housing and curbing the demands of investment and speculation. In the first quarter of 2012, the real estate market in Mainland China continued to experience adjustments and developers carefully adjusted their development pace. The growth of the development and investment in the real estate market in the PRC declined as a result. The transaction prices for commodity housing in major cities in the PRC were once at a lower level, with the trading volume also recording a steep decline. In order to revive the weak economy, the central bank lowered the reserve requirement ratio in February and May this year, which could, to a certain extent, ease the tight credit market. Meanwhile, the central bank also lowered the lending and deposit benchmark interest rates for two consecutive times in June and July this year, respectively, which reduced the purchasing costs for the purchasers. In addition, certain developers also moderately lowered the property sales prices in the first half of the year. Objectively, the reasons above have released the rigid demand for the property market, which was suppressed for a long time. Thus, the real estate trading volume has picked up rapidly since the second quarter this year.

During the reporting period, the Group timely adjusted its own development pace in accordance with the development trend of the real estate industry, achieving good operating results. We will have an overall review on the Group’s business and financial situation during the period as follows.



Fortune Plaza • Royal Terrace

Management Discussion and Analysis



Provence Town

BUSINESS REVIEW

For the six months ended 30 June 2012, the Group recorded a revenue of approximately RMB836 million and a gross profit of approximately RMB358 million, representing an increase of 7.0 times and 5.6 times respectively over the corresponding period in 2011. Profit/loss attributable to the owners of the parent changed from a loss of approximately RMB103,493,000 in the first half of 2011 to a profit of approximately RMB199,849,000 in the first half of 2012. For the six months ended 30 June 2012, the Group sold and delivered 94,228 sq.m. of property sales area, which increased by 13.0 times from 6,710 sq.m. in the corresponding period in 2011. Our recognized revenue from property sales increased by 12.4 times to approximately RMB791,507,000 from approximately RMB59,246,000 in the corresponding period in 2011.

During the reporting period, in order to accelerate the recovery of funds and increase the cash flow, the Group made efforts in many aspects. The Group adopted a flexible marketing strategy to stimulate transaction volume and accelerate the recovery of funds. In respect of project development, the Group reduced the number of projects under construction so as to cut capital expenditure, and in the meantime, speeded up the development cycle of existing projects. In addition, the Group has made continuous efforts to financing and has achieved effective results. In July, subsequent to the reporting period, the Group had successfully secured a HK\$400 million syndicated loan in Hong Kong. This is again an important financing achievement that the Group has obtained following the issuance of RMB2 billion five-year synthetic bonds overseas in early 2011. This not only further strengthened the Group's financial position, but also enhanced the Group's competitiveness in aspects such as land acquisition.

Management Discussion and Analysis

For the six months ended 30 June 2012, the Group's contract sales area decreased by approximately 27.8% from that of the corresponding period last year to 242,688 sq.m. Contract sales amount decreased by approximately 27.5% from that of the corresponding period last year to approximately RMB2.066 billion. Despite the decrease, as at 30 June 2012, the Group accomplished over 50% of the annual pre-sale target. In respect of property development, as at 30 June 2012, the Group, together with its jointly-controlled entities and associates, owned a total of 11 projects under construction, with a total of planned gross floor area (the "GFA") of approximately 1.77 million sq.m. Details of the projects under construction are as follows:

Name of Project	City	Type of Property	Interest Attributable to the Company (%)	Total Planned GFA (sq.m.)
Fortune Plaza • Royal Terrace	Quanzhou	High-rise and low-density residential	58	202,129
Fortune Plaza • World City	Quanzhou	Commercial	58	317,036
Sapphire Peninsula	Quanzhou	Residential and commercial	100	267,676
Purple Lake International Golf Villa Phase 1	Quanzhou	Low-density residential	49	62,217
Sunshine Mansion	Quanzhou	Residential and commercial	80	300,641
Part A of Gold Coast Phase 1	Quanzhou	Residential and commercial	45	160,792
The Regent	Xiamen	High-rise and low-density residential	60	66,084
Sunshine City	Xiamen	Residential and commercial	95	143,000
Sapphire Boomtown Phase 1	Zhangzhou	Residential and commercial	100	20,895
Sapphire Villa Phase 1	Tangshan	Low-density residential	100	64,911
Royal Spring City • Spring Villa	Anshan	Residential and commercial	70	168,729
Total				1,774,110

During the reporting period, the Group acquired a parcel of residential land located in the Wuyuan Bay Zone, Xiamen, with a total planned GFA of land bank of approximately 90,000 sq.m. As at 30 June 2012, the Group, together with its jointly-controlled entities and associates, owned a total planned GFA of land bank of approximately 7.98 million sq.m. (the attributable portion was approximately 5.52 million sq.m.), including a total planned GFA of approximately 0.42 million sq.m. for which a framework agreement had been entered into but public tender procedures had not been completed. It is believed that the existing land bank will satisfy the Group's development needs in the next four to five years. Approximately 64% of the Group's land bank was located in the West Taiwan Strait Economic Zone, approximately 31% was located in the Bohai Rim Economic Zone, and the remaining 5% was located in Shenzhen of Pearl River Delta Economic Zone.

Management Discussion and Analysis

OUTLOOK

Due to the indirect impact brought about by the slowdown of the global economic recovery and the continued contagion of the European debt crisis, we expect that the PRC government will implement further measures to boost the economy and that lower banks' reserve requirement ratio and lending and deposit interest rates remain probable. Moreover, the central government, while implementing stringent control over the real estate market, has reiterated a number of times that it will support reasonable household purchases of flats by launching differentiated credit and tax policies to ensure that first-time home buyers' loan requirements are put on priority and can be met. In the meantime, some measures such as adjustments to the mortgage rates for first-time home buyers have been gradually implemented. It seems that the fine-tuned policies that support rigid demand for housing by some local governments are being allowed. The gradual upward trend of the trading volume of commodity housing seen since the second quarter of 2012 leads us to believe that the rigid demand for housing is tremendous and is gradually being released thanks to favourable policies. We expect that the steady trading volume of commodity housing in the second quarter will continue in the second half of 2012.

The Group will launch four new property projects in the second half of 2012, namely Sunshine City in Xiamen, Fortune Plaza · World City, Sunshine Mansion Phase 2 and the high-rise portion of Gold Coast Phase 1 in Quanzhou. These projects are either those located in the cities that are not subject to the "Housing Purchase Restriction Policy" or those fitting the needs of young first-time home buyers, thus strong market demand is expected. We therefore believe that the Group will be subject to relatively less impact of the macroeconomic control.



Gold Coast

In the second half of 2012, the Group will continue to move forward its various projects under construction. It is expected that three new projects will be added to the projects under construction list, namely the Prestige in Xiamen, International Finance Center Phase 1 and Part B of Gold Coast Phase 1 in Quanzhou.

We will continue to expand our land bank in a prudent manner and replenish our land bank as and when appropriate. Coverage-wise, the West Taiwan Strait Economic Zone will remain as our focus of development. In the meantime, a sound financial strategy will also be one of the key areas requiring the Group's continuous efforts. The Group will continue to pursue its principle of reasonable utilization of its available financial resources to provide financial support for business expansion while maintaining our net gearing ratio at a healthy level.

In conclusion, for the second half of 2012, the Group will keep abreast of the latest development of the industry and make timely and necessary adjustments to its operating strategy in a bid to achieve our objectives of the year. Guided by our principle of pursuit of quality and a sound financial strategy, we are very confident about the future growth of the Group.

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly includes sale of properties, rental income and property management fees.

Revenue for the six months ended 30 June 2012 amounted to approximately RMB836,470,000, representing an increase of 7.0 times from RMB105,159,000 in the corresponding period in 2011. This was due to the significant increase in income from sale of properties during the period.

Sale of properties

For the six months ended 30 June 2012, revenue from property sales amounted to approximately RMB791,507,000, representing a significant increase of 12.4 times from approximately RMB59,246,000 recorded in the corresponding period in 2011. This was attributable to the increase in delivered area from 6,710 sq.m. in the first half of 2011 to 94,228 sq.m. in the first half of 2012. The average selling price decreased from RMB8,830 per sq.m. for the first half of 2011 to RMB8,400 per sq.m. for the period under review.

Rental income

For the six months ended 30 June 2012, rental income amounted to approximately RMB26,038,000, representing a decrease of approximately 14% from approximately RMB30,401,000 recorded in the corresponding period in 2011.

Property management fees

For the six months ended 30 June 2012, property management fees amounted to approximately RMB18,925,000, representing an increase of approximately 22% from approximately RMB15,512,000 recorded in the corresponding period in 2011. This was mainly attributable to the increase in the number and floor area of properties under management.

Cost of sales

Cost of sales increased by 8.4 times from approximately RMB50,835,000 in the first half of 2011 to approximately RMB478,926,000 in the first half of 2012. Such increase was attributable to the increase in delivered area in the period under review.

Management Discussion and Analysis

Gross profit

Gross profit increased by 5.6 times from approximately RMB54,324,000 in the first half of 2011 to approximately RMB357,544,000 in the first half of 2012. Such increase in gross profit was attributable to the increase in delivered area during the period under review. Gross profit margin decreased from 52% in the first half of 2011 to 43% in the first half of 2012. The decrease in gross profit margin during the period under review was mainly due to higher proportion of rental income of higher gross profit margin to revenue in the first half of 2011.

Changes in fair value of investment properties

The fair value gains of investment properties increased by 1.8 times from approximately RMB93,192,000 in the first half of 2011 to approximately RMB264,346,000 in the first half of 2012. The significant increase in the fair value of investment properties was mainly attributable to the increase in the GFA of investment properties. Investment properties mainly include the shopping mall of World City in Beijing and offices of SCE Building in Xiamen, as well as the retail shops of Sapphire Peninsula and the shopping mall of World City – Fortune Plaza Phase 3 in Quanzhou (both under construction).

Selling and marketing expenses

Selling and marketing expenses decreased significantly by approximately 58% from approximately RMB74,081,000 in the first half of 2011 to approximately RMB31,211,000 in the first half of 2012. The decrease in selling and marketing expenses was mainly attributable to the decrease in the number of projects for pre-sale resulting in lower advertising fees and related marketing expenses.

Administrative expenses

Administrative expenses increased by approximately 25% from RMB92,047,000 in the first half of 2011 to approximately RMB114,670,000 in the first half of 2012. The increase in administrative expenses was mainly attributable to the employment of additional management personnel to cope with the needs of business expansion.

Finance costs

Finance costs decreased significantly by approximately 62% from approximately RMB86,955,000 in the first half of 2011 to approximately RMB33,464,000 in the first half of 2012. Finance costs mainly represented borrowing costs of partial senior notes which have not been capitalized as such proceeds were not used for project development.

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

Share of losses of jointly-controlled entities and associates increased by approximately 77% from approximately RMB4,714,000 in the first half of 2011 to approximately RMB8,366,000 in the first half of 2012. The losses incurred in the first half of 2012 was mainly due to the fact that no new project was delivered by jointly-controlled entities and associates in the first half of 2012.

Income tax expense

Income tax expense increased by approximately 20.2 times from approximately RMB7,706,000 in the first half of 2011 to approximately RMB163,730,000 in the first half of 2012. The increase in income tax expenses was mainly attributable to the significant increase in corporate income tax and land appreciation tax resulting from the increase in property sales.

Profit/loss attributable to owners of the parent

Profit/loss attributable to owners of the parent changed from a loss of approximately RMB103,493,000 in the first half of 2011 to a profit of approximately RMB199,849,000 in the first half of 2012. This was mainly attributable to the increase in delivered area and fair value gain of investment properties in the first half of 2012.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 30 June 2012, the Group's cash and bank balances was approximately RMB1,495,817,000 (31 December 2011: approximately RMB2,079,362,000), of which approximately RMB1,466,638,000 (31 December 2011: approximately RMB2,002,463,000) was denominated in Renminbi, approximately RMB27,170,000 (31 December 2011: approximately RMB10,703,000) was denominated in Hong Kong dollars and approximately RMB2,009,000 (31 December 2011: approximately RMB66,196,000) was denominated in US dollars.

According to the relevant laws and regulations of the PRC, certain property development companies of the Group are required to place certain amounts of cash and bank deposits into designated bank accounts to provide guarantees for the development of the relevant properties. The Group also deposits certain deposits in banks in the PRC to secure certain loans from Hong Kong's banks. As at 30 June 2012, the amount of restricted cash and pledged deposits were approximately RMB286,126,000 (31 December 2011: approximately RMB191,884,000) and RMB164,000,000 (31 December 2011: Nil), respectively.

Borrowings and pledged assets

As at 30 June 2012, the balance of the Group's interest-bearing bank and other borrowings and senior notes amounted to approximately RMB3,387,816,000 (31 December 2011: approximately RMB3,126,933,000) and approximately RMB1,958,398,000 (31 December 2011: approximately RMB1,953,506,000), respectively. Of the interest-bearing bank and other borrowings, approximately RMB1,715,816,000 (31 December 2011: approximately RMB1,406,736,000) was repayable within one year, approximately RMB1,167,000,000 (31 December 2011: approximately RMB1,382,690,000) was repayable in the second year, approximately RMB490,000,000 (31 December 2011: approximately RMB321,590,000) was repayable within three to five years and approximately RMB15,000,000 (31 December 2011: approximately RMB15,917,000) was repayable after five years. The senior notes were for a term of five years and, unless early redeemed, will mature on 14 January 2016.

As at 30 June 2012, approximately RMB3,387,816,000 (31 December 2011: approximately RMB3,126,933,000) of bank and other borrowings was secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale with a total carrying value of RMB7,736,350,000 (31 December 2011: approximately RMB7,295,629,000), and the capital stock of certain subsidiaries of the Group and the prepaid land lease payments by an associate of the Group. The senior notes were guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stock.

As at 30 June 2012, except for certain bank borrowings of approximately RMB116,918,000 (31 December 2011: approximately RMB31,432,000) and approximately RMB63,898,000 (31 December 2011: Nil) which were denominated in Hong Kong dollars and US dollars, respectively, all the Group's bank and other borrowings and senior notes were denominated in Renminbi.

As at 30 June 2012, the Group's bank borrowings bore interest at floating interest rates, while senior notes bore interest at fixed interest rate. No other borrowings (31 December 2011: RMB150,00,000) bore interest at fixed interest rate.

Management Discussion and Analysis

Gearing ratio

The net gearing ratio was calculated by dividing the net amount of borrowings (interest-bearing bank and other borrowings and senior notes after deduction of cash and cash equivalents, restricted cash and pledged deposits) by total equity. As at 30 June 2012, the net gearing ratio was 62.5% (31 December 2011: 50.7%).

Exchange rate fluctuation exposures

The majority of the Group's income, expenses, bank deposits and bank and other borrowings are denominated in Renminbi. Save as certain bank deposits and bank borrowings which were denominated in foreign currencies, exchange rate changes of Renminbi against other currencies will not have a material adverse effect on the operation of the Group. In addition, the Group had entered into various cross currency swap contracts in current period in order to manage foreign currency risk arising from the RMB2 billion senior notes held by the Company.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group provided financial guarantees to the banks in respect of the following items:

	30 June 2012 (Unaudited) RMB' 000	31 December 2011 (Audited) RMB' 000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	2,461,637	2,338,262

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

	30 June 2012 (Unaudited) RMB' 000	31 December 2011 (Audited) RMB' 000
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	6,235	17,802

CAPITAL COMMITMENTS

As at 30 June 2012, the capital commitments of the Group were as follows:

	30 June 2012 (Unaudited) RMB' 000	31 December 2011 (Audited) RMB' 000
Contracted, but not provided for:		
Capital expenditure for properties under development, prepaid land lease payments and construction of investment and owner-occupied properties in Mainland China	2,402,323	1,960,821

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

	30 June 2012 (Unaudited) RMB' 000	31 December 2011 (Audited) RMB' 000
Contracted, but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development and prepaid land lease payments	56,709	219,931

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2012, the Group had a total of 1,472 employees. The total cost of employees for the six months ended 30 June 2012 was approximately RMB49,812,000 (six months ended 30 June 2011: approximately RMB44,372,000). We provide employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

Management Discussion and Analysis

USE OF PROCEEDS

The Company's shares have been listed on the Hong Kong Stock Exchange since 5 February 2010. Proceeds from the issuance of new shares pursuant to the Company's initial public offering amounted to approximately HK\$1,500 million (RMB1,318 million) (net of related issuing expenses). Such net proceeds have been used in the following manner:

	Amount raised	Amount used
	RMB'million	as at
		30 June 2012
		RMB'million
Land premium	660	660
Development of existing property projects	528	528
General working capital	130	130
Total	1,318	1,318

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Interest in shares		Number of shares held	Percentage of the Company's issued share capital
	Personal interest	Interest of controlled corporation		
Mr. Wong Chiu Yeung ("Mr. Wong")	1,000,000	1,640,000,000 (Note 1)	1,641,000,000	57.5
Mr. Chen Yuanlai ("Mr. Chen")	—	120,000,000 (Note 2)	120,000,000	4.2
Mr. Cheng Hiu Lok ("Mr. Cheng")	—	120,000,000 (Note 3)	120,000,000	4.2
Mr. Fung Ka Pun ("Mr. Fung")	—	12,380,000 (Note 4)	12,380,000	0.4

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

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

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

Note 4: These 12,380,000 shares are registered in the name of Goodwill International (Holdings) Limited of which 2,600,000 shares are held in trust of the K P Fung Family Trust, a discretionary trust set up by Mr. Fung. 19% and 25.44% of the entire issued share capital of Goodwill International (Holdings) Limited is directly and indirectly owned by Mr. Fung, respectively. As such, he is deemed to be interested in all these shares held by Goodwill International (Holdings) Limited, as to 9,780,000 shares as interest of controlled corporation and as to 2,600,000 shares as founder of a discretionary trust.

Save as disclosed above, as at 30 June 2012, none of the Directors or chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Disclosure of Interests

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

At 30 June 2012, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions:

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

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

Save as disclosed above, as at 30 June 2012, no person (other than a Director or chief executive of the Company, whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above) had registered an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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

The Scheme became effective on 6 January 2010 and unless otherwise cancelled or amended, will remain in force for a period of 10 years to 5 January 2020.

During the six months ended 30 June 2012, no share options were granted, exercised or cancelled by the Company under the Scheme. There are no outstanding share options under the Scheme as at 30 June 2012.

CORPORATE GOVERNANCE PRACTICES

The Company firmly believes that insisting on a high standard of corporate governance facilitates the maintenance of high efficiency of senior management as well as protecting the interests of the Company and its shareholders. Therefore, the Company strives to develop and implement effective corporate governance practices and review them continuously so as to enhance the operational efficiency of the Company. During the six months ended 30 June 2012, save as disclosed below, the Company and the Board had been in compliance with the code provisions of the Corporate Governance Code (the “Code”) set out in Appendix 14 to the Listing Rules. Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the period under review, Mr. Wong Chiu Yeung performed his duties as the chairman and the chief executive officer of the Company. The Board believes that having the same individual to serve as both the chairman and chief executive officer during the rapid development phase of business would be beneficial to ensure consistency in business planning and decision-making of the Company.

With effect from 1 April 2012, Rule 3.25 of the Listing Rules requires that the majority members of the remuneration committee must be independent non-executive directors and the chairman must be an independent non-executive director. In order to comply with the relevant requirements, the Board of the Company made adjustments to the members of the remuneration committee of the Company (the “Remuneration Committee”) as follows: with effect from 1 April 2012, Mr. Wong Chiu Yeung resigned as chairman of the Remuneration Committee but remained as a member of the Remuneration Committee, Mr. Dai Yiyi, an independent non-executive Director, was appointed as chairman of the Remuneration Committee, and Mr. Ting Leung Huel Stephen, an independent non-executive Director, remained as a member of the Remuneration Committee.

With effect from 1 April 2012, code provision A.5.1 of the Code requires that the majority members of the nomination committee must be independent non-executive directors and the chairman must be the chairman of the board or an independent non-executive director. In order to comply with the relevant requirements, the Board of the Company made adjustments to the members of the nomination committee of the Company (the “Nomination Committee”) as follows: with effect from 1 April 2012, Mr. Cheng Hiu Lok resigned as chairman and member of the Nomination Committee and Mr. Li Wei also resigned as member of the Nomination Committee; Mr. Wong Chiu Yeung, the chairman of the Board of the Company, was appointed as the chairman of the Nomination Committee, Mr. Dai Yiyi, an independent non-executive Director, was appointed as member of the Nomination Committee, and Mr. Lu Hong Te, an independent non-executive Director, remained as a member of the Nomination Committee.

Furthermore, the Company established the corporate governance committee (the “Corporate Governance Committee”) on 1 April 2012 in order to better perform and review corporate governance duties with its terms of reference in compliance with code provision D.3.1 of the Code. Mr. Li Wei, an executive Director, was appointed as the chairman of the Corporate Governance Committee, the other members, Mr. Ting Leung Huel Stephen and Mr. Lu Hong Te, were both independent non-executive Directors.

Other Information

AUDIT COMMITTEE

The Company established the audit committee (the “Audit Committee”) on 6 January 2010 in compliance with Rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors: Mr. Ting Leung Huel Stephen was appointed as the chairman, the other two members were Mr. Lu Hong Te and Mr. Dai Yiyi. Mr. Ting Leung Huel Stephen is well-experienced in professional accounting, in compliance with the requirement of Rule 3.10(2) of the Listing Rules.

During the period under review, the Audit Committee had reviewed the unaudited interim condensed financial report for the six months ended 30 June 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code as its standard code for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all of them confirmed that they had complied with the required standards set out in the Model Code during the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend in respect of the six months ended 30 June 2012.

By order of the Board

Wong Chiu Yeung

Chairman

Hong Kong, 20 August 2012

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 (Unaudited) RMB' 000	2011 (Unaudited) RMB' 000
REVENUE	4	836,470	105,159
Cost of sales		(478,926)	(50,835)
Gross profit		357,544	54,324
Other income and gains	4	25,560	40,095
Changes in fair value of investment properties		264,346	93,192
Selling and marketing expenses		(31,211)	(74,081)
Administrative expenses		(114,670)	(92,047)
Finance costs	5	(33,464)	(86,955)
Exchange differences arising from retranslation of senior notes, net	6	2,546	(46,450)
Share of profits and losses of:			
Jointly-controlled entities		(2,854)	(2,590)
Associates		(5,512)	(2,124)
PROFIT/(LOSS) BEFORE TAX	6	462,285	(116,636)
Income tax expense	7	(163,730)	(7,706)
PROFIT/(LOSS) FOR THE PERIOD		298,555	(124,342)
OTHER COMPREHENSIVE INCOME/(LOSS):			
Cash flow hedges:			
Changes in fair value of derivative financial instruments		(97,923)	—
Reclassification adjustments for exchange gains included in the profit or loss of the statement of comprehensive income		17,020	—
		(80,903)	—
Share of other comprehensive income/(loss) of jointly-controlled entities		(755)	2,116
Share of other comprehensive income/(loss) of associates		(2,118)	3,501
Exchange differences arising from net investment hedge in foreign operations		1,042	—
Exchange differences on translation of foreign operations		(21,078)	(6,426)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(103,812)	(809)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		194,743	(125,151)
Profit/(loss) attributable to:			
Owners of the parent		199,849	(103,493)
Non-controlling interests		98,706	(20,849)
		298,555	(124,342)

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Note	Six months ended 30 June	
		2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Total comprehensive income/(loss) attributable to:			
Owners of the parent		99,689	(118,203)
Non-controlling interests		95,054	(6,948)
		194,743	(125,151)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		RMB7.0 cents	RMB(3.6) cents

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

Consolidated Statement of Financial Position

30 June 2012

	Notes	30 June 2012 (Unaudited) RMB' 000	31 December 2011 (Audited) RMB' 000
NON-CURRENT ASSETS			
Property and equipment	10	153,534	159,973
Investment properties		2,469,000	1,855,000
Prepaid land lease payments		2,612,568	2,910,310
Intangible asset		4,402	4,486
Properties under development	10	1,012,045	899,644
Contract in progress	10	300,445	279,864
Investments in jointly-controlled entities		446,537	284,683
Investments in associates		18,815	24,900
Prepayments and deposits		497,209	567,209
Deferred tax assets		103,636	241,192
Total non-current assets		7,618,191	7,227,261
CURRENT ASSETS			
Properties under development	10	5,119,308	4,450,136
Completed properties held for sale		777,878	606,079
Trade receivables	11	37,456	172,368
Prepayments, deposits and other receivables		367,576	305,943
Due from related parties		356,649	410,893
Tax recoverable		80,447	33,832
Restricted cash		286,126	191,884
Pledged deposits		164,000	—
Cash and cash equivalents		1,045,691	1,887,478
Total current assets		8,235,131	8,058,613
CURRENT LIABILITIES			
Trade payables	12	485,562	788,588
Receipts in advance		1,967,556	1,473,005
Other payables and accruals		680,612	759,802
Interest-bearing bank and other borrowings	13	1,715,816	1,406,736
Due to related parties		97,367	81,124
Tax payable		717,721	913,569
Total current liabilities		5,664,634	5,422,824
NET CURRENT ASSETS		2,570,497	2,635,789

Consolidated Statement of Financial Position

30 June 2012

	Notes	30 June 2012 (Unaudited) RMB' 000	31 December 2011 (Audited) RMB' 000
NET CURRENT ASSETS		2,570,497	2,635,789
TOTAL ASSETS LESS CURRENT LIABILITIES		10,188,688	9,863,050
NON-CURRENT LIABILITIES			
Other payables		15,000	15,000
Interest-bearing bank and other borrowings	13	1,672,000	1,720,197
Senior notes	14	1,958,398	1,953,506
Derivative financial instruments		97,923	—
Deferred tax liabilities		271,603	243,606
Provision for major overhauls		14,108	11,834
Total non-current liabilities		4,029,032	3,944,143
Net assets		6,159,656	5,918,907
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	250,683	250,683
Reserves		4,079,006	4,071,811
		4,329,689	4,322,494
Non-controlling interests		1,829,967	1,596,413
Total equity		6,159,656	5,918,907

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the parent											
	Issued capital	Share premium	Statutory Capital reserve	Statutory surplus reserve	Merger reserve	Other reserves	Exchange		Retained profits	Non-controlling interests		Total equity
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	Hedging reserve	fluctuation reserve	(Unaudited)	Total	(Unaudited)
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
At 1 January 2012	250,683	1,749,699*	61,916*	187,041*	30*	16,000*	(45,853)*	104,192*	1,998,786*	4,322,494	1,596,413	5,918,907
Profit for the period	—	—	—	—	—	—	—	—	199,849	199,849	98,706	298,555
Other comprehensive income/(loss) for the period:												
Share of other comprehensive loss of jointly-controlled entities	—	—	—	—	—	(755)	—	—	—	(755)	—	(755)
Share of other comprehensive loss of associates	—	—	—	—	—	(2,118)	—	—	—	(2,118)	—	(2,118)
Exchange differences arising from net investment hedge in foreign operations	—	—	—	—	—	—	1,042	—	—	1,042	—	1,042
Cash flow hedges, net of tax	—	—	—	—	—	—	(80,903)	—	—	(80,903)	—	(80,903)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(17,426)	—	(17,426)	(3,652)	(21,078)
Total comprehensive income/(loss) for the period	—	—	—	—	—	(2,873)	(79,861)	(17,426)	199,849	99,689	95,054	194,743
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	138,500	138,500
Final 2011 dividend approved	—	(92,494)	—	—	—	—	—	—	—	(92,494)	—	(92,494)
At 30 June 2012	250,683	1,657,205*	61,916*	187,041*	30*	13,127*	(125,714)*	86,766*	2,198,635*	4,329,689	1,829,967	6,159,656

* These reserve accounts comprise the consolidated reserves of RMB4,079,006,000 (31 December 2011: RMB4,071,811,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the parent												
	Share		Statutory			Exchange			Retained		Non-		Total
	Issued	premium	Capital	surplus	Merger	Other	Hedging	fluctuation	profits	Total	controlling	equity	
	capital	account	reserve	reserve	reserve	reserves	reserve	reserve			interests		
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
At 1 January 2011	250,683	1,749,699	(173)	115,268	30	6,403	—	66,057	1,479,092	3,667,059	1,017,891	4,684,950	
Loss for the period	—	—	—	—	—	—	—	—	(103,493)	(103,493)	(20,849)	(124,342)	
Other comprehensive income/(loss) for the period:													
Share of other comprehensive income of jointly-controlled entities	—	—	—	—	—	2,116	—	—	—	2,116	—	2,116	
Share of other comprehensive income of associates	—	—	—	—	—	3,501	—	—	—	3,501	—	3,501	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(20,327)	—	(20,327)	13,901	(6,426)	
Total comprehensive income/(loss) for the period	—	—	—	—	—	5,617	—	(20,327)	(103,493)	(118,203)	(6,948)	(125,151)	
Acquisition of non-controlling interests	—	—	16,461	—	—	—	—	—	—	16,461	(50,503)	(34,042)	
Final 2010 dividend approved	—	—	—	—	—	—	—	—	(124,290)	(124,290)	—	(124,290)	
At 30 June 2011	250,683	1,749,699	16,288	115,268	30	12,020	—	45,730	1,251,309	3,441,027	960,440	4,401,467	

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 (Unaudited) RMB' 000	2011 (Unaudited) RMB' 000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(254,350)	(191,635)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(692,021)	(255,127)
NET CASH FLOWS FROM FINANCING ACTIVITIES	170,139	2,217,703
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(776,232)	1,770,941
Cash and cash equivalents at beginning of period	1,821,478	1,268,891
Effect of foreign exchange rate changes, net	445	(4,108)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,045,691	3,035,724
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,045,691	3,035,724

Notes to the Condensed Consolidated Financial Statements

30 June 2012

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and whose shares are publicly traded on the Hong Kong Stock Exchange. The principal activities of the Group are described in note 3 to the unaudited interim condensed consolidated financial statements.

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties and derivative financial instruments, which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

Other than as further explained below regarding the impact of HKAS 12 Amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited interim condensed consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The principal effects of adopting HKAS 12 Amendments - Amendments to HKAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets* are as follows:

These amendments to HKAS 12 include a rebuttable presumption that the carrying amount of investment property measured using the fair value model in HKAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale.

The Group has investment properties measured at fair value and all such investment properties are held with the objective to consume substantially all of their economic benefits over time, rather than through sale. Accordingly, the Group continues to measure deferred tax liabilities arising from the fair value changes of their investment properties using tax rate that would apply on recovery of the assets through use. Therefore the adoption of the amendment has no impact on the financial statement of the Group.

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

3. SEGMENT INFORMATION

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

30 June 2012

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Revenue		
Sale of properties	791,507	59,246
Gross rental income	26,038	30,401
Property management fees	18,925	15,512
	836,470	105,159
Other income and gains		
Bank interest income	19,722	25,838
Foreign exchange gains, net	—	9,100
Others	5,838	5,157
	25,560	40,095

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Interest on bank and other borrowings and senior notes		
wholly repayable within five years	229,584	193,433
Interest on bank and other borrowings repayable beyond five years	336	1,218
Increase in a discounted amount of provision for		
major overhauls arising from the passage of time	266	172
Unrealised loss on derivative financial instruments	4,176	—
Total interest expense on financial liabilities not at fair value through profit or loss	234,362	194,823
Less: Interest capitalised	(200,898)	(107,868)
	33,464	86,955

Notes to the Condensed Consolidated Financial Statements

30 June 2012

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2012 (Unaudited) RMB' 000	2011 (Unaudited) RMB' 000
Cost of properties sold	459,839	39,580
Cost of services provided	19,003	11,255
Depreciation	7,734	7,093
Amortisation of land lease payments	25,945	20,040
Amortisation of an intangible asset	84	74
Employee benefit expense (including Directors' remuneration):		
Salaries and other staff costs	43,551	39,294
Pension scheme contributions	6,261	5,078
Less: Amount capitalised	(18,004)	(13,848)
	31,808	30,524
Write-off of items of property and equipment	4,259	768
Gain on disposal of items of property and equipment	—	(239)
Exchange differences arising from retranslation of senior notes	(20,608)	46,450
Less: Amount recognised in other comprehensive income as a result of net investment hedge	1,042	—
Less: Reclassification from hedging reserve as a result of cash flow hedges	17,020	—
Net exchange differences arising from retranslation of senior notes	(2,546)	46,450
Other foreign exchange differences, net	1,563	(9,100)
Exchange differences, net	(983)	37,350

Notes to the Condensed Consolidated Financial Statements

30 June 2012

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2011: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	Six months ended 30 June	
	2012 (Unaudited) RMB' 000	2011 (Unaudited) RMB' 000
Group:		
Current charge/(credit) for the period:		
PRC corporate income tax	(22,140)	77,505
PRC land appreciation tax	49,414	1,448
	27,274	78,953
Deferred tax	136,456	(71,247)
Total tax charge for the period	163,730	7,706

During the six months ended 30 June 2012, the share of tax credit attributable to jointly-controlled entities amounting to RMB899,000 (six months ended 30 June 2011: RMB683,000) and the share of tax credit attributable to associates amounting to RMB1,307,000 (six months ended 30 June 2011: tax charge of RMB31,000) are included in "Share of profits and losses of jointly-controlled entities and associates" in profit or loss of the consolidated statement of comprehensive income.

8. DIVIDENDS

A final dividend of HK4 cents per ordinary share amounting to RMB92,494,000 for the year ended 31 December 2011 was paid on 25 May 2012 by the Company.

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

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 2,853,200,000 (six months ended 30 June 2011: 2,853,200,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

Notes to the Condensed Consolidated Financial Statements

30 June 2012

10. ADDITIONS TO PROPERTY AND EQUIPMENT, PROPERTIES UNDER DEVELOPMENT AND CONTRACT IN PROGRESS

During the six months ended 30 June 2012, the Group incurred approximately RMB5,554,000 (six months ended 30 June 2011: RMB6,115,000) on the acquisition of items of property and equipment.

During the six months ended 30 June 2012, the Group incurred approximately RMB961,062,000 (six months ended 30 June 2011: RMB1,310,360,000) and approximately RMB20,581,000 (six months ended 30 June 2011: RMB106,537,000) on the additions to properties under development and contract in progress, respectively.

11. TRADE RECEIVABLES

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

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

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. All trade receivables are non-interest-bearing.

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

	30 June 2012 (Unaudited) RMB' 000	31 December 2011 (Audited) RMB' 000
Neither past due nor impaired	23,785	159,644
1 to 6 months past due	11,168	8,518
7 to 12 months past due	759	2,193
Over 1 year past due	1,744	2,013
	37,456	172,368

Notes to the Condensed Consolidated Financial Statements

30 June 2012

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on invoice date, is as follows:

	30 June 2012 (Unaudited) RMB' 000	31 December 2011 (Audited) RMB' 000
Within 1 year	471,897	772,566
Over 1 year	13,665	16,022
	485,562	788,588

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2012 (Unaudited)			31 December 2011 (Audited)		
	Contractual interest rate (%)		Maturity	Contractual interest rate (%)		Maturity
	per annum	RMB' 000		per annum	RMB' 000	
Current						
Bank loans – secured	2.40 - 8.20	2012 - 2013	1,290,816	2.50 - 8.53	2012	878,433
Current portion of long term bank loans – secured	6.72 - 8.50	2012 - 2013	425,000	5.99 - 8.65	2012	378,303
Other borrowings – secured	—	—	—	10.00	2012	150,000
			1,715,816			1,406,736
Non-current						
Bank loans – secured	6.65 - 8.65	2013 - 2017	1,672,000	5.99 - 8.65	2013 - 2017	1,720,197
			3,387,816			3,126,933

Notes to the Condensed Consolidated Financial Statements

30 June 2012

13. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	30 June 2012 (Unaudited) RMB' 000	31 December 2011 (Audited) RMB' 000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	1,715,816	1,256,736
In the second year	1,167,000	1,382,690
In the third to fifth years, inclusive	490,000	321,590
Beyond five years	15,000	15,917
	3,387,816	2,976,933
Other borrowings repayable:		
Within one year	—	150,000
	3,387,816	3,126,933

Notes:

- (a) Certain of the Group's bank loans are secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale, details of which are disclosed in note 18 to the condensed consolidated financial statements.
- (b) As at 30 June 2012, certain of the Group's bank loans with an aggregate amount of RMB16,384,000 (31 December 2011: RMB24,313,000) were secured by share charges in respect of the equity interests of certain subsidiaries of the Group.
- (c) Except for certain bank loans amounting to RMB116,918,000 (31 December 2011: RMB31,432,000) and RMB63,898,000 (31 December 2011: Nil) as at 30 June 2012, which were denominated in Hong Kong dollars and United States dollars ("US\$"), respectively, all of the Group's bank and other borrowings were denominated in RMB.
- (d) At the end of the reporting period, all borrowings bear interest at floating interest rates. The carrying amounts of the Group's bank and other borrowings approximate to their fair values.
- (e) Certain of the Group's bank loans with an aggregate amount of RMB62,000,000 (31 December 2011: RMB99,000,000) were secured by land use right of an associate to the Group.

Notes to the Condensed Consolidated Financial Statements

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14. SENIOR NOTES

On 14 January 2011, the Company issued senior notes with an aggregate principal amount of RMB2,000,000,000 at 100% of face value (the "Senior Notes"), which are listed on the Singapore Exchange Securities Trading Limited. The Senior Notes are denominated in RMB and settled in US\$, and bear coupon at 10.5% per annum payable semi-annually in arrears. The net proceeds, after deduction of direct issuance costs, amounted to approximately RMB1,949,425,000. The Senior Notes will mature on 14 January 2016. The Company, at its option, can redeem all or a portion of the Senior Notes at any time prior to the maturity date at the redemption prices (principal amount plus applicable premium) plus accrued and unpaid interest up to the redemption date, as set forth in the written agreement between the Company and the trustees of the Senior Notes. The Senior Notes are secured by pledges over the share capital of certain subsidiaries of the Company.

15. SHARE CAPITAL

Shares

	30 June 2012 (Unaudited) HK\$	31 December 2011 (Audited) HK\$
Authorised:		
10,000,000,000 ordinary shares of HK\$0.10 each	1,000,000,000	1,000,000,000
Issued and fully paid:		
2,853,200,000 ordinary shares of HK\$0.10 each	285,320,000	285,320,000
Equivalent to RMB' 000	250,683	250,683

Notes to the Condensed Consolidated Financial Statements

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16. FINANCIAL GUARANTEE CONTRACTS

At the end of the reporting period, financial guarantee not provided for in these unaudited interim condensed consolidated financial statements were as follows:

	30 June 2012 (Unaudited) RMB' 000	31 December 2011 (Audited) RMB' 000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties (note)	2,461,637	2,338,262

Note: As at 30 June 2012, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks.

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

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

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

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16. FINANCIAL GUARANTEE CONTRACTS (Continued)

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

	30 June 2012 (Unaudited) RMB' 000	31 December 2011 (Audited) RMB' 000
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	6,235	17,802

17. COMMITMENTS

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

	30 June 2012 (Unaudited) RMB' 000	31 December 2011 (Audited) RMB' 000
Contracted, but not provided for:		
Capital expenditure for properties under development, prepaid land lease payments and construction of investment and owner-occupied properties in Mainland China	2,402,323	1,960,821

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

	30 June 2012 (Unaudited) RMB' 000	31 December 2011 (Audited) RMB' 000
Contracted, but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development and prepaid land lease payments	56,709	219,931

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18. PLEDGE OF ASSETS

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

	30 June 2012 (Unaudited) RMB' 000	31 December 2011 (Audited) RMB' 000
Bank deposits	164,000	—
Property and equipment	71,032	62,412
Investment properties	2,189,000	1,559,000
Prepaid land lease payments	318,130	797,707
Properties under development	4,547,996	4,435,515
Completed properties held for sale	446,192	440,995
	7,736,350	7,295,629

19. RELATED PARTY TRANSACTIONS

(a) The Group had entered into the following transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2012 (Unaudited) RMB' 000	2011 (Unaudited) RMB' 000
Sale of a property to a director	(i)	3,128	—
Rental income from companies controlled by Mr. Wong	(ii)	1,046	1,011
Property management fee income from companies controlled by Mr. Wong	(ii)	119	137
Sales agency fees paid to an associate	(iii)	1,812	1,411
Interest income from an associate	(iv)	2,480	—

Notes:

- (i) The property was sold at price mutually agreed by both parties.
- (ii) Terms on the rental and management fee income of office premises were mutually agreed between both parties.
- (iii) The sales agency fees were charged at rates ranging from 0.9% to 1.1% of the selling price of the relevant properties sold.
- (iv) The interest income represented the interest arising from a loan to an associate charged at a fixed rate 9% per annum on outstanding principal.

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19. RELATED PARTY TRANSACTIONS (Continued)

- (b) During the period, an associate of the Group pledged its land use right as security for certain of the Group's bank loans with an aggregate amount of RMB62,000,000 (six months ended 30 June 2011: RMB28,000,000).
- (c) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2012 (Unaudited) RMB' 000	2011 (Unaudited) RMB' 000
Short term employee benefits	3,252	2,420
Post-employment benefits	25	20
Total compensation paid to key management personnel	3,277	2,440

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

Transaction of items (a)(i) and (a)(ii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

20. EVENTS AFTER THE REPORTING PERIOD

On 23 July 2012, the Company as borrower executed a facility agreement (the "Facility Agreement") with, among others, various subsidiaries of the Group as guarantors and a syndicate of banks as lender for a 3-year term loan facility in an aggregate amount of HK\$400,000,000 (the "Facility") to finance land acquisition and general corporate funding of the Group.

Under the Facility Agreement, Mr. Wong must remain the single largest shareholder in the Company and must hold legally and beneficially (directly or indirectly) 40% or more of all classes of the Company's voting share capital. A breach of such requirement will constitute an event of default under the Facility Agreement, and as a result, the Facility is liable to be declared immediately due and payable. The occurrence of such circumstance may trigger the cross default provisions of the Senior Notes.

21. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved by the board of directors on 20 August 2012.