



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 0832.HK

www.centralchina.com



 **20 YEARS**
1992-2012
建業二十年·感恩一亿人



From the land of Henan,
for the people of China.

Interim Report 2012

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Po Sum (*Chairman*)

Mr. Wang Tianye (*Chief Executive Officer*) (resigned on 26 June 2012)

Ms. Yan Yingchun

Non-executive Directors

Mr. Lim Ming Yan (*Vice-Chairman*) (with Mr. Lucas Ignatius Loh Jen Yuh as alternate)

Mr. Leow Juan Thong Jason

Ms. Wu Wallis (alias Li Hua)

Mr. Hu Yongmin

Independent Non-executive Directors

Mr. Cheung Shek Lun

Mr. Wang Shi

Mr. Xin Luo Lin

BOARD COMMITTEES

Audit Committee

Mr. Cheung Shek Lun (*Chairman*)

Mr. Xin Luo Lin

Mr. Leow Juan Thong Jason

Remuneration Committee

Mr. Xin Luo Lin (*Chairman*)

Mr. Wu Po Sum

Mr. Cheung Shek Lun

Nomination Committee

Mr. Wu Po Sum (*Chairman*)

Mr. Cheung Shek Lun

Mr. Xin Luo Lin

CHIEF EXECUTIVE OFFICER

Mr. Chen Jianye (appointed on 26 June 2012)

COMPANY SECRETARY

Mr. Wong Tak Chun

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 88, Jianye City Garden
Jianye Road, Zhengzhou City
Henan Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 7701B-7702A
77th Floor, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China (Asia) Limited

LEGAL ADVISERS

As to Hong Kong Law

Li & Partners

As to Cayman Islands Law

Conyers Dill & Pearman (Cayman) Limited

INDEPENDENT AUDITORS

KPMG
Certified Public Accountants

WEBSITE OF THE COMPANY

www.centralchina.com

CORPORATE PROFILE

Central China Real Estate Limited (We have prepared this interim report using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we”, “us”, “our”, the “Company”, the “Group”, “CCRE Group”, and words of similar import, we are referring to Central China Real Estate Limited itself, or to Central China Real Estate Limited and its consolidated subsidiaries, as the context requires) was incorporated in the Cayman Islands on 15 November 2007 as an exempt company with limited liability, the shares of which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 6 June 2008. The Group has been granted the First Class Honor of Real Estate Developer in the People’s Republic of China (the “PRC” or “China”).

The Company has been committed to the development of branded properties as its principal activity since its establishment. Over 20 years, we have continued to introduce innovative lifestyle to the public through our architectural masterpieces in honor of our core value of “Taking Root in central China and Contributing to Society”. The Company is of the view that an enterprise relates to the society in the same way as a tree relates to soil. When we establish our presence in a city, we co-operate with local peer developers to contribute to the local community by improving the standards of construction, increasing tax collections for local governments and creating job opportunities. Our relentless efforts in driving the urbanisation process and promoting economic growth of the society have won the accolades of government authorities, professionals, peers, investors, customers as well as our staffs.

The Company is positioned as a promoter of central China city process and overall social progress. We have taken root in central China for 20 years, resolute as ever in our vision and mission of “building quality houses for the people of Henan”. With the development of housing complexes such as “Forest Peninsula,” “U-Town,” “Code One City” and “Sweet-Scented Osmanthus Garden”, we have improved the standard of residential housing in cities in Henan and made important contributions to the urbanisation process of the province.

The Company is dedicated to its philosophy of “providing customers with zero-defect products and quality services”. In addition, our management applies scientific methods, standardisation, and professionalism to ensure the quality of the products and services.

Over the past 20 years, the Company has persisted in the profession operation of premium residential housing development, originated a “CCRE model” focused on provincial and regional development, created a brand name embedded with a sense of social responsibility, groomed a high-caliber management team, given substance to the corporate philosophy of “perseverance for excellence” and embarked on a development cycle of “ongoing profitability and stable growth.”

CORPORATE PROFILE (CONTINUED)

Currently, the Company has extended its presence into 18 prefecture-level cities and 8 county-level cities in Henan. As at 30 June 2012, the Company developed projects with an accumulated completed gross floor area (“GFA”) of approximately 7.70 million sq.m., and had 29 projects/phases under construction with a total GFA of approximately 2.89 million sq.m. under development and land reserves with an attributable GFA of 12.36 million sq.m. (being able to be developed into GFA of 14.58 million sq.m.). During the reporting period, the Company had new construction GFA and sold GFA amounted to 0.85 million sq.m. and 0.76 million sq.m. respectively.

In line with its corporate culture underpinned by “honesty, responsibility, integrity and focus”, an operating status where “economic and social benefits, material and spiritual pursuits, corporate and staff interests, strategic objectives and execution process” are being integrated and coming into shape.

According to “2012 Research Report on Top 500 Chinese Property Developers” co-published by China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal on 21 March 2012, the Company rose from 33rd in 2011 to 28th among the Top 500 Chinese Property Developers in the ranking, we also topped the list of “Top 10 PRC Property Developers in Regional Operations” for the second year in a row, being the only central China-based property developer among the top 30 and the top real estate developer in Henan.

The Company always commits to making contributions to the development of the real estate industry and the private economic sector, the strengthening of the nation and the prosperity of the state.

CHAIRMAN'S STATEMENT

Dear Shareholders:

I am pleased to present to you the interim results of Central China Real Estate Limited for the six months ended 30 June 2012.

Global economic recovery was sluggish in the first half of 2012, as the world economy continued to be dragged by the Eurozone sovereignty debt crisis. In China, the national economy was generally stable, as the PRC government called for “more emphasis on the stabilisation of economic growth” and increased the magnitude of the preliminary adjustments and fine-tuning of its policies to address the complex and difficult economic conditions both at home and abroad. For the first half of 2012, China reported gross domestic product (“GDP”) of RMB22.71 trillion representing a year-on-year growth of 7.8%. In the real estate sector, the central Government continued to stringently implement as well as gradually improve a regulatory policy aimed at curbing speculative and investment demand and driving the return of property prices to more reasonable levels. For the period under review, sales of the nationwide property market reported a year-on-year decline of 5.2%.

Henan sustained a sound overall economic development in the first half of 2012, reporting GDP of RMB1.35 trillion that represented a year-on-year growth of 10.3%, being 2.5 percentage points ahead of the national growth rate. In the real estate sector, Henan's property market was relatively stable in comparison to tier-one cities where transaction volumes for commodity housing declined significantly under government measures to regulate the property market, reaffirming Henan's local residential housing market comprises mainly end-users rather than investors.

In tandem with the increasing pace of Henan's urbanisation, the Company reported prominent growth in its results for the first half of 2012 as compared to the same period last year. Contracted sales of the Company amounted to RMB5.14 billion, representing a year-on-year growth of 13.5%. Properties with an aggregate GFA exceeding 0.75 million sq.m. were sold, ranking 25th in the “2012 Interim Ranking of China Real Estate Enterprises by GFA Sales,” and maintaining a pole position in the Henan market. Meanwhile, the Company continued to gain grounds in integrated strengths, as reflected in its 28th ranking in the “Top 500 PRC Property Developers 2012,” up from 33rd in 2011. We also topped the list of “Top 10 PRC Property Developers in Regional Operations” for the second year in a row, being the only central China-based property developer among the top 30.

CHAIRMAN'S STATEMENT (CONTINUED)

In 2012, the Company continued to adhere to its corporate culture with further emphasis on products and services in its day-to-day operation. We commenced the design and implementation of fully decorated units in line with the guiding principles of serialisation, standardisation and industrialisation in a bid to advance our research and development on urban complex buildings, as we continued to commit vigorous efforts to the improvement of product quality and the fostering of new core competitiveness. The Company has also made new progress in its diligent efforts to build a network-based provincial service regime, as its service command centre has been gradually developed to a command hub for various business modules. Implementation standards have also been strengthened through the provision of customised and stratified services, fostering a unique competitive advantage unlikely to be emulated by other property players in Henan in the next three to five years.

As the Company celebrates its 20th anniversary in 2012, a theme for celebration known as "CCRE: 20 Years in Business and Gratitude to Millions" (建業二十年 感恩一億人) has been adopted. We have organised a series of public events, including a grand media reception, a performance known as "The Long March Suite" (長征組歌) in honour of our patrons, and a celebration gala known as "The Long March of the CCRE People" (建業人的長征). A book set entitled the "Story of CCRE" (《建業書袋》) has also been published and a documentary entitled "Foundations for City Building of CCRE" (《建城基業》) has been made to give an account of the Company's history and corporate philosophy, in an effort to enhance our brand influence and recognition in Henan and the rest of the nation.

The successful issue of S\$175 million senior notes due 2016 by the Company during the first half of 2012, including public subscription of RMB900 million through appropriate trust arrangements for a term of not more than 5 years, has further enhanced our reputation in the capital market. We acquired new land reserves with a total GFA of 1.53 million sq.m. during the first six months, as we were well-positioned to acquire sites at relatively low prices according to our schedules with the backing of our access to both domestic and overseas capital markets and significant enhancements in business capabilities. It is worth noting that the Company has continued to gain pace in tapping county-level cities, achieving prominent results in the expansion of county-level markets such as Zhoukou, Anyang, Zhumadian and Xinyang to open up broad prospects for ongoing further development of the Henan market. At the same time, the orderly launching of the Company's diversified portfolio of commercial properties, hotel properties and community commercial properties in tandem with the advancement of its provincial and regional strategies have provided a firm foundation for sustainable growth in the Company's profit.

CHAIRMAN'S STATEMENT (CONTINUED)

China's macro-economy is expected to undergo a stable growth in 2012 with a stronger focus on sustainable development, while property prices are expected to revert to more reasonable levels under property market regulatory measures. We remain convinced that the development of the central China economic zone and the steady progress of industries relocation in the eastern coastal regions will present genuine demands in Henan's real estate sector that cannot be thwarted. As a company accustomed to long-term perspectives in the determination of development strategies, we will continue to measure our current development against the norm of sustainability and prepare for the future by conducting prudent and effective operations now. To fulfill our commitment to the market, we will actively promote an innovative management style, seek to attain efficiency through innovation and benefits through efficiency and endeavor to realise our annual business objectives.

Appreciation

I would like to take this opportunity to express sincere gratitude to our management team and staff for their diligent work and contributions. In this era of change, the trust and recognition of shareholders has provided us with the driving force to go forward. We will continue to maximise shareholders' value by acting as the facilitator of urbanisation and general social progress in central China, seeking to enhance our contributions to the healthy and sustainable development of China's real estate industry as we head into the third decade of the Company's operation.

Chairman

Wu Po Sum

16 August 2012

MANAGEMENT DISCUSSION AND ANALYSIS

I. REVIEW OF OPERATIONS

(1) Market Review

1. *The macro-economic environment*

As the world economy continued to be dragged by the Eurozone sovereign debt crisis, global economic recovery was sluggish in the first half of 2012. In China, the national economy was generally stable, as the PRC government emphasised on the stabilisation of economic growth and increased the magnitude of the preliminary adjustments and fine-tuning of its policies to address the complex and difficult economic conditions both at home and abroad. China's GDP for the first half of 2012 amounted to RMB22.71 trillion, representing a year-on-year growth of 7.8%.

During the first half of 2012, driven by the development of the central China economic zone, Henan recorded a GDP of RMB1.35 trillion, representing a growth of 10.3% over the same period last year, which was 2.5 percentage points above the national growth rate.

2. *The property market*

During the first half of 2012, the PRC government continued to stringently implement regulatory policies aimed at curbing speculative and investment demand and guiding the property prices back to a reasonable level. As a result of the implementation of the real estate macroeconomic measures, sales of commodity properties in first-tier cities dropped significantly while the aggregate sales of commodity properties amounted to RMB2.3 trillion on a nationwide basis.

Since the Company's primary market in Henan was mainly driven by demand from end-users, the market was relatively stable with comparatively less speculative and investment demands. For the first half of 2012, revenue from the sales of commodity properties in Henan amounted to RMB72.5 billion.

(2) Project Development

During the reporting period, with its 20 years' experience and expertise in property development, proficient management team, well-recognised brand image, strong competitive edge in products and services and a rich reserve of quality land reserves, the Group achieved a stable growth in operating results. During the reporting period, the Company commenced projects with an aggregate GFA of 845,800 sq.m. and completed projects with an aggregate GFA of 736,050 sq.m. The Company completed sales/pre-sales of projects with an aggregate of 756,804 sq.m. for a total amount of RMB5.14 billion, representing an increase of 13.5% as compared to the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Development schedule

During the reporting period, the Company commenced construction of 8 projects/phases with newly commenced GFA of 845,800 sq.m. It represented an adjustment to the plans formulated at the beginning of the year, underpinned mainly by an adjusted development schedule of certain projects which were in line with market development trends.

Geographical breakdown of newly commenced projects for the first half of 2012

| Location | Newly commenced GFA (sq.m.) |
|-----------------------|--------------------------------|
| Zhengzhou | 292,553 |
| Other cities in Henan | 553,247 |
| Total | 845,800 |

As at 30 June 2012, the Company had 29 projects/phases under development with total GFA of approximately 2,893,635 sq.m., including 5 projects/phases in Zhengzhou and 24 projects/phases in other cities of Henan.

Geographical breakdown of projects under development as at 30 June 2012

| Location | GFA under development (sq.m.) |
|-----------------------|----------------------------------|
| Zhengzhou | 566,416 |
| Other cities in Henan | 2,327,219 |
| Total | 2,893,635 |

During the reporting period, the Company completed 13 projects/phases with total completed GFA of 736,050 sq.m.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

| Project name | Total GFA (sq.m.) | Saleable GFA (sq.m.) | Presold/ sold GFA (sq.m.) |
|---|-------------------------|----------------------------|---------------------------------|
| U-Town (Zhengzhou) Phase V (Second batch) | 77,737 | 77,737 | 63,243 |
| Golf Garden (Luoyang) Phase III | 155,982 | 155,982 | 112,923 |
| Forest Peninsula (Xinxiang Golden Dragon) Phase I (Fourth batch) | 50,281 | 50,070 | 15,187 |
| Code One City (Luohe) Phase II | 104,920 | 104,920 | 57,437 |
| Code One City (Jiyuan) Phase II | 77,041 | 77,041 | 70,113 |
| U-Town (Shangqiu) Phase III | 20,674 | 20,674 | 8,170 |
| U-Town (Shangqiu) Phase IV | 61,565 | 61,565 | 46,259 |
| Forest Peninsula (Kaifeng Dahong) project | 92,019 | 92,019 | 30,253 |
| Forest Peninsula (Zhoukou) Phase III (Multi-storey) | 23,765 | 22,955 | 21,909 |
| Wugang (Pingdingshan) Phase I (Multi-storey) | 13,410 | 13,410 | 4,039 |
| Code One City (Jiyuan) Phase III (First batch) | 28,377 | 28,377 | 26,265 |
| Code International Garden (Zhengzhou) Soho | 11,499 | 11,499 | — |
| Dongjing Menghua (Kaifeng) | 18,780 | 18,073 | 8,213 |
| Total | 736,050 | 734,322 | 464,011 |

Note: Certain completed projects have lower sales ratios as projects of the Company completed in the first half of 2012 comprise mainly highrise buildings, which featured larger basement car parks and have yet to be launched for sale owing to sales schedule arrangements.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Sales Schedule

The contracted GFA sold/pre-sold by the Group during the reporting period amounted to 756,804 sq.m. with a contracted sold/pre-sold amount of RMB5.1 billion, representing an increase of 13.5% when compared to last year.

Geographical breakdown of contracted GFA sold/pre-sold in the first half of 2012

| Location | Approximate saleable GFA sold (sq.m.) | Approximate total amount (RMB'000) |
|-----------------------|--|--|
| Zhengzhou | 154,055 | 2,036,740 |
| Other cities in Henan | 602,749 | 3,103,720 |
| Total | 756,804 | 5,140,460 |

(3) Land Reserves

In the first half of 2012, the Group acquired land reserves with GFA of 1.53 million sq.m. through listing for sale processes. As at 30 June 2012, the Group had land reserves with total GFA of 14.58 million sq.m. including GFA with equity interests of 12.36 million sq.m. The Group obtained the state-owned land use right certificates in respect of the land reserves with GFA of 10.72 million sq.m.

Land acquisitions through listing for sale processes

On 10 January 2012, a wholly-owned subsidiary of the Company acquired the land use rights of two land parcels located respectively at the west of Xihuang Road, the south of Wucai Road and the east of Xinmin Road in Huaiyang County in a listing for sale process held by Huaiyang County Land and Resources Bureau (淮陽縣國土資源局) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB35.7 million and RMB60.3 million respectively. Land parcel No. 2011-019 has a site area of 33,196 sq.m. and a mandatory detailed planned plot ratio of 1.5–2.0 for residential land use and not more than 2.5 for commercial land use. Land parcel No. 2011-018 has a site area of 57,133 sq.m. and a mandatory detailed planned plot ratio of 1.5–2.0 for residential land use and not more than 3.0 for commercial land use.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 20 January 2012, a 55%-owned subsidiary of the Company acquired the land use rights of two land parcels located respectively at Renhe Road and the southeast side of Zhonghua in Tangyin County in a listing for sale process held by Tangyin County Land and Resources Bureau (湯陰縣國土資源局) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB78.5 million and RMB69.5 million respectively. Land parcel No. G-11-53 has a site area of 66,547 sq.m. and a mandatory detailed planned plot ratio of 2.0–3.0. Land parcel No. G-11-54 has a site area of 60,639 sq.m. and a mandatory detailed planned plot ratio of 2.0–3.0.

On 29 May 2012, a wholly-owned subsidiary of the Company acquired the land use right of a land parcel located at the west of Xinyan Road and the north of Shengping Road in Zhongmou County in a listing for sale process held by Zhongmou County Land and Resources Bureau (中牟縣國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB65.24 million. The land parcel has a site area of 63,957 sq.m. and a mandatory detailed planned plot ratio of 1.0–3.0.

On 29 May 2012, a wholly-owned subsidiary of the Company acquired the land use right of a land parcel located at the west of Xinyan Road and the north of Wangdong Road in Zhongmou County in a listing for sale process held by Zhongmou County Land and Resources Bureau (中牟縣國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB88.82 million. The land parcel has a site area of 82,237 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.5.

On 6 June 2012, a wholly-owned subsidiary of the Company acquired the land use right of a land parcel located at the south of Zhongyuan Road and the west of Dongpu Road in Puyang City in a listing for sale process held by Puyang City Land and Resources Bureau (濮陽市國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB191.4 million. The land parcel has a site area of 58,001 sq.m. and a mandatory detailed planned plot ratio of 2.5–3.0.

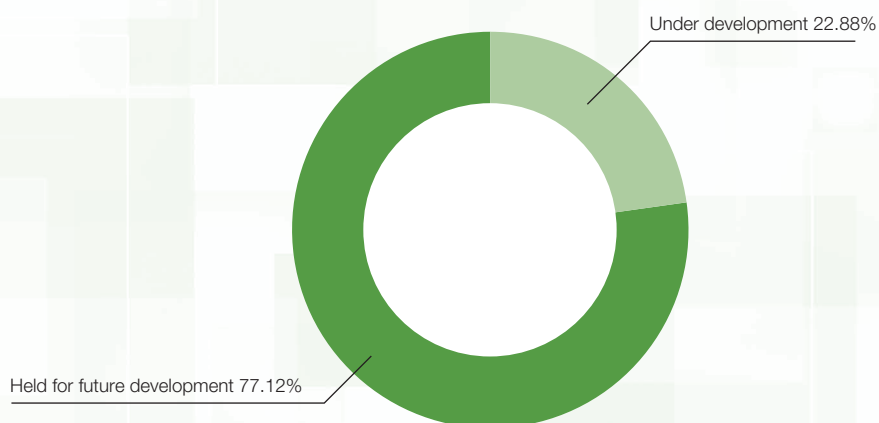
On 13 June 2012, a wholly-owned subsidiary of the Company acquired the land use rights of two land parcels located respectively at the north of Hexing Road and the east of a former cement factory in Suiping County in a listing for sale process held by Suiping Properties Exchange Centre (遂平縣地產交易中心) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB40.25 million and RMB42.62 million respectively. Land parcel No. SP-2012-20A has a site area of 57,078 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.0. Land parcel No. SP-2012-20B has a site area of 60,442 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.0.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Distribution of Land Reserves

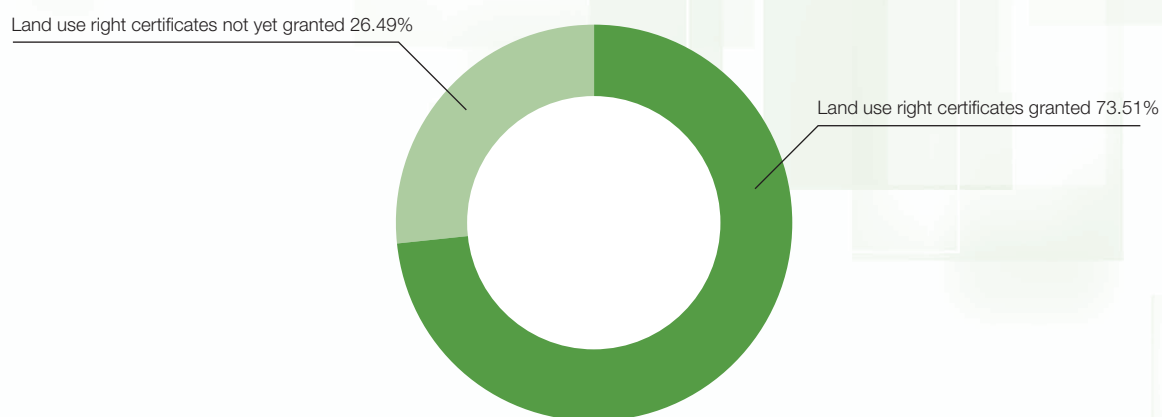
1. Distribution of the Company's land reserves by current development status

Fig: percentage of area under development and area held for future development to the Company's land reserves (as at 30 June 2012)



2. Distribution of the Company's land reserves by land use right certificates application status

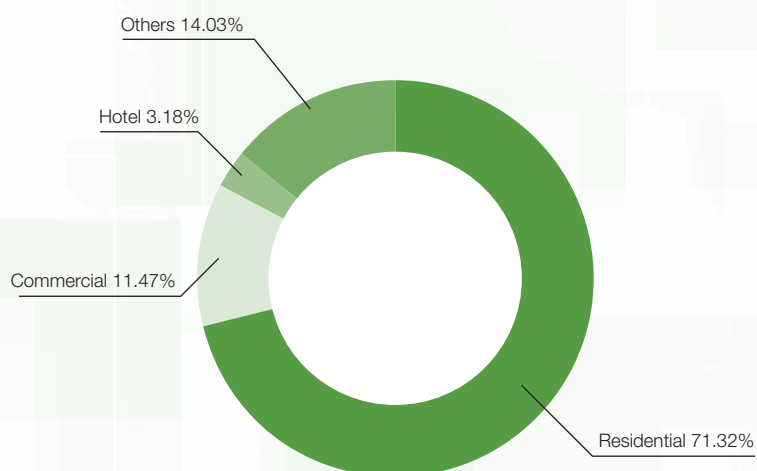
Fig: percentage of the Company's land reserves for which land use right certificates had been granted and those had not been granted (as at 30 June 2012)



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

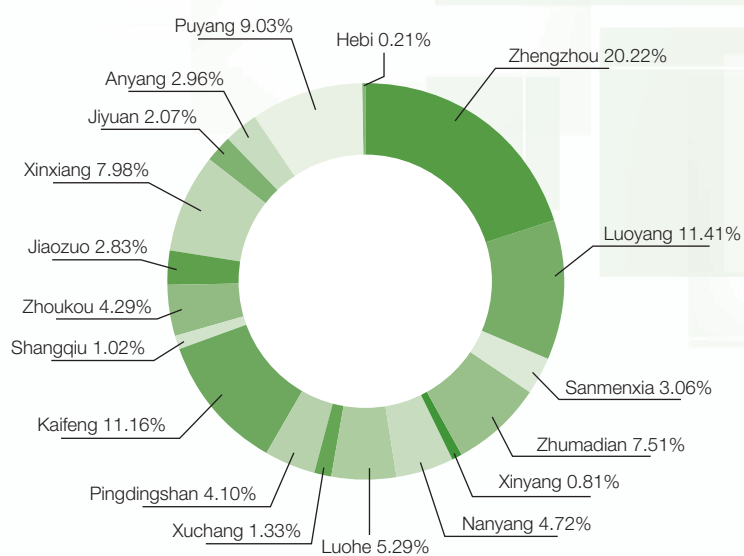
3. By property types

Fig: distribution of property types (as at 30 June 2012)



4. Distribution of the Company's land reserves by cities

Fig: distribution of land reserves by cities (as at 30 June 2012)



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(4) Product Research and Development

The Company's product strategy is to "introduce new products to traditional markets and traditional products to new markets". In traditional markets, we offer innovative products through the consistent provision of innovative and quality services. In new markets, we achieve speedy turnover and cost efficiency by fast replication of existing products through product serialisation and standardisation. During the first half of 2012, we focused on the delivery of serialised and standardised units with low-carbon features, as well as the research and development of fully-furbished houses.

1. *Architectural design*

During the reporting period, the scope of our management was gradually expanding in line with the in-depth development of our Company's strategy. To enhance the efficiency of design management, strategic agreements were signed with design institution partners, the Group emphasises on refining and developing work procedures for the design process, as well as on optimised cost management. A technological expert team was also formed to exercise overall control on the quality of design, so that the design management function would serve the purposes of assuring the smooth completion of project development milestones and exercising effective control over design quality.

2. *Serialisation*

During the reporting period, the Company achieved prominent results in product serialisation with a replication ratio of over 80%, as we worked on the further consolidation and optimisation of our 4 existing series and further promoted the use of standardised construction plans. During the reporting period, a new "Jianye Eighteen Cities" series was developed, while research and development on county-level products, urban complexes and tourism property development was also commenced actively.

3. *Standardisation*

During the reporting period, the Company completed the standardisation for components such as internal anti-burglary doors, decorative tiles for exterior walls and rails to provide technical support for a larger scope of centralised procurements and cost savings.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. *Application of green construction*

During the reporting period, on the basis of the findings of the Company's preliminary research on green architecture, our green architecture research was focused on the application of research results, as we incorporated green concepts such as full decoration, efficient insulation, ground source heat pump, use of solar energy and use of rain water in the Zhongmou residential development industrialisation base project. Currently, some of these concepts have been incorporated in the designs for Puyang Code One City and Eighteen Cities in Zhumadian, etc, laying the foundation for the prevalence of the concept of green architecture in future. Meanwhile, such incorporation has also provided the necessary qualification for the application of the "Green Mark" for the Zhongmou residential development industrialisation base project, Puyang Code One City project and Eighteen Cities Project in Zhumadian. The Company has also incorporated internationally advanced green technology concepts in the design of the Tianzhu Project (天築項目) in Zhengzhou, in an ongoing effort to investigate possibilities for green architecture in practice.

(5) **Customer service and customer relationship**

During the reporting period, there was steady progress in the development of the Company's "Mega Service Regime", with further clarifications of its strategic objective for the building of the service regime: "to deliver results in 3 years and realise enormous value in 5-8 years." As a result, the Company has formulated an overall plan for the building of the service regime, in connection with which Year 2012 has been designated as a year for reinforcing the foundation of such service regime and implementing supervision over and satisfactory assessment of all aspects of our services and all of our employees, so that we would be able to improve customer relations with the overall upgrading of our fundamental services.

On the basis of the previous 961 7777 service hotline, the Company has set up a service command centre which aims to moderate service resources, manage service information, develop innovative service products and conduct researches on the service market and which transforms the passive and straightforward function of receiving and forwarding reports into the tracking, instruction, supervision and appraisal of corporate products and services. The management functions have extended the scope of service to cover areas of internal resources such as CCRE education, football, hotel, Supreme Card ("至尊卡"), business and properties, as well as social resources. It will be developed into a centre for moderation, command and information processing in relation to services and resources, finally becoming a genuine management hub for service operations and contribute to the ongoing enhancements of product quality and service standards.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

II. BUSINESS OUTLOOK

(1) Market Outlook

1. *The macro-economy environment*

In view of uncertainties in the global economic landscape, the PRC government is expected to increase structural tax cuts in the second half of 2012 in order to sustain stable and moderate growth in monetary credit. Meanwhile, strong efforts will be made to expand domestic demand and effective investments. Given the implementation of the aforesaid policies, the Company expects China to sustain a stable economic growth in the second half of 2012.

The Company expects Henan's economy will continue to have relatively steady development in the second half of 2012, as the province's economic growth will be powerfully driven by increasing investments in infrastructure development of the central China economic zone and the steady progress of the relocation of industries in the eastern coastal regions.

2. *The property market*

The PRC government is expected to advance its property market regulatory policies in the second half of 2012 in order to consolidate the positive effects of earlier actions and curb speculative and investment demands and restrain price rebounds. The Company expects property prices to gradually return to reasonable levels in the second half of 2012.

The Company expects Henan's property market to remain relatively stable in the second half of 2012, as Henan is undergoing a process of accelerating industrialisation and urbanisation with a substantial housing demand from end-users, and the impact of the regulatory policies aimed at curbing speculative and investment demands on the province's property market would be limited.

(2) Business Planning

In the second half of 2012, the Company will continue to penetrate regional markets and gear up efforts in establishing presence in developed counties, regions and cities in tandem with the market pulse, with a view to forming a business portfolio well-balanced between risks and benefits that will provide a strong foundation for the further, ongoing stable and healthy development of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Construction Plan

In the second half of 2012, the Company expects to commence construction of a total of 22 projects/phases, with a GFA of 2,232,104 sq.m.

Geographical breakdown of project construction to be commenced in the second half of 2012

| Location | Total GFA (sq.m.) | Percentage (%) |
|--------------------------------|----------------------|-------------------|
| Zhengzhou | 482,232 | 22% |
| Other cities in Henan Province | 1,749,872 | 78% |
| Total | 2,232,104 | 100% |

2. Completion and Delivery Plan

The Group expects to complete and deliver 12 projects/phases with a GFA of 1,265,786 sq.m. in the second half of 2012.

| Project Name | Expected Completed GFA (sq.m.) |
|---|---|
| U-Town (Zhengzhou) Phase VI | 153,549 |
| Code One City (Luoyang) Phase II (Second batch) | 105,896 |
| Code One City (Xinxiang) Phase I | 131,838 |
| Forest Peninsula (Hebi) Phase III | 30,511 |
| Code One City (Jiaozuo) Phase I | 91,923 |
| Forest Peninsula (Xiuwu) Phase I | 60,200 |
| Jianye City (Puyang) Phase VI | 86,930 |
| No. 1 South Lake (Xinyang) | 61,402 |
| Triumph Road Project (Luoyang) | 202,450 |
| Huayang Square (Luoyang) Phase V (First batch) | 225,942 |
| Le Meridien (Zhengzhou) | 65,007 |
| Nanyang Holiday Inn | 50,138 |
| Total | 1,265,786 |

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

III. FINANCIAL ANALYSIS

Profit for the period: Profit attributable to the equity shareholders of the Group increased by 3.1% to RMB332 million from RMB322 million for the same period last year.

Turnover: As a result of the change in product mix, the average selling price of the properties sold by the Group in the first half of 2012 decreased from RMB8,646 per sq.m. to RMB5,234 per sq.m., presenting a decrease of approximately 39.5%. Nevertheless, the Group's turnover for the six months ended 30 June 2012 increased from RMB2,529 million to RMB3,025 million, representing an increase of approximately 19.6% as compared with the same period of 2011. The increase in turnover was mainly attributable to an increase in sold area from 290,481 sq.m. for the six months ended 30 June 2011 to 575,980 sq.m. for the six months ended 30 June 2012.

Gross profit margin: Gross profit margin was 35.8%, a 9.8 percentage point decrease as compared with 45.6% for the same period of 2011, which was mainly due to lower average selling price of properties sold to customers of the Group in the first half of 2012.

Other revenue: Other revenue from operations increased by RMB33 million from RMB29 million to RMB62 million, primarily due to an increase in interest income from advances to our affiliated companies, related parties and third parties.

Other net loss: Other net loss of RMB7 million for the period was primarily attributable to the unrealised mark-to-market gain incurred by trading securities, offset by the exchange loss arising from loans denominated in foreign currencies.

Selling and marketing expenses: Selling expenses increased from RMB72 million to RMB93 million, an increase of RMB21 million, which was in line with the expansion of new projects.

General and administrative expenses: General and administrative expenses increased from RMB97 million to RMB147 million, an increase of 52.0%, mainly due to (1) the expenses incurred and payments made in connection with the consent solicitation exercise in relation to the US\$300,000,000 senior notes due 2015 conducted by the Company in the first half of 2012 and (2) expansion of the Group's operations.

Share of losses of associates: Such amount mainly represents the Group's share of losses on its investment in St. Andrews Golf Club (Zhengzhou) Company Limited.

Share of profits less losses of jointly controlled entities: Such amount represents net of operating profit from completed jointly controlled projects and the losses of jointly controlled entities.

Finance costs: Finance costs decreased from RMB131 million to RMB116 million, mainly due to a RMB53 million gain on the fair value of derivatives of convertible bonds and senior notes.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Income tax: Income tax includes corporate income tax (“CIT”), land appreciation tax (“LAT”) and withholding tax payable on dividend declared by PRC enterprises to non-PRC entity. The Group’s income tax decreased to RMB430 million from RMB489 million, representing a decrease of RMB59 million. Effective tax rate decreased from 59.6% to 55.2%, which is mainly due to a decrease in profit margin on various projects.

Financial resources and utilisation: As at 30 June 2012, the Group’s cash and cash equivalents amounted to RMB3,050 million (31 December 2011: RMB3,256 million). During the reporting period, the Group distributed a dividend of RMB199 million (31 December 2010: RMB163 million) in relation to profit attributable to the year ended 31 December 2011.

Pledge of assets: As at 30 June 2012, the Group had pledged certain buildings, projects under construction, and properties for sales with an aggregate carrying amount of RMB2,837 million to secure the Group’s credit facilities.

Financial guarantees: As at 30 June 2012, the Group provided guarantees of approximately RMB4,698 million to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group’s developed properties.

Capital commitment: As at 30 June 2012, the Group had contractual commitments in respect of properties development activities amounting to RMB1,497 million and the Group had authorised, but not yet contracted for, a further RMB16,109 million in expenditure in respect of property development.

IV. ISSUANCE OF S\$175,000,000 10.75% SENIOR NOTES DUE 2016

On 18 April 2012, the Company issued secured senior notes due 2016 with principal amount of S\$175,000,000 at a coupon rate of 10.75% per annum for the purposes of funding new and existing property projects, repaying existing indebtedness and for general corporate purposes.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

V. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group had 1,371 employees (31 December 2011: 1,487 employees). Staff remuneration is determined on the basis of individual performance, experience and prevailing industry practices. The Group reviews its remuneration policy and arrangements on a regular basis and staff may be rewarded with bonuses and cash payments depending on individual performance appraisals. The Group's policies for insurance and provident fund are in compliance with national and local laws and regulations on labour affairs and social welfare. At the date of this interim report, there was no significant labor dispute which has or may have an adverse impact on our business operation.

DISCLOSURE OF INTERESTS

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

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

(a) Long positions in the Shares

| Name | Capacity and nature of interest | Number of Shares | Approximate percentage of the interest in the Company's issued share capital ⁴ |
|---------------------------|--------------------------------------|----------------------------|---|
| Mr. Wu Po Sum | Interest in a controlled corporation | 1,146,315,639 ¹ | 47.21% |
| | Beneficial owner | 8,560,420 ² | 0.35% |
| Ms. Yan Yingchun | Beneficial owner | 3,588,200 ² | 0.15% |
| Mr. Lim Ming Yan | Beneficial owner | 2,563,000 ² | 0.11% |
| Mr. Leow Juan Thong Jason | Beneficial owner | 1,537,800 ² | 0.06% |
| Mr. Chen Jianye | Beneficial owner | 7,795,040 ³ | 0.32% |

DISCLOSURE OF INTERESTS (CONTINUED)

(b) Long positions in the Debentures

- US\$300,000,000 aggregate principal amount of its 12.25% Senior Notes due 2015 (the “USD Notes”)

| Name | Capacity and nature of interest | Amount of Debentures | Approximate percentage of the interest in the USD Notes ⁵ |
|---------------------------|---------------------------------|----------------------|--|
| Mr. Leow Juan Thong Jason | Beneficial owner | US\$250,000 | 0.08% |

- S\$175,000,000 aggregate principal amount of its 10.75% Senior Notes due 2016 (the “SGD Notes”)

| Name | Capacity and nature of interest | Amount of Debentures | Approximate percentage of the interest in the SGD Notes ⁶ |
|---------------------------|---------------------------------|----------------------|--|
| Mr. Lim Ming Yan | Beneficial owner | S\$500,000 | 0.29% |
| Mr. Leow Juan Thong Jason | Beneficial owner | S\$1,250,000 | 0.71% |

Notes:

1. The 1,146,315,639 Shares were registered in the name and were beneficially owned by Joy Bright Investments Limited (“Joy Bright”), a company wholly owned by Mr. Wu Po Sum. Accordingly, he was deemed to be interested in the 1,146,315,639 Shares by virtue of the SFO.
2. Such interest in the Shares is held pursuant to the share options granted under the Pre-IPO Share Option Scheme (as defined below) and the Share Option Scheme (as defined below), the details of which are disclosed on pages 25 to 28 of this interim report.
3. Of Mr. Chen Jianye’s interest in 7,795,040 Shares, 7,768,040 Shares is held pursuant to the share options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the details of which are disclosed on pages 25 to 28 of this interim report.
4. The percentage shareholdings are based on a total of 2,428,000,000 Shares in issue.
5. The percentage of the interest in the USD Notes is based on the aggregate principal amount of US\$300,000,000.
6. The percentage of the interest in the SGD Notes is based on the aggregate principal amount of S\$175,000,000.

DISCLOSURE OF INTERESTS (CONTINUED)

Save as disclosed above, as at 30 June 2012, the Company had not been notified of any interests or short positions in the Shares, underlying shares or Debentures of the Company or any associated corporation of the Company (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

The Company has two share option schemes, namely the pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and the share option scheme (the “Share Option Scheme”).

A. Pre-IPO Share Option Scheme

On 14 May 2008, the Company conditionally granted share options under the Pre-IPO Share Option Scheme to the Directors, employees and consultants of the Company. The exercise of these share options would entitle Directors, employees and consultants of the Group to subscribe for an aggregate of 14,350,000 Shares and 17,650,000 Shares of the Company respectively. The initial exercise price was HK\$2.75 per Share and was adjusted to HK\$2.682 per Share on 28 June 2011 as a result of and following the rights issue (the “Rights Issue”) conducted by the Company. The Pre-IPO Share Option Scheme was effective from the listing date of the Company’s Shares on the Stock Exchange.

The purpose of the Pre-IPO Share Option Scheme is to give the participants an opportunity to have a personal interest in the Company and to motivate the participants to optimise their performance and efficiency, and also to retain the participants whose contributions are important to the long-term growth and profitability of the Group.

The share options granted under the Pre-IPO Share Option Scheme will expire on 13 May 2013. As at 30 June 2012, share options to subscribe for 26,193,860 Shares remained outstanding.

The Pre-IPO Share Option Scheme was terminated on the date immediately preceding the date of the prospectus of the Company, that is, 25 May 2008. The share options granted under the Pre-IPO Share Option Scheme but not yet exercised will continue to be valid and exercisable in accordance with the terms of the Pre-IPO Share Option Scheme.

DISCLOSURE OF INTERESTS (CONTINUED)

Movements of the share options granted under the Pre-IPO Share Option Scheme during the period from 1 January 2012 to 30 June 2012 were as follows:

| Name or category of participants | Date of grant | Exercise price per Share | As at 1 January 2012 | Number of share options granted under the Pre-IPO Share Option Scheme | | | As at 30 June 2012 |
|---|---------------|--------------------------|----------------------|---|-----------------------------|--------------------------|--------------------|
| | | | | Granted during the period | Exercised during the period | Lapsed during the period | |
| Directors | | | | | | | |
| Mr. Wu Po Sum | 14 May 2008 | HK\$2.682 | 6,510,020 | — | — | — | 6,510,020 |
| Mr. Wang Tianye (resigned on 26 June 2012) | 14 May 2008 | HK\$2.682 | 2,563,000 | — | — | (2,563,000) | — |
| Mr. Lim Ming Yan | 14 May 2008 | HK\$2.682 | 2,563,000 | — | — | — | 2,563,000 |
| Mr. Leow Juan Thong Jason | 14 May 2008 | HK\$2.682 | 1,537,800 | — | — | — | 1,537,800 |
| Ms. Yan Yingchun | 14 May 2008 | HK\$2.682 | 1,537,800 | — | — | — | 1,537,800 |
| | | | 14,711,620 | — | — | (2,563,000) | 12,148,620 |
| Senior management, other employees and consultants of the Group | 14 May 2008 | HK\$2.682 | 14,045,240 | — | — | — | 14,045,240 |
| | | | 28,756,860 | — | — | (2,563,000) | 26,193,860 |

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

B. Share Option Scheme

The Shareholders conditionally adopted the Share Option Scheme pursuant to the written resolutions dated 14 May 2008. The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus aligning their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

Under the Share Option Scheme, the employees of the Group (including the executive Directors) and such other persons as the Board may consider appropriate may be granted options which entitle them to subscribe for Shares representing, when aggregated with any Shares subject to any other scheme(s) of the Company, up to a maximum of 10% of the Shares in issue of the Company as of 6 June 2008, unless the Company obtains a fresh approval from the Shareholders to renew the said limit or the Shareholders specifically approve the grant.

DISCLOSURE OF INTERESTS (CONTINUED)

The total number of Shares issued or to be issued upon exercise of the share options granted and yet to be exercised under the Share Option Scheme or any other share option scheme(s) adopted by the Company must not exceed 30% of the total number of Shares in issue from time to time. The amount payable by a grantee on acceptance of a grant of the option is HK\$1.00 (or its equivalent in RMB or any other currency acceptable to the Company).

The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted pursuant to the Share Option Scheme and any other share option scheme(s) of the Company to each participant in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue. Any further grant of options which would result in the number of the Shares issued as aforesaid exceeding the said 1% limit must be approved by the Shareholders in general meeting at which such participant and his or her associates must abstain from voting.

Any grant of share options to a participant who is a Director, chief executives, or substantial Shareholder or any of their respective associates must be approved by the independent non-executive Directors, excluding any independent non-executive Director who is the grantee of the share options.

The exercise periods of the share options may be specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of the grant. As at 30 June 2012, share options to subscribe for 27,441,000 Shares remained outstanding.

The subscription price for the Shares under the Share Option Scheme shall be determined by the Board in its absolute discretion and notified to a participant, provided that such price shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of a share option which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five consecutive trading days immediately preceding the date of offer; and (iii) the nominal value of a Share.

The Share Option Scheme will expire on 13 May 2018.

DISCLOSURE OF INTERESTS (CONTINUED)

Movements of share options granted under the Share Option Scheme during the year from 1 January 2012 to 30 June 2012 were as follows:

| Name or category of participants | Date of grant | Exercise price per Share | Number of share options granted under the Share Option Scheme | | | | | As at 30 June 2012 |
|---|---------------|--------------------------|---|---------------------------|-----------------------------|-------------|--------------------------|--------------------|
| | | | As at 1 January 2012 | Granted during the period | Exercised during the period | Adjustment | Lapsed during the period | |
| Directors | | | | | | | | |
| Mr. Wu Po Sum | 25 May 2010 | HK\$1.853 | 2,050,400 | – | – | – | – | 2,050,400 |
| Mr. Wang Tianye (resigned on 26 June 2012) | 25 May 2010 | HK\$1.853 | 2,050,400 | – | – | (2,050,400) | – | – |
| Ms. Yan Yingchun | 25 May 2010 | HK\$1.853 | 2,050,400 | – | – | – | – | 2,050,400 |
| | | | 6,151,200 | – | – | (2,050,400) | – | 4,100,800 |
| Senior management, other employees and consultants of the Group | | | | | | | | |
| | 25 May 2010 | HK\$1.853 | 11,789,800 | – | – | 2,050,400 | – | 13,840,200 |
| | 25 July 2011 | HK\$2.160 | 11,000,000 | – | – | – | (1,500,000) | 9,500,000 |
| | | | 22,789,800 | – | – | 2,050,400 | (1,500,000) | 23,340,200 |
| | | | 28,941,000 | – | – | – | (1,500,000) | 27,441,000 |

Note: In relation to each grantee of the share options granted under the Share Option Scheme, no share option is exercisable within the first year from the respective dates of grant, that is, 25 May 2010 and 25 July 2011 (the “Dates of Grant”), not more than 20% of the share options are exercisable within the second year from the respective Dates of Grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the respective Dates of Grant.

The initial exercise price of the share options granted on 25 May 2010 under the Share Option Scheme was HK\$1.9 per Share and was adjusted to HK\$1.853 per Share on 28 June 2011 as a result of and following the Rights Issue conducted by the Company.

Additional information in relation to the Share Option Scheme is set out in note 21 to the financial statements.

DISCLOSURE OF INTERESTS (CONTINUED)

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2012 and to the best knowledge of the Directors and chief executives of the Company, details of the interests and short positions in the Shares and underlying shares of the Company of every person other than Directors and chief executives of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name | Capacity and nature of interest | Number of Shares | Approximate percentage of the interest in the Company's issued share capital ¹ |
|--|------------------------------------|----------------------------|---|
| Long Positions | | | |
| Joy Bright | Beneficial owner | 1,146,315,639 ² | 47.2% |
| CapitaLand LF (Cayman) Holdings Co., Ltd ("CapitaLand (Cayman)") | Beneficial owner | 658,116,228 ³ | 27.1% |
| CapitaLand China Holdings Pte Ltd. ("CapitaLand China") | Interest of controlled corporation | 658,116,228 ³ | 27.1% |
| CapitaLand Residential Limited ("CapitaLand Residential") | Interest of controlled corporation | 658,116,228 ³ | 27.1% |
| CapitaLand Limited ("CapitaLand") | Interest of controlled corporation | 658,116,228 ³ | 27.1% |
| Temasek Holdings (Private) Limited ("Temasek Holdings") | Interest of controlled corporation | 658,116,228 ³ | 27.1% |
| FV Green Alpha Two Limited ("FV Green") | Beneficial owner | 298,566,476 ⁴ | 12.3% |

DISCLOSURE OF INTERESTS (CONTINUED)

Notes:

1. The percentage shareholdings are based on a total of 2,428,000,000 Shares in issue.
2. Mr. Wu Po Sum holds 100% of the issued share capital of Joy Bright and is deemed to be interested in the 1,146,315,639 Shares held by Joy Bright for the purposes of the SFO.
3. CapitaLand (Cayman) is directly wholly owned by CapitaLand China. CapitaLand China is directly wholly owned by CapitaLand Residential and CapitaLand Residential is directly wholly owned by CapitaLand. Temasek Holdings has an interest in approximately 40.42% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand Residential, CapitaLand and Temasek Holdings (Private) Limited is deemed or taken to be interested in the 658,116,228 shares which are owned by CapitaLand (Cayman) for the purposes of the SFO.
4. On 5 August 2009, the Company entered into a subscription agreement with FV Green (the "Subscription Agreement") relating to the issue and subscription of the convertible bonds (the "Convertible Bonds") at an aggregate principal amount of HK\$687 million which were issued in conjunction with the warrants (the "Warrants") entitling FV Green to subscribe for a maximum of 68,338,594 Shares. On 28 June 2011, the Company completed the Rights Issue pursuant to which 428,000,000 right Shares were allotted and issued. Hence the conversion price of the Convertible Bonds and the Warrants were adjusted to HK\$2.984 per Share and HK\$3.947 per Share which were made in accordance with the terms of the Convertible Bonds and the Warrants respectively. Based on the conversion price of HK\$2.984 per Share and assuming full conversion of the Convertible Bonds at such conversion price, the Convertible Bonds will be convertible into 230,227,882 Shares (the "Conversion Shares"). The Warrants entitle FV Green to subscribe for a maximum of 68,338,594 Shares (the "Warrant Shares") at the exercise price of HK\$3.947 per Share. As at the date of this interim report, none of the Conversion Shares and/or the Warrant Shares was issued by the Company to FV Green.

Save as disclosed above, as at 30 June 2012, the Company had not been notified of any other interests or short positions in the Shares or underlying shares of the Company of any other person other than Directors and chief executives of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company is committed to good corporate governance practices and procedures including a quality Board, sound internal control, transparency and accountability to its shareholders. The Company has fully complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (effective from 1 April 2012) during the period from 1 April 2012 to 30 June 2012 contained in Appendix 14 to the Listing Rules, except the followings:

1. Code Provision A.4.1 – This Code Provision stipulates that all non-executive Directors should be appointed for a specific term, subject to re-election

Mr. Hu Yongmin, a non-executive Director, was not appointed for a specific term. Mr. Hu was nominated by FV Green (one of the holders of the Convertible Bonds, which were issued by the Company together with the Warrants attaching thereto on 31 August 2009) to the Board and was appointed as a non-executive Director on 3 September 2009. No service contract was entered into between Mr. Hu and the Company and he did not and will not receive any remuneration as a non-executive Director from the Company. FV Green will continue to have the right to nominate a person to be appointed as a non-executive Director as long as it has an interest in the Shares as is equal to or more than 5% of the issued share capital of the Company on a fully-diluted basis, assuming full conversion of the Convertible Bonds and full exercise of the Warrants.

Save for Mr. Hu, all other non-executive Directors and independent non-executive Directors were appointed for a specific term. Since all Directors (including Mr. Hu Yongmin) are subject to re-election by Shareholders at annual general meetings and at least once every three years on a rotation basis in accordance with the articles of association of the Company, the Company considers that there are sufficient measures to ensure the corporate governance of the Company complies with the same level to that required under the Corporate Governance Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

- 2. Code Provision A.6.7 – This Code Provision stipulates that independent non-executive Directors and other non-executive Directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.**

All Directors have given the Board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.

Mr. Lim Ming Yan, Mr. Leow Juan Thong Jason, Mr. Hu Yongmin and Ms. Wallis Wu, all being non-executive Directors, and Mr. Wang Shi, being an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 24 May 2012 as they were out of town for other businesses.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as the code of conduct for Directors in their dealings in the Company's securities. The Company made specific enquires with each Director and each of them confirmed that he or she had complied with the Model Code for the six months ended 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

UPDATE ON DIRECTORS' INFORMATION

Mr. Xin Luo Lin resigned as a non-executive director of Sino-Tech International Holdings Limited (the shares of which are listed on the Stock Exchange) on 8 June 2012.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee has discussed with the management and external auditors the accounting principles and policies adopted by the Group, and has reviewed the Group's unaudited interim consolidated financial statements for the six months ended 30 June 2012.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

| | Note | Six months ended 30 June | |
|---|------|--------------------------|-----------------|
| | | 2012 RMB'000 | 2011 RMB'000 |
| Turnover | 4 | 3,025,421 | 2,529,121 |
| Cost of sales | | (1,942,002) | (1,374,739) |
| Gross profit | | 1,083,419 | 1,154,382 |
| Other revenue | 5 | 62,641 | 29,491 |
| Other net loss | 5 | (7,342) | (13,006) |
| Selling and marketing expenses | | (93,439) | (71,744) |
| General and administrative expenses | | (147,038) | (96,714) |
| Other operating expenses | | (3,646) | (9,719) |
| | | 894,595 | 992,690 |
| Share of losses of associates | | (1,405) | (1,535) |
| Share of profits less losses of jointly controlled entities | | (8,698) | (40,194) |
| Finance costs | 6(a) | (116,181) | (131,136) |
| Profit before change in fair value of investment properties and income tax | | 768,311 | 819,825 |
| Net increase in fair value of investment properties | | 9,952 | 1,380 |
| Profit before taxation | 6 | 778,263 | 821,205 |
| Income tax | 7 | (429,707) | (489,163) |
| Profit for the period | | 348,556 | 332,042 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 331,598 | 321,696 |
| Non-controlling interests | | 16,958 | 10,346 |
| Profit for the period | | 348,556 | 332,042 |
| Earnings per share | 8 | | |
| — Basic (RMB cents) | | 13.66 | 15.64 |
| — Diluted (RMB cents) | | 11.40 | 15.64 |

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2012 RMB'000 | 2011 RMB'000 |
| Profit for the period | 348,556 | 332,042 |
| Other comprehensive income for the period | | |
| Exchange differences on translation of financial statements of overseas subsidiaries | (44,639) | 26,494 |
| Revaluation gain on property, plant and equipment | 6,479 | — |
| Total comprehensive income for the period | 310,396 | 358,536 |
| Attributable to: | | |
| Equity shareholders of the Company | 293,583 | 348,818 |
| Non-controlling interests | 16,813 | 9,718 |
| Total comprehensive income for the period | 310,396 | 358,536 |

There is no tax effect relating to the above component of the other comprehensive income.

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2012

(Expressed in Renminbi)

| | | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|--|------|---|---|
| | Note | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 1,269,560 | 945,421 |
| Investment properties | 10 | 313,900 | 278,800 |
| Interests in associates | | 48,269 | 49,675 |
| Interests in jointly controlled entities | 11 | 3,469,680 | 3,102,995 |
| Other financial assets | | 101,800 | 97,800 |
| Deferred tax assets | | 140,684 | 111,570 |
| | | 5,343,893 | 4,586,261 |
| Current assets | | | |
| Trading securities | | 81,081 | 74,878 |
| Properties for sale | 12 | 8,774,489 | 8,624,403 |
| Trade and other receivables | 13 | 659,376 | 441,527 |
| Deposits and prepayments | 14 | 2,641,419 | 1,733,818 |
| Prepaid tax | | 112,109 | 109,022 |
| Restricted bank deposits | 15 | 768,389 | 652,863 |
| Cash and cash equivalents | | 3,050,397 | 3,255,528 |
| | | 16,087,260 | 14,892,039 |
| Current liabilities | | | |
| Bank loans | 16 | 1,225,840 | 1,110,660 |
| Other loans | 17 | 1,714,350 | 1,245,470 |
| Trade and other payables and accruals | 18 | 5,847,198 | 5,078,595 |
| Receipts in advance | | 2,700,311 | 3,098,425 |
| Convertible bonds | 19 | 567,377 | 549,665 |
| Senior notes | 20 | — | 1,849,885 |
| Tax payable | | 852,594 | 828,655 |
| | | 12,907,670 | 13,761,355 |
| Net current assets | | 3,179,590 | 1,130,684 |
| Total assets less current liabilities | | 8,523,483 | 5,716,945 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 30 June 2012

(Expressed in Renminbi)

| | Note | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|--|------|---|---|
| Non-current liabilities | | | |
| Bank loans | 16 | 428,960 | 516,000 |
| Other loans | 17 | 128,000 | 107,700 |
| Senior notes | 20 | 2,737,230 | — |
| Deferred tax liabilities | | 53,644 | 51,493 |
| | | <u>3,347,834</u> | <u>675,193</u> |
| NET ASSETS | | <u>5,175,649</u> | <u>5,041,752</u> |
| CAPITAL AND RESERVES | | | |
| | 22 | | |
| Share capital | | 215,185 | 215,185 |
| Reserves | | 4,524,244 | 4,427,303 |
| Total equity attributable to equity shareholders of the Company | | <u>4,739,429</u> | <u>4,642,488</u> |
| Non-controlling interests | | <u>436,220</u> | <u>399,264</u> |
| TOTAL EQUITY | | <u>5,175,649</u> | <u>5,041,752</u> |

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

| | Attributable to equity shareholders of the Company | | | | | | | | | | | | |
|---|--|---------------|------------------------|-----------------------|------------------|--|---|---------------------------|------------------------------|------------------|-----------|---------------------------|--------------|
| | Share capital | Share premium | Statutory reserve fund | Other capital reserve | Exchange reserve | Share-based compensation reserve (Note 21) | Equity component of convertible bonds (Note 19) | Warrant reserve (Note 19) | Property revaluation reserve | Retained profits | Total | Non-controlling interests | Total equity |
| Note | 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 |
| Balance at 1 January 2012 | 215,185 | 1,637,759 | 627,676 | 804,529 | 64,805 | 28,150 | 43,166 | 11,906 | — | 1,209,312 | 4,642,488 | 399,264 | 5,041,752 |
| Changes in equity for the six months ended 30 June 2012: | | | | | | | | | | | | | |
| Profit for the period | — | — | — | — | — | — | — | — | — | 331,598 | 331,598 | 16,958 | 348,556 |
| Other comprehensive income | — | — | — | — | (44,494) | — | — | — | 6,479 | — | (38,015) | (145) | (38,160) |
| Total comprehensive income | — | — | — | — | (44,494) | — | — | — | 6,479 | 331,598 | 293,583 | 16,813 | 310,396 |
| Dividends declared and paid | 22(b)(i) | — | — | — | — | — | — | — | — | (199,343) | (199,343) | — | (199,343) |
| Dividend paid to non-controlling interests | | — | — | — | — | — | — | — | — | — | — | (30,700) | (30,700) |
| Appropriation to statutory reserve fund | | — | — | 63,264 | — | — | — | — | — | (63,264) | — | — | — |
| Equity settled share-based payment | | — | — | — | — | 2,944 | — | — | — | — | 2,944 | — | 2,944 |
| Acquisition of additional interest in a subsidiary | | — | — | — | (243) | — | — | — | — | — | (243) | (4,657) | (4,900) |
| Capital contribution by non-controlling interests | | — | — | — | — | — | — | — | — | — | — | 55,500 | 55,500 |
| Balance at 30 June 2012 | 215,185 | 1,637,759 | 690,940 | 804,286 | 20,311 | 31,094 | 43,166 | 11,906 | 6,479 | 1,278,303 | 4,739,429 | 436,220 | 5,175,649 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

| | Attributable to equity shareholders of the Company | | | | | | | | | | | | | |
|---|--|---------------|---------------|------------------------|-----------------------|------------------|----------------------------------|---------------------------------------|----------------------|------------------------------|------------------|-----------|---------------------------|--------------|
| | Note | Share capital | Share premium | Statutory reserve fund | Other capital reserve | Exchange reserve | Share-based compensation reserve | Equity component of convertible bonds | Warrant reserve | Property revaluation reserve | Retained profits | Total | Non-controlling interests | Total equity |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | (Note 21) RMB'000 | (Note 19) RMB'000 | (Note 19) RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2011 | | 179,637 | 1,076,820 | 470,517 | 824,020 | 6,571 | 22,090 | 43,166 | 11,906 | — | 861,091 | 3,495,818 | 275,866 | 3,771,684 |
| Changes in equity for the six months ended 30 June 2011: | | | | | | | | | | | | | | |
| Profit for the period | | — | — | — | — | — | — | — | — | — | 321,696 | 321,696 | 10,346 | 332,042 |
| Other comprehensive income | | — | — | — | — | 27,122 | — | — | — | — | — | 27,122 | (628) | 26,494 |
| Total comprehensive income | | — | — | — | — | 27,122 | — | — | — | — | 321,696 | 348,818 | 9,718 | 358,536 |
| Issue of new shares upon rights issue | 22(a) | 35,548 | 560,939 | — | — | — | — | — | — | — | — | 596,487 | — | 596,487 |
| Dividends declared and paid | 22(b)(i) | — | — | — | — | — | — | — | — | — | (162,615) | (162,615) | — | (162,615) |
| Appropriation to statutory reserve fund | | — | — | 62,804 | — | — | — | — | — | — | (62,804) | — | — | — |
| Equity settled share-based payment | | — | — | — | — | — | 3,278 | — | — | — | — | 3,278 | — | 3,278 |
| Acquisition of additional interest in a subsidiary | | — | — | — | (21,798) | — | — | — | — | — | — | (21,798) | (202) | (22,000) |
| Capital contribution by non-controlling interests | | — | — | — | — | — | — | — | — | — | — | — | 54,900 | 54,900 |
| Balance at 30 June 2011 | | 215,185 | 1,637,759 | 533,321 | 802,222 | 33,693 | 25,368 | 43,166 | 11,906 | — | 957,368 | 4,259,988 | 340,282 | 4,600,270 |

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2012 RMB'000 | 2011 RMB'000 |
| Cash (used in)/generated from operation | (175,650) | 725,036 |
| Income tax paid | (435,817) | (399,992) |
| Net cash (used in)/generated from operating activities | (611,467) | 325,044 |
| Net cash used in investing activities | (542,554) | (584,829) |
| Net cash generated from financing activities | 961,697 | 446,289 |
| Net (decrease)/increase in cash and cash equivalents | (192,324) | 186,504 |
| Cash and cash equivalents at 1 January | 3,255,528 | 3,370,335 |
| Effect of changes in foreign exchange rate | (12,807) | (17,192) |
| Cash and cash equivalents at 30 June | 3,050,397 | 3,539,647 |

The accompanying notes form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 December 2011, except for the accounting policy change that is expected to be reflected in the financial statements for the year ending 31 December 2012. Details of this change in accounting policy are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on pages 63 to 64. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2012.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 CHANGE IN ACCOUNTING POLICY

The HKICPA has issued the amendments to HKAS 12, *Income taxes*, that are first effective for the current accounting period of the Group. The adoption of HKAS 12 has no material impact on this interim financial report as the amendments are consistent with policies already adopted by the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

(a) Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8, *Operating segments*.

(b) Turnover from major services

The Group's turnover from its major services is set out in note 4 to this interim financial report.

(c) Geographic information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Henan province in the People's Republic of China ("PRC").

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 TURNOVER

The principal activities of the Group are property development, property leasing and construction. Turnover of the Group for the period is analysed as follows:

| | Six months ended 30 June | |
|-------------------------------------|--------------------------|-----------------|
| | 2012 RMB'000 | 2011 RMB'000 |
| Income from sales of properties | 3,014,540 | 2,511,611 |
| Rental income | 10,881 | 10,289 |
| Revenue from construction contracts | — | 7,221 |
| | 3,025,421 | 2,529,121 |

5 OTHER REVENUE AND OTHER NET LOSS

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2012 RMB'000 | 2011 RMB'000 |
| Other revenue | | |
| Interest income | 61,230 | 28,403 |
| Dividend income from equity securities | 1,411 | 1,078 |
| Others | — | 10 |
| | 62,641 | 29,491 |
| Other net loss | | |
| Net exchange (loss)/gain | (14,450) | 17,664 |
| Net unrealised gain/(loss) on trading securities | 5,379 | (30,863) |
| Gain on deemed disposal of a subsidiary | 1,640 | — |
| Net gain on disposals of property, plant and equipment | 58 | 4 |
| Compensation from contractors | 31 | 189 |
| | (7,342) | (13,006) |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

| | Six months ended 30 June | |
|--|---------------------------------|-----------|
| | 2012 | 2011 |
| | RMB'000 | RMB'000 |
| (a) Finance costs | | |
| Interest on bank loans | 55,437 | 66,078 |
| Interest on other loans | 88,651 | 33,479 |
| Interest on convertible bonds | 26,952 | 26,765 |
| Interest on senior notes | 139,851 | 123,290 |
| Other ancillary borrowing costs | 5,590 | 3,239 |
| | 316,481 | 252,851 |
| Less: Borrowing costs capitalised | (147,162) | (137,600) |
| | 169,319 | 115,251 |
| Net change in fair value of derivatives embedded to convertible bonds | (52,414) | 14,613 |
| Net change in fair value of derivatives embedded to senior notes | (724) | 1,272 |
| | 116,181 | 131,136 |
| (b) Other item | | |
| Depreciation and amortisation | 15,239 | 10,024 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX

| | Six months ended 30 June | |
|---------------------------|--------------------------|-----------------|
| | 2012 RMB'000 | 2011 RMB'000 |
| Current tax | | |
| PRC Corporate Income Tax | 229,217 | 250,154 |
| PRC Land Appreciation Tax | 196,042 | 264,687 |
| Withholding tax | 31,411 | 2,593 |
| | 456,670 | 517,434 |
| Deferred tax | | |
| Revaluation of properties | 2,151 | 179 |
| PRC Land Appreciation Tax | (29,114) | (28,450) |
| | (26,963) | (28,271) |
| | 429,707 | 489,163 |

- (a) Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.
- (b) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.
- (c) **PRC Corporate Income Tax (“CIT”)**

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the Company’s subsidiaries in the PRC (“PRC subsidiaries”) as determined in accordance with the relevant income tax rules and regulations of the PRC.

PRC subsidiaries were charged CIT at a rate of 25% on the estimated assessable profits for the period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX (Continued)

(d) Land Appreciation Tax (“LAT”)

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items. Certain PRC subsidiaries were subject to LAT which is calculated based on 1.5% to 4.5% (six months ended 30 June 2011: 1.5% to 4.5%) of their revenue in accordance with the authorised taxation method.

(e) Withholding tax

Withholding taxes are levied on the Company’s subsidiaries in Hong Kong (“Hong Kong subsidiaries”) in respect of dividend distributions arising from profits of PRC subsidiaries earned after 1 January 2008 and interest received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 12%.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to equity shareholders of the Company of RMB331,598,000 (six months ended 30 June 2011: RMB321,696,000) and the weighted average of 2,428,000,000 shares (six months ended 30 June 2011: 2,056,659,000 shares after adjusting for the rights issue during the period ended 30 June 2011) in issue during the interim period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

8 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

For the period ended 30 June 2012, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB306,136,000 and the weighted average number of ordinary shares of 2,684,367,000 shares, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

| | Six months ended 30 June 2012 RMB'000 |
|--|--|
| Profit attributable to equity shareholders | 331,598 |
| After tax effect of effective interest on the liability component of convertible bonds (note 6(a)) | 26,952 |
| After tax effect of gain recognised on derivatives embedded to convertible bonds (note 6(a)) | (52,414) |
| Profit attributable to equity shareholders (diluted) | <u>306,136</u> |

(ii) Weighted average number of ordinary shares (diluted)

| | '000 |
|--|------------------|
| Weighted average number of ordinary shares at 30 June 2012 | 2,428,000 |
| Effect of conversion of convertible bonds | 256,367 |
| Weighted average number of ordinary shares at 30 June 2012 (diluted) | <u>2,684,367</u> |

The Company's share options and warrants as at 30 June 2012 do not give rise to any dilution effect to the earnings per share.

The Company's share options, warrants and convertible bonds as at 30 June 2011 do not give rise to any dilution effect to the earnings per share.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group's additions in property, plant and equipment amounted to RMB339,000,000 (six months ended 30 June 2011: RMB175,820,000). Items of property, plant and equipment with a net book value of RMB1,126,000 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: RMB122,000), resulting a gain on disposal of RMB58,000 (six months ended 30 June 2011: RMB4,000). During the period, properties for sale amounted to RMB9,824,000 (six months ended 30 June 2011: RMB Nil) were transferred to property, plant and equipment, and property, plant and equipment amounted to RMB8,321,000 (six months ended 30 June 2011: RMB Nil) were transferred to investment properties.

10 INVESTMENT PROPERTIES

All investment properties of the Group were revalued as at 30 June 2012 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis. The investment properties are valued by reference to net income with allowance for reversionary income potential. During the period, the net increase in fair value of investment properties was RMB9,952,000 (six months ended 30 June 2011: RMB1,380,000), the additions in investment properties of RMB3,600,000 (six months ended 30 June 2011: RMB Nil) and properties for sale and property, plant and equipment were transferred to investment properties amounted to RMB21,548,000 (six months ended 30 June 2011: RMB Nil).

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES

| | At 30 June 2012 RMB'000 | At 31 December 2011 RMB'000 |
|--|----------------------------------|--------------------------------------|
| Share of net assets | 2,220,283 | 2,171,116 |
| Amounts due from jointly controlled entities | 1,249,397 | 931,879 |
| | 3,469,680 | 3,102,995 |

Amounts due from jointly controlled entities, except for an amount of RMB632,633,000 (31 December 2011: RMB585,226,000) which is interest bearing at 7.56% (31 December 2011: 6.67%) per annum, are unsecured, interest-free and have no fixed terms of repayment, and are not expected to be recovered more than one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

12 PROPERTIES FOR SALE

| | At 30 June 2012 RMB'000 | At 31 December 2011 <i>RMB'000</i> |
|--|---|---|
| Properties held for future development and under development for sale | 7,177,383 | 7,294,284 |
| Completed properties held for sale | 1,597,106 | 1,330,119 |
| | 8,774,489 | 8,624,403 |

13 TRADE AND OTHER RECEIVABLES

| | At 30 June 2012 RMB'000 | At 31 December 2011 <i>RMB'000</i> |
|--|---|---|
| Bill receivables | 2,930 | — |
| Trade receivables (<i>note (a)</i>) | 19,050 | 16,961 |
| Other receivables (<i>note (b)</i>) | 222,882 | 173,456 |
| Amounts due from related companies (<i>note (c)</i>) | 183,108 | 39,665 |
| Loan to a related company (<i>note (d)</i>) | 106,125 | 100,000 |
| Amounts due from non-controlling interests (<i>note (e)</i>) | 36,700 | 64,900 |
| Loans to non-controlling interests (<i>note (f)</i>) | 58,799 | 29,999 |
| Gross amounts due from customers for contract work | 14,085 | 12,951 |
| Derivative financial instruments (<i>notes 19 and 20</i>) | 15,697 | 3,595 |
| | 659,376 | 441,527 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

- (a) The ageing analysis of trade receivables, all of which are neither individually nor collectively considered to be impaired, is as follows:

| | At 30 June 2012 RMB'000 | At 31 December 2011 RMB'000 |
|--------------------------------------|--|--------------------------------------|
| Current | 2,400 | 268 |
| Less than 1 month overdue | 172 | 166 |
| 1 to less than 3 months overdue | 423 | 128 |
| 3 to less than 6 months overdue | 384 | 128 |
| 6 months to less than 1 year overdue | 525 | 2,562 |
| More than 1 year overdue | 15,146 | 13,709 |
| | 19,050 | 16,961 |

In respect of trade receivables of mortgage sales, no credit terms are granted to the buyers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the properties and provides guarantee to secure repayment obligations of such buyers. The Group's guarantee periods commence from the date of grant of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificates.

If there is default in payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownership of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual property ownership certificates for these buyers until full payments are received. Sales and marketing staffs of the Group are delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

Based on past experience, management believes that no impairment allowance is necessary in respect of the overdue balances. The Group does not hold any collateral over these balances, except for the mortgage loans receivables as set out in note 24.

- (b) At 30 June 2012, included in other receivables is an amount of RMB21,298,000 (31 December 2011: RMB20,000,000) which is unsecured, interest bearing at 13% per annum and recoverable within one year.
- (c) The amount due from a related company of RMB39,015,000 (31 December 2011: RMB39,015,000) in relation to sales of properties to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company in previous years. The amount is unsecured, interest-free and recoverable on demand.

The amount due from a related company of RMB65,675,000 (31 December 2011: RMB Nil) represents the prepaid expected basic return to the trust manager of jointly controlled entities, Bridge Trust Company Limited, according to the cooperation agreements. The amount is unsecured, interest-free and has no fixed terms of repayment.

The amount due from a related company of RMB77,700,000 (31 December 2011: RMB Nil) represents the management fee paid on behalf of the trust manager of jointly controlled entities, Bridge Trust Company Limited. The amount is unsecured, interest-free and has no fixed terms of repayment.

The remaining amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (d) The loan to a related company is secured, interest bearing at 12.25% per annum and has no fixed terms of repayment.
- (e) The amounts due from non-controlling interests included an amount of RMB15,300,000 (31 December 2011: RMB15,300,000), which is secured, interest-free and recoverable within one year, the remaining amounts due from non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.
- (f) The loan to non-controlling interests of RMB29,999,000 (31 December 2011: RMB29,999,000) is unsecured, interest-bearing at 12% per annum and recoverable on demand.

The loan to non-controlling interests of RMB20,000,000 (31 December 2011: RMB Nil) is unsecured, interest bearing at 13.5% per annum and recoverable on 15 May 2013.

The loan to non-controlling interests of RMB8,800,000 (31 December 2011: RMB Nil) is unsecured, interest bearing at 13.5% per annum and has no fixed terms of repayment.

14 DEPOSITS AND PREPAYMENTS

At 30 June 2012, the balance included deposits and prepayments for leasehold land of RMB2,297,040,000 (31 December 2011: RMB1,416,449,000).

15 RESTRICTED BANK DEPOSITS

| | At 30 June 2012 RMB'000 | At 31 December 2011 RMB'000 |
|---|----------------------------------|--------------------------------------|
| Guarantee deposits in respect of: | | |
| – mortgage loans related to properties sale | 192,692 | 174,440 |
| – bills payable (note 18) | 491,469 | 394,423 |
| – bank loans (note 16(b)) | 84,228 | 84,000 |
| | 768,389 | 652,863 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 BANK LOANS

(a) At 30 June 2012, bank loans were repayable as follows:

| | At 30 June 2012 RMB'000 | At 31 December 2011 RMB'000 |
|----------------------------------|--|--------------------------------------|
| Within 1 year or on demand | <u>1,225,840</u> | 1,110,660 |
| After 1 year but within 2 years | 270,360 | 376,000 |
| After 2 years but within 5 years | <u>158,600</u> | 140,000 |
| | <u>428,960</u> | 516,000 |
| | <u>1,654,800</u> | 1,626,660 |

(b) At 30 June 2012, bank loans were secured as follows:

| | At 30 June 2012 RMB'000 | At 31 December 2011 RMB'000 |
|-------------|--|--------------------------------------|
| Bank loans | | |
| — secured | 1,612,800 | 1,327,000 |
| — unsecured | <u>42,000</u> | 299,660 |
| | <u>1,654,800</u> | 1,626,660 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 BANK LOANS (Continued)

(b) (Continued)

At 30 June 2012, assets of the Group secured against bank loans are analysed as follows:

| | At 30 June 2012 RMB'000 | At 31 December 2011 RMB'000 |
|------------------------------------|--|--------------------------------------|
| Properties for sale | 2,299,889 | 2,429,526 |
| Restricted bank deposits (note 15) | 84,228 | 84,000 |
| | <u>2,384,117</u> | <u>2,513,526</u> |

(c) Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain financial ratios of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants, ensures they are up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements.

At 30 June 2012, none of the covenants relating to drawn down facilities had been breached (31 December 2011: none).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

17 OTHER LOANS

(a) At 30 June 2012, other loans were repayable as follows:

| | At 30 June 2012 RMB'000 | At 31 December 2011 RMB'000 |
|----------------------------------|--|--------------------------------------|
| Within 1 year | <u>1,714,350</u> | 1,245,470 |
| After 1 year but within 2 years | 81,000 | 107,700 |
| After 2 years but within 5 years | 47,000 | — |
| | <u>128,000</u> | 107,700 |
| | <u>1,842,350</u> | <u>1,353,170</u> |

(b) At 30 June 2012, other loans were secured as follows:

| | At 30 June 2012 RMB'000 | At 31 December 2011 RMB'000 |
|-------------|--|--------------------------------------|
| Other loans | | |
| — secured | 554,750 | 624,570 |
| — unsecured | 1,287,600 | 728,600 |
| | <u>1,842,350</u> | <u>1,353,170</u> |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

17 OTHER LOANS (Continued)

(b) (Continued)

At 30 June 2012, assets of the Group secured against other loans are analysed as follows:

| | At 30 June 2012 RMB'000 | At 31 December 2011 RMB'000 |
|-----------------------|--|--------------------------------------|
| Properties for sales | 537,201 | 394,622 |
| Investment properties | — | 106,200 |
| | 537,201 | 500,822 |

Apart from the above, secured other loans with carrying amount of RMB25,000,000 (31 December 2011: RMB25,000,000) were pledged by future lease income of certain properties held by the Group. The expected future lease income was RMB120,781,000 (31 December 2011: RMB124,877,000) at 30 June 2012.

18 TRADE AND OTHER PAYABLES AND ACCRUALS

| | At 30 June 2012 RMB'000 | At 31 December 2011 RMB'000 |
|---|--|--------------------------------------|
| Bill payables (note 15) | 491,469 | 394,423 |
| Trade payables (note (a)) | 2,190,162 | 1,926,937 |
| Other payables and accruals | 668,967 | 846,129 |
| Amounts due to jointly controlled entities (note (b)) | 2,158,186 | 1,587,617 |
| Amounts due to related companies (note (b)) | 29 | 29 |
| Amounts due to non-controlling interests (note (b)) | 168,040 | 190,501 |
| Loan from non-controlling interests (note (c)) | 59,800 | — |
| Derivative financial instruments (notes 19 and 20) | 110,545 | 132,959 |
| | 5,847,198 | 5,078,595 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

(a) The ageing analysis of trade payables is set out as follows:

| | At 30 June 2012 RMB'000 | At 31 December 2011 RMB'000 |
|---------------------------------|----------------------------------|--------------------------------------|
| Due within 1 month or on demand | 1,896,572 | 1,689,978 |
| Due after 1 year | 293,590 | 236,959 |
| | <u>2,190,162</u> | <u>1,926,937</u> |

(b) The amounts due to jointly controlled entities, related companies and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

(c) The loan from non-controlling interests is unsecured, interest bearing at 12% per annum and has no fixed terms of repayment.

19 CONVERTIBLE BONDS

On 31 August 2009, the Company issued unsecured convertible bonds with principal amount of HK\$765,000,000 due 2014 and 76,097,561 warrants. The convertible bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds is 31 August 2014. The convertible bonds can be converted to shares of the Company at HK\$3.1 per share, subject to anti-dilutive adjustment, from 28 February 2010 to 31 August 2014.

Detachable from the convertible bonds, each warrant may be exercised from the date of issue up to 31 August 2014 at the exercise price of HK\$4.1 per share, subject to anti-dilutive adjustment. Both the conversion option of the convertible bonds and the warrants are classified as equity financial instruments.

In addition to the above, the Company may early redeem all the convertible bonds from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date, provided that the closing price of the shares of the Company for each of the thirty consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by the Company, is at least 130% of the conversion price of HK\$3.1 per share. If the Company early redeems the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 CONVERTIBLE BONDS (Continued)

The holders of the convertible bonds can require the Company to early redeem all the convertible bonds at any time from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date. If the Company is required to early redeem the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The redemption call and redemption put options are separately accounted for as derivative financial instruments and their fair value is remeasured at the end of each reporting period.

As a result of the rights issue of the Company on 28 June 2011, the conversion price of the convertible bonds and the exercise price of the warrants were adjusted to HK\$2.984 and HK\$3.947 respectively.

20 SENIOR NOTES

- (a) On 20 October 2010, the Company issued senior notes with principal amount of US\$300,000,000 due in 2015. The senior notes are interest bearing at 12.25% per annum and payable semi-annually in arrears. The maturity date of the senior notes is 20 October 2015. On or after 20 October 2013, the Company may at its option redeem the senior notes, in whole or in part, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

The Company had breached certain covenants (“Defaults”) under the indenture of its 12.25% senior notes due 2015 (“Indenture”). The liability component of senior notes of RMB1,849,885,000 has been re-classified as a current liability in the financial statements at 31 December 2011.

Pursuant to the announcement dated 7 March 2012, the Company intends to solicit consents (“Consents”) from the holders of senior notes (“Holders”) to certain proposed amendments and waivers of the Defaults (together referred to as “the Proposals”). The consent solicitations have been circulated to each of the Holders on the same date. The principal purposes of the consent solicitation are to obtain validly delivered and not validly revoked Consents from Holders of not less than a majority in aggregate principal amount of the outstanding senior notes to the Proposals.

By 5:00 p.m., 16 March 2012 (New York City time), the Company had obtained Consents from Holders of not less than a majority in aggregate principal amount of the outstanding senior notes to the Proposals, and the maturity date of the senior notes remains unchanged as if there would have been no Defaults.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 SENIOR NOTES (Continued)

- (b) On 11 April 2012, the Company issued another senior notes with principal amount of SGD175,000,000 due in 2016. The senior notes are interest bearing at 10.75% per annum and payable semi-annually in arrears. The maturity date of the senior notes is 18 April 2016. At any time prior to 18 April 2016, the Company may at its option redeem the senior notes, in whole but not in part, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

21 EQUITY SETTLED SHARE-BASED TRANSACTION

(a) Pre-IPO share option scheme

On 14 May 2008, the Company conditionally granted pre-IPO share options to the Company's directors, employees and consultants. The exercise of these share options would entitle the Company's directors and employees and consultants of the Group to subscribe for an aggregate of 14,350,000 shares and 17,650,000 shares of the Company respectively. The exercise price is HK\$2.75 per share. The pre-IPO share option scheme was effective from the listing date of the Company's share on the Stock Exchange, i.e. 6 June 2008. Under the pre-IPO share option scheme, no pre-IPO share options are exercisable within the first year from the listing date. Not more than 20% of the share options are exercisable within the second year from the listing date and not more than 40% of the share options are exercisable in each of the third and fourth year from the listing date. Each option gives the holders the right to subscribe for one ordinary share of the Company.

On 28 June 2011, upon the right issue of the Company, the exercise price of pre-IPO share options was adjusted to HK\$2.682 and the number of outstanding share options was adjusted from 28,150,000 to 28,859,380.

(b) Share options granted on 25 May 2010

On 25 May 2010, the Company conditionally granted share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK\$1.9 per share. Under the share option scheme, no share options are exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

21 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(b) Share options granted on 25 May 2010 (Continued)

On 28 June 2011, upon the rights issue of the Company, the exercise price of share options granted on 25 May 2010 was adjusted to HK\$1.853 and the number of outstanding share options was adjusted from 20,000,000 to 20,504,000.

(c) Share options granted on 25 July 2011

On 25 July 2011, the Company conditionally granted certain share options to the Company's employees. The exercise of these share options would entitle the employees of the Group to subscribe for an aggregate of 12,500,000 shares of the Company. The exercise price is HK\$2.16 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

(d) The number and the weighted average exercise price of share options are as follows:

| | At 30 June 2012 | |
|--------------------------|------------------------|-------------------|
| | Exercise price HK\$ | Number of options |
| Outstanding at 1 January | 2.32 | 57,697,860 |
| Lapsed during the period | 2.49 | (4,063,000) |
| Outstanding | 2.31 | <u>53,634,860</u> |
| Exercisable | 2.44 | <u>36,958,460</u> |

No options were exercised during the six months ended 30 June 2012 (six months ended 30 June 2011: none).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Issue of shares upon rights issue

On 28 June 2011, the Company issued 428,000,000 shares of HK\$0.1 each by way of a rights issue in the proportion of 21.4 rights shares for every 100 ordinary shares at a subscription price of HK\$1.71 per rights share. These newly issued shares rank equally in all respects with the existing shares. The net proceeds from the rights issue amounted to HK\$718,171,000 (equivalent to RMB596,487,000).

(b) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the interim period:

| | Six months ended 30 June | |
|--|---------------------------------|---------|
| | 2012 | 2011 |
| | RMB'000 | RMB'000 |
| Interim dividend proposed after the interim period of HK\$4.5 cents (equivalent to RMB3.7 cents) per ordinary share (six months ended 30 June 2011: RMB Nil) | <u>90,000</u> | — |

The interim dividend proposed after interim period has not been recognised as a liability at the end of the reporting period.

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

| | Six months ended 30 June | |
|--|---------------------------------|---------|
| | 2012 | 2011 |
| | RMB'000 | RMB'000 |
| Final dividend in respect of the previous financial year, approved and paid during the period, of HK\$10.0 cents (equivalent to RMB8.21 cents) per ordinary share (for the year ended 31 December 2011: HK\$9.7 cents (equivalents to RMB8.13 cents) per ordinary share) | <u>199,343</u> | 162,615 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

23 COMMITMENTS

Capital commitments outstanding at 30 June 2012 not provided for in the interim financial report are as follows:

| | At 30 June 2012 RMB'000 | At 31 December 2011 RMB'000 |
|-----------------------------------|--|--------------------------------------|
| Authorised but not contracted for | 15,255,858 | 14,921,680 |
| Contracted but not provided for | 1,254,338 | 1,277,718 |
| | 16,510,196 | 16,199,398 |

Capital commitments mainly related to land and development costs for the Group's properties under development and other investments.

| | At 30 June 2012 RMB'000 | At 31 December 2011 RMB'000 |
|--|--|--------------------------------------|
| Properties under development undertaken by jointly controlled entities attributable to the Group | | |
| Authorised but not contracted for | 853,560 | 916,866 |
| Contracted but not provided for | 242,653 | 185,658 |
| | 1,096,213 | 1,102,524 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

24 CONTINGENT LIABILITIES

The Group provides guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's guarantee period commences from the date of grant of the relevant mortgage loans and ends after the buyers obtain the individual property ownership certificates of the properties purchased. The amount of guarantees given to banks for mortgage facilities granted to the buyers of the Group's properties at 30 June 2012 is as follows:

| | At 30 June 2012 RMB'000 | At 31 December 2011 RMB'000 |
|---|----------------------------------|--------------------------------------|
| Guarantees given to banks for mortgage facilities granted to buyers of the Group's properties | <u>4,697,917</u> | <u>4,697,633</u> |

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi Yuan unless otherwise indicated)

25 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, major related party transactions entered by the Group during the six months ended 30 June 2012 are as follows:

| | Note | Six months ended 30 June | |
|--|------|--------------------------|-----------------|
| | | 2012 RMB'000 | 2011 RMB'000 |
| Interest income from jointly controlled entities | (a) | 22,997 | 14,617 |
| Interest income from non-controlling interests | (a) | 5,084 | — |
| Interest income from related parties | (a) | 6,125 | — |
| Project management fee income from jointly controlled entities | (b) | 5,000 | — |
| Interest expenses to non-controlling interests | (c) | (1,810) | — |
| Interest expenses to jointly controlled entities | (c) | (20,676) | (5,831) |
| Management fee to trust manager of jointly controlled entity | (d) | (7,163) | — |
| Directors' remuneration | (e) | (7,645) | (8,699) |

Notes:

- (a) The amount represents interest income in relation to advances to jointly controlled entities, non-controlling interests and related parties.
- (b) The amount represents project management fee received from jointly controlled entities for the management of property development projects during the period.
- (c) The amount represents interest expenses in relation to loans from non-controlling interests and jointly controlled entities.
- (d) The amount represents trust management fee paid to the trust manager of jointly controlled entity, Bridge Trust Company Limited, during the period.
- (e) The Directors' remuneration during the period are as follows:

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2012 RMB'000 | 2011 RMB'000 |
| Directors' fees | 321 | 488 |
| Salary and other emoluments | 6,948 | 6,808 |
| Contribution to retirement benefit schemes | 46 | 24 |
| Share-based payment | 330 | 1,379 |
| | 7,645 | 8,699 |



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

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 33 to 62 which comprises the consolidated statement of financial position of Central China Real Estate Limited (the “Company”) as at 30 June 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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



**REVIEW REPORT TO THE BOARD OF DIRECTORS OF
CENTRAL CHINA REAL ESTATE LIMITED (CONTINUED)**

(Incorporated in the Cayman Islands with limited liability)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2012 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

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

16 August 2012