



CHINA SCE PROPERTY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1966.HK

We Build to Inspire



Interim Report 2013

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CORPORATE PROFILE

China SCE Property Holdings Limited (“China SCE Property” or the “Company”) and its subsidiaries (collectively, the “Group”) were established in 1996 and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) in February 2010 (Stock Code: 1966). The Group’s major businesses include investment holding, real estate development, property investment and property management. The Company upholds “We Build to Inspire” (專築您的感動) as its corporate mission, strives to satisfy customers’ needs and pursues excellence in product quality. After many years of development, the Company has established a good brand image in the industry and was granted the honours of “Top 100 Real Estate Enterprises in China” (中國房地產百強企業) for six consecutive years.

China SCE Property is headquartered in Xiamen as its development base for carrying out its national development strategy of “firming its foothold in the West Taiwan Strait Economic Zone; expanding into the Bohai Rim Economic Zone; and paying attention to the Pearl River Delta Economic Zone”. As at 30 June 2013, the Group owned a land bank with aggregate planned gross floor area of approximately 10 million sq.m., distributed over Quanzhou (including Shishi, Jinjiang and Nan’an), Xiamen, Zhangzhou, Longyan, Nanchang, Shenzhen, Beijing, Langfang, Tangshan, An’shan and Linfen, etc.

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



Quanzhou • Fortune Plaza • World City

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Fung Ka Pun (resigned on 6 January 2013)

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Li Siu Po

AUTHORISED REPRESENTATIVES

Mr. Wong Chiu Yeung
Mr. Li Siu Po

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Wong Chiu Yeung (*Chairman*)
Mr. Lu Hong Te
Mr. Dai Yiyi

CORPORATE GOVERNANCE COMMITTEE

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

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS

Chiu & Partners (As to Hong Kong Law)

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

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

CORPORATE INFORMATION

PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

INVESTOR RELATIONS

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STOCK CODE

The Stock Exchange of Hong Kong Limited: 1966.HK

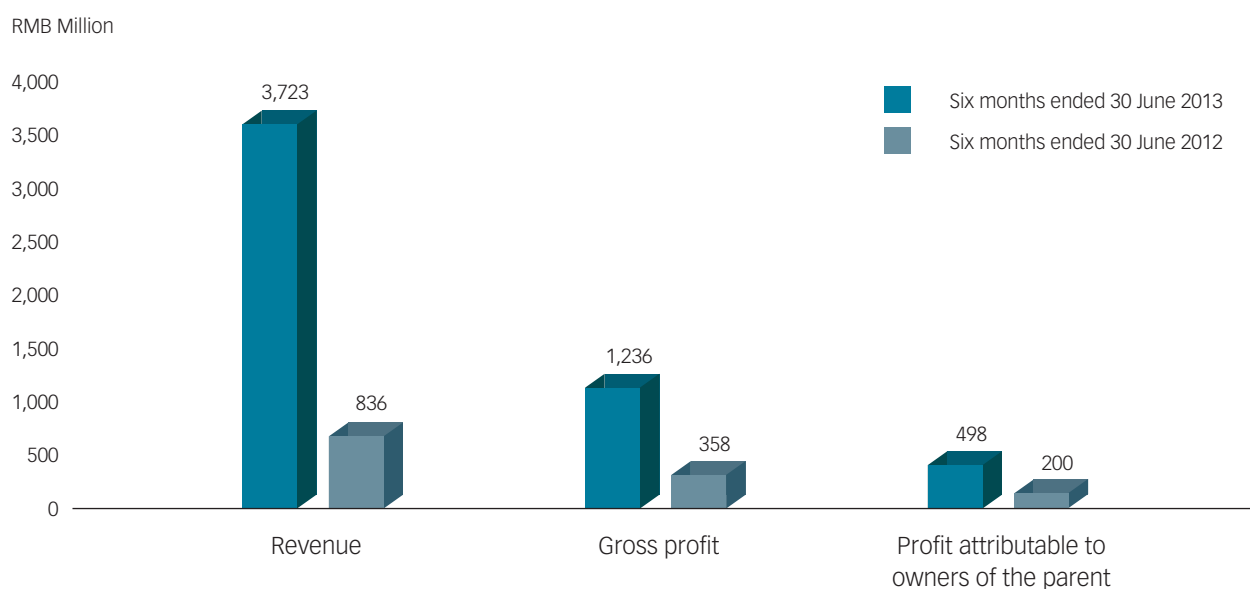
COMPANY WEBSITE

www.sce-re.com

FINANCIAL HIGHLIGHTS

SUMMARY OF RESULTS

| | For the six months ended 30 June | | |
|---------------------------|----------------------------------|--------------------------------|---------------|
| | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 | Change (%) |
| Revenue | 3,722,512 | 836,470 | 345.0 |
| Gross profit | 1,235,819 | 357,544 | 245.6 |
| Profit before tax | 1,123,031 | 462,285 | 142.9 |
| Income tax expense | (516,099) | (163,730) | 215.2 |
| Profit for the period | 606,932 | 298,555 | 103.3 |
| Profit attributable to: | | | |
| Owners of the parent | 498,310 | 199,849 | 149.3 |
| Non-controlling interests | 108,622 | 98,706 | 10.0 |
| | 606,932 | 298,555 | 103.3 |
| Earnings per share | | | |
| Basic | RMB17.5 cents | RMB7.0 cents | 149.3 |



FINANCIAL HIGHLIGHTS

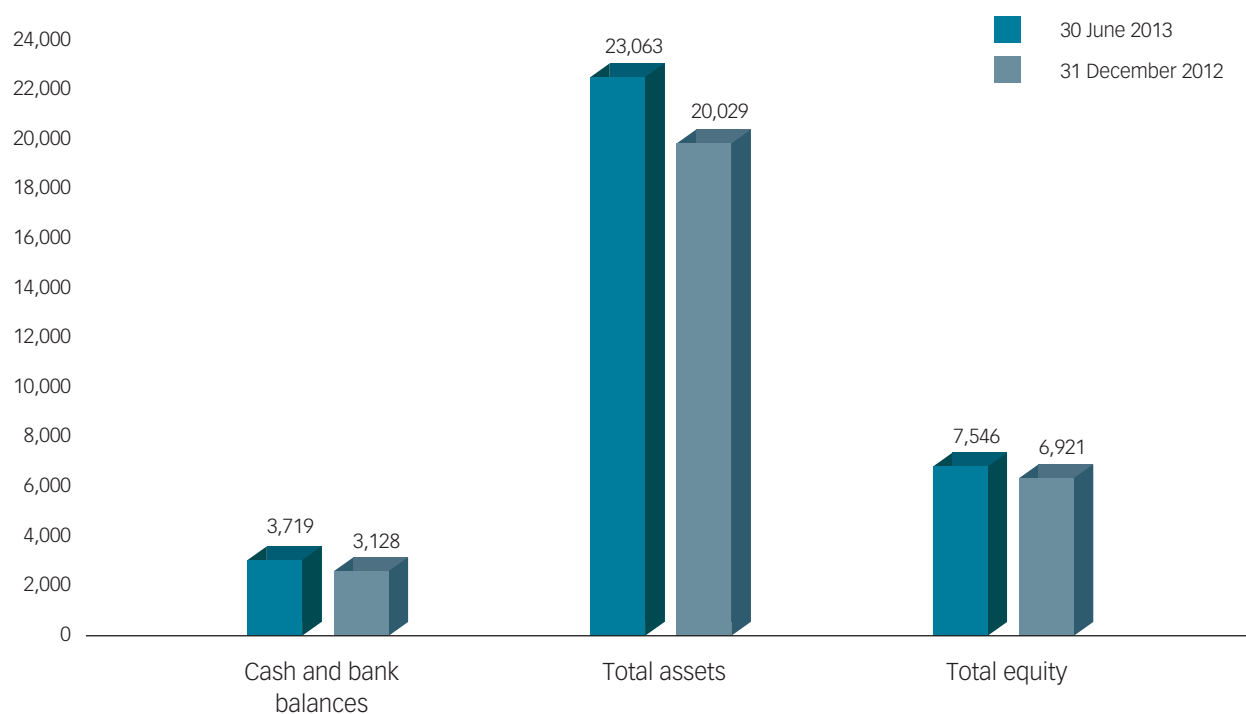
REVENUE ANALYSIS

| | For the six months ended 30 June | | |
|--------------------------|----------------------------------|--------------------------------|---------------|
| | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 | Change (%) |
| Sale of properties | 3,651,008 | 791,507 | 361.3 |
| Gross rental income | 36,275 | 26,038 | 39.3 |
| Property management fees | 35,229 | 18,925 | 86.2 |
| Total | 3,722,512 | 836,470 | 345.0 |

FINANCIAL POSITION

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 | Change (%) |
|-------------------|---|---|---------------|
| | Cash and bank balances | 3,718,874 | |
| Total assets | 23,063,093 | 20,028,730 | 15.2 |
| Total liabilities | (15,516,803) | (13,107,846) | 18.4 |
| Total equity | 7,546,290 | 6,920,884 | 9.0 |

RMB Million



MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2013.

MARKET REVIEW

The first half of 2013 saw a rather restless real estate market in China. In February, the State Council issued “New National Five Measures”, reiterating its will to regulate and control the country’s real estate market. The new central government also expressed its unwavering determination to regulate the real estate market. Subsequently, local governments successively worked out details of regulation. The implementation of these policies and detailed rules intend to curb house purchases for speculation and investment, stabilize prices and satisfy reasonable housing needs through house purchase restrictions, differential housing credits and taxation policies and other measures.

Despite these macro-control measures and detailed rules introduced by governments at all levels, China’s real estate market presented a significant overall upward trend in the first half of 2013. Data of the National Bureau of Statistics of China showed that in the first half of 2013, investment in China’s real estate development fully rebounded and recorded a nation-wide total investment of approximately RMB3.6828 trillion and investment in residential houses of approximately RMB2.5227 trillion for the period, representing an increase of approximately 20.3% and 20.8% respectively compared with the same period last year. After the adjustment in the first quarter of 2012, national housing turnover continued the upward trend. In the first half of 2013, sales of commodity housing amounted to approximately RMB3.3376 trillion, representing a sharp increase of approximately 43.2% over the same period last year; especially, the sales amount of commodity residential houses jumped by approximately 46.0%. In general, the strong sales momentum fueled rising residential housing prices. Meanwhile, regarding the land market, developers were enthusiastic about land acquisition and “Land Kings” appeared one after another.

Despite continued policy regulations, both the trading volume and price of the real estate market continued its upward trend. Such a contradiction added many uncertainties to China’s real estate market. This requires developers to judge the market trend more cautiously and advance step by step.

However, the complex industry environment has not disrupted the Group’s development pace. In the first half of 2013, the Group recorded satisfactory performances through the joint efforts of all staff. Set out below is the Group’s operations in the period under review and the outlook for the future.

BUSINESS OVERVIEW

Property Sales

Ever since 2012, supported by sufficient funds and guaranteed product quality, the Group has accelerated its pace of project development. Meanwhile, the Group, in line with changes in market demand, timely adjusted its product structure and appropriately increased the proportion of rigid demand products with high turnover in the product mix. All these measures have cemented a substantial growth in both revenue recognition and contracted sales amount for the Group. In the period under review, the Group recognized delivered area of 454,293 sq.m. and revenue from property sales of approximately RMB3,651,008,000, representing a substantial year-on-year growth of approximately 3.8 times and 3.6 times, respectively.



Quanzhou • Fortune Plaza • Royal Terrace

MANAGEMENT DISCUSSION AND ANALYSIS

Benefiting from reasonable marketing plans and effective sales strategies, the Group's contracted sales amount hit a new record high in the period under review. For the six months ended 30 June 2013, the Group and its jointly-controlled entities realized a contracted sales area of 409,754 sq.m. (including contracted sales area of 51,003 sq.m. from jointly-controlled entities) and contracted sales amount of approximately RMB5.155 billion (including contracted sales amount of approximately RMB603 million from jointly-controlled entities), jumping by approximately 69% and 150%, respectively. The average unit selling price was approximately RMB12,581 per sq.m. The first half of 2013 fulfilled approximately 69% of the whole year's sales target of RMB7.5 billion.

During the period under review, the Group had a total of 14 projects under sales, three of which were newly launched, namely, The Prestige in Xiamen, Sapphire Boomtown Phase 2 in Zhangzhou and The Regent in Quanzhou. Property sales distribution by city during the period under review is set out as follows:

| City | Contracted Sales Area (sq.m.) | Contracted Sales Amount (RMB Million) |
|--------------|-------------------------------------|---|
| Quanzhou | 242,068 | 2,179 |
| Xiamen | 117,195 | 2,616 |
| Zhangzhou | 44,434 | 278 |
| Others | 6,057 | 82 |
| Total | 409,754 | 5,155 |



Xiamen • The Prestige

MANAGEMENT DISCUSSION AND ANALYSIS

Property Development

In the first half of 2013, the Group's construction work of different projects progressed smoothly. As at 30 June 2013, the Group had nine projects under development, with an aggregate planned gross floor area ("GFA") of approximately 1.48 million sq.m. (including approximately 167,000 sq.m. of an investment property under development). Details of properties under development are as follows:

| Name of Project | City | Type of Property | Percentage of Interest Attributable to the Group (%) | Total Planned GFA (sq.m.) |
|---|-----------|--|--|---------------------------|
| Fortune Plaza • World City | Quanzhou | Commercial | 58 | 301,460 |
| The Regent | Quanzhou | Residential and commercial | 34 | 256,196 |
| Portion A of Gold Coast Phase 1 (high-rise portion) | Quanzhou | Residential, commercial and tourism related integrated development | 45 | 83,828 |
| Sunshine Town Phase 2 | Quanzhou | Residential and commercial | 100 | 220,229 |
| Sunshine City | Xiamen | Residential and commercial | 100 | 143,000 |
| The Prestige | Xiamen | Residential | 65 | 89,244 |
| Sapphire Boomtown Phase 2 | Zhangzhou | Residential and commercial | 100 | 163,033 |
| Royal Spring City • Spring Villa | An'shan | Residential and commercial | 70 | 168,729 |
| SCE International Community Phase 2 | Linfen | Residential and commercial | 100 | 55,674 |
| Total | | | | 1,481,393 |



Xiamen • The Prestige

MANAGEMENT DISCUSSION AND ANALYSIS



Quanzhou • Fortune Plaza • Royal Terrace



Zhangzhou • Sapphire Boomtown

Land Bank

We continued our prudent strategy in land bank expansion, i.e., striking a balance between risk control and active, steady expansion. During the period under review, we acquired land parcels through acquisitions and bidding in Quanzhou and Zhangzhou of Fujian Province, and Nanchang of Jiangxi Province with an aggregate planned GFA of approximately 1.74 million sq.m. (planned GFA attributable to the Group of approximately 1.2 million sq.m.) for a total consideration of approximately RMB2.324 billion (consideration attributable to the Group of approximately RMB1.723 billion), with average land cost of approximately RMB1,333 per sq.m. Wherein, the successful bidding for land located in Nanchang represented a milestone step in our expansion into Jiangxi Province and the pan-West Taiwan Strait Economic Zone.

As at 30 June 2013, the Group owned a land bank with an aggregate planned GFA of approximately 10 million sq.m. (planned GFA attributable to the Group of approximately 6.9 million sq.m.).

MANAGEMENT DISCUSSION AND ANALYSIS

In respect of project development progress, in addition to the above-mentioned properties under development of approximately 1.48 million sq.m., the Group's land bank also includes approximately 84,000 sq.m. of completed investment properties, approximately 410,000 sq.m. of completed properties held for sale, planned GFA of approximately 160,000 sq.m. under signed framework agreement and planned GFA of approximately 7.87 million sq.m. of properties held for future development. Details of the properties held for future development as at 30 June 2013 are set out as follows:

| Name of Project | City | Type of Property | Percentage of Interest Attributable to the Group (%) | Total Planned GFA (sq.m.) |
|--|-----------|--|--|---------------------------|
| Fortune Plaza Phases 4 & 5 | Quanzhou | Residential, commercial, office and hotel | 58 | 500,785 |
| Portion B of Gold Coast Phase 1, Phases 2 & 3 | Quanzhou | Residential, commercial and tourism related integrated development | 45 | 1,095,608 |
| International Finance Center | Quanzhou | Commercial | 34 | 148,804 |
| Nan'an World City | Quanzhou | Residential and commercial | 80 | 660,000 |
| SCE Mall | Quanzhou | Residential and commercial | 60 | 297,529 |
| Sunshine City | Quanzhou | Residential and commercial | 100 | 137,902 |
| The Prestige | Quanzhou | Residential and commercial | 100 | 111,972 |
| SCE Plaza | Quanzhou | Residential, commercial and office | 51 | 370,115 |
| Sunshine Park | Quanzhou | Residential and commercial | 51 | 232,643 |
| Licheng Project | Quanzhou | Residential and commercial | 60 | 290,000 |
| Sapphire Boomtown Phases 3 & 4 | Zhangzhou | Residential and commercial | 100 | 208,688 |
| Sunshine City | Zhangzhou | Residential and commercial | 70 | 429,316 |
| Sapphire Boomtown | Longyan | Residential | 100 | 267,240 |
| Sapphire Boomtown | Nanchang | Residential and commercial | 100 | 310,000 |
| Sunshine City Phase 1 | Shenzhen | Residential and commercial | 63 | 268,331 |
| Beijing Project | Beijing | Office and commercial | 100 | 38,195 |
| Royal Spring City (excluding Phase 1) | An'shan | Residential and commercial | 70 | 1,645,139 |
| SCE International Community (excluding Phases 1 & 2) | Linfen | Residential and commercial | 100 | 430,204 |
| Sapphire Boomtown | Langfang | Residential and commercial | 55 | 424,777 |
| Total | | | | 7,867,248 |

From a geographic distribution perspective, the Group owned 29 projects spanning across 14 cities. Approximately 68% of the Group's land bank was located in the West Taiwan Strait Economic Zone, approximately 28% in the Bohai Rim Economic Zone, and the remaining 4% in Shenzhen in the Pearl River Delta Economic Zone.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Strategy

The Group is committed to maintaining a sound financial condition, sufficient cash flows and a healthy level of indebtedness. Since getting listed in 2010, the Group has been actively utilizing international capital platforms to enrich its financial basis. During the period under review, we successfully issued additional senior notes of US\$150 million at a coupon rate of 11.5% due 2017 to institutional investors in January 2013. The issuance price was 108% of the principal amount of the senior notes, and the actual yield was approximately 9.4%. The above-mentioned senior notes and the senior notes of US\$200 million with a coupon rate of 11.5% issued in November 2012 are consolidated and formed a single series of senior notes (collectively, the “2012 Senior Notes”). Such overseas financing can well support the further development of businesses of the Group.

OUTLOOK

Despite the ongoing impact of policy factors on the real estate market, we are cautiously optimistic about China’s real estate market in the second half of 2013. We believe that rigid housing demand will still be prominent in the foreseeable long term attributable to China’s fast urbanization. In addition, as people’s living standards improve, the demand for improved housing will be more evident. So we believe that China’s real estate market will experience a rigid demand release process spanning a relatively long period of time.

In the second half of 2013, the Group will continue to implement prudent financial strategies, capture market opportunities and steadily expand various businesses.

Project Development

Projects Planned for Pre-Sale

In the second half of 2013, the Group will launch seven new projects to the market, namely, Fortune Plaza • Marina Bay, Sunshine Town Phase 2, Sunshine City, SCE Mall and The Prestige in Quanzhou, Sapphire Boomtown in Longyan, and SCE International Community Phase 2 in Linfen. Together with the unsold part of the launched projects, the Group will have a total area of approximately 900,000 sq.m. available for sale in the second half of 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Projects Planned for Commencement

Based on the current project progress, the Group expects to kick off nine projects with a total planned GFA of approximately 1.96 million sq.m. in the second half of 2013, details of which are set out as follows:

| Name of Project | City | Type of Property | Percentage of Interest Attributable to the Group (%) | Total Planned GFA (sq.m.) |
|---------------------------------|----------|--|--|---------------------------|
| Portion B of Gold Coast Phase 1 | Quanzhou | Residential, commercial and tourism related integrated development | 45 | 193,008 |
| Fortune Plaza • Marina Bay | Quanzhou | Residential and commercial | 58 | 233,151 |
| SCE Mall | Quanzhou | Residential and commercial | 60 | 297,529 |
| Sunshine City | Quanzhou | Residential and commercial | 100 | 137,902 |
| The Prestige | Quanzhou | Residential and commercial | 100 | 111,972 |
| Parkview Bay | Quanzhou | Residential and commercial | 80 | 215,332 |
| Sunshine Park | Quanzhou | Residential and commercial | 51 | 232,643 |
| Sapphire Boomtown | Longyan | Residential | 100 | 267,240 |
| Sunshine City Phase 1 | Shenzhen | Residential and commercial | 63 | 268,331 |
| Total | | | | 1,957,108 |



Longyan • Sapphire Boomtown



Quanzhou • The Prestige

MANAGEMENT DISCUSSION AND ANALYSIS

Properties Planned for Completion

Properties of approximately 1.17 million sq.m. (including approximately 174,000 sq.m. of investment properties) will be completed in the full year of 2013, details of which are set out as follows:

| Name of Project | City | Type of Property | Percentage of Interest Attributable to the Group (%) | Total Planned GFA (sq.m.) |
|---|----------|--|--|---------------------------|
| Portion A of Gold Coast Phase 1 (low-rise portion) | Quanzhou | Residential, commercial and tourism related integrated development | 45 | 34,232 |
| Fortune Plaza • World City (shopping mall and pedestrian-walkway shops) | Quanzhou | Commercial | 58 | 182,188 |
| Fortune Plaza • Royal Terrace (high-rise portion) | Quanzhou | Residential | 58 | 202,129 |
| Sapphire Peninsula | Quanzhou | Residential and commercial | 100 | 267,676 |
| Sunshine Mansion Phase 2 | Quanzhou | Residential and commercial | 80 | 172,156 |
| Sunshine City | Xiamen | Residential and commercial | 100 | 143,000 |
| Royal Spring City • Spring Villa | An'shan | Residential and commercial | 70 | 168,729 |
| Total | | | | 1,170,110 |

Based on current construction progress and pre-sale status of various projects, it is estimated that the recognized revenue and delivered area will grow substantially in 2013 when compared to that of 2012.

Business Strategy

Currently, our national development strategy of “firming its foothold in the West Taiwan Strait Economic Zone, expanding into the Bohai Rim Economic Zone and paying attention to the Pearl River Delta Economic Zone” will not be altered in the foreseeable future. The West Taiwan Strait Economic Zone will still be our priority for development. In the coming years, we will continue to tap our geographic advantages in Fujian Province while actively seeking market opportunities in other parts of Fujian Province outside Southern Fujian, to further expand our market share in Fujian Province.

For areas outside the West Taiwan Strait Economic Zone, we will actively explore opportunities in first-tier and second-tier cities as well as provincial capitals as these cities boast outstanding market potential and development prospects with their relatively robust economic growth, growing population, and the increasingly higher purchasing power of residents. We believe that development in these cities will help us comprehensively enhance our brand recognition and effectively disperse risks of future development.



Quanzhou • Gold Coast

MANAGEMENT DISCUSSION AND ANALYSIS

As to product strategy, we are actively adjusting our product mix in accordance with market changes, and will build more products for rigid demands and improved housing demands, to achieve faster turnaround amidst the harsh industry environment.

Meanwhile, we will continue to shape our brand image with the pursuit of high quality products, which we believe is the basis to form brand awareness, improve profitability and enhance risk resistant capabilities. We are devoted to building high-quality products catering for customer needs; this is our long-term pursuit and the representation of our corporate mission “We Build to Inspire”. Currently, the Group has earned a good word of mouth reputation in the West Taiwan Strait Economic Zone, with obvious regional comparative advantages. Within the next few years, we will strive to cement high brand awareness in our regions of operation.

As a sure-footed developer, we will cautiously evaluate market changes and trends, actively seek business development opportunities and do our best to maximize the interests of our customers, shareholders and investors.

FINANCIAL REVIEW

Revenue

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

The revenue increased significantly by approximately 3.5 times from approximately RMB836,470,000 in the first half of 2012 to approximately RMB3,722,512,000 in the first half of 2013, which was attributable to the significant increase in property sales income.

- **Sale of properties**

Income from property sales increased significantly by approximately 3.6 times from approximately RMB791,507,000 in the first half of 2012 to approximately RMB3,651,008,000 in the first half of 2013, which was mainly due to the significant increase in delivered area of approximately 3.8 times from approximately 94,228 sq.m. in the first half of 2012 to approximately 454,293 sq.m. in the first half of 2013, despite the decrease in average unit selling price from approximately RMB8,400 per sq.m. in the first half of 2012 to approximately RMB8,037 per sq.m. in the first half of 2013.

- **Rental income**

Rental income increased by approximately 39.3% from approximately RMB26,038,000 in the first half of 2012 to approximately RMB36,275,000 in the first half of 2013, which was mainly attributable to the increase in rental income from the shopping mall of World City in Beijing.

- **Property management income**

Property management income increased by approximately 86.2% from approximately RMB18,925,000 in the first half of 2012 to approximately RMB35,229,000 in the first half of 2013, which was mainly attributable to the increase in number and floor area of properties under management.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales increased significantly by approximately 4.2 times from approximately RMB478,926,000 in the first half of 2012 to approximately RMB2,486,693,000 in the first half of 2013. The significant increase in cost of sales was mainly attributable to the significant increase in the delivery of completed projects.

Gross Profit

Gross profit increased significantly by approximately 2.5 times from approximately RMB357,544,000 in the first half of 2012 to approximately RMB1,235,819,000 in the first half of 2013. Gross profit margin decreased from approximately 42.7% in the first half of 2012 to approximately 33.2% in the first half of 2013. The decrease in gross profit margin was attributable to higher proportion of mid-end products with relatively lower gross profit margin was delivered during the period.

Changes in Fair Value of Investment Properties

The fair value gains of investment properties decreased by approximately 23.0% from approximately RMB264,346,000 in the first half of 2012 to approximately RMB203,484,000 in the first half of 2013. The fair value gains of investment properties mainly represented the appreciation in value of the shopping malls of Fortune Plaza • World City in Quanzhou and World City in Beijing.

Selling and Marketing Expenses

Selling and marketing expenses increased significantly by approximately 1.2 times from approximately RMB31,211,000 in the first half of 2012 to approximately RMB69,064,000 in the first half of 2013. The significant increase in selling and marketing expenses was mainly attributable to the significant increase in the contracted sales amount from projects newly launched for pre-sale.

Administrative Expenses

Administrative expenses increased by approximately 17.8% from approximately RMB114,670,000 in the first half of 2012 to approximately RMB135,086,000 in the first half of 2013. The increase in administrative expenses was mainly attributable to the increase in administrative staff costs due to employment of additional management personnel and operating expenses to cope with the needs of business expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

Finance costs increased significantly by approximately 3.7 times from approximately RMB33,464,000 in the first half of 2012 to approximately RMB158,820,000 in the first half of 2013. Finance costs mainly represented borrowing costs of partial 2012 Senior Notes which have not been capitalized as such proceeds were not used for project developments.

Income Tax Expense

Income tax expense increased significantly by approximately 2.2 times from approximately RMB163,730,000 in the first half of 2012 to approximately RMB516,099,000 in the first half of 2013. The significant increase in income tax expense was mainly due to the significant increase in the delivery of completed projects during the period.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent increased significantly by approximately 1.5 times from approximately RMB199,849,000 in the first half of 2012 to approximately RMB498,310,000 in the first half of 2013, which was mainly attributable to the significant increase in the delivery of completed projects during the period. Earnings per share increased significantly by approximately 1.5 times from RMB7.0 cents in the first half of 2012 to RMB17.5 cents in the first half of 2013.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2013, the Group's cash and bank balances were approximately RMB3,718,874,000 (31 December 2012: approximately RMB3,128,290,000), of which approximately RMB2,674,548,000 (31 December 2012: approximately RMB2,373,094,000) was denominated in RMB, approximately RMB69,872,000 (31 December 2012: approximately RMB15,454,000) was denominated in Hong Kong dollars and approximately RMB974,454,000 (31 December 2012: approximately RMB739,742,000) was denominated in US dollars.

According to the relevant laws and regulations of the PRC, certain property development companies of the Group are required to place certain amounts of cash and bank deposits into designated bank accounts to provide guarantees for the development of the relevant properties. The Group also places certain deposits in banks in the PRC to secure certain loans from banks in Hong Kong and the PRC. As at 30 June 2013, the amount of restricted cash and pledged deposits were approximately RMB230,233,000 (31 December 2012: approximately RMB678,069,000) and approximately RMB155,000,000 (31 December 2012: approximately RMB173,000,000), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings and Pledged Assets

As at 30 June 2013, the balances of the Group's bank and other borrowings and senior notes amounted to approximately RMB4,517,484,000 (31 December 2012: approximately RMB3,760,300,000) and approximately RMB4,157,478,000 (31 December 2012: approximately RMB3,195,049,000), respectively. Of the bank and other borrowings, approximately RMB1,752,321,000 (31 December 2012: approximately RMB2,111,571,000) was repayable within one year, approximately RMB1,484,681,000 (31 December 2012: approximately RMB1,266,898,000) was repayable in the second year and approximately RMB1,280,482,000 (31 December 2012: approximately RMB381,831,000) was repayable within three to five years. The senior notes of RMB2 billion at a coupon rate of 10.5% due 2016 issued by the Company in January 2011 (the "2011 Senior Notes") and the 2012 Senior Notes were for a term of five years and, unless early redeemed, will mature on 14 January 2016 and 14 November 2017, respectively.

As at 30 June 2013, approximately RMB4,517,484,000 (31 December 2012: approximately RMB3,760,300,000) of bank and other borrowings was secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale with a total carrying value of RMB7,512,664,000 (31 December 2012: approximately RMB7,708,590,000), and capital stocks of certain subsidiaries. The 2011 Senior Notes and the 2012 Senior Notes were guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

As at 30 June 2013, except for certain bank loans of approximately RMB388,599,000 (31 December 2012: approximately RMB493,727,000) and the 2012 Senior Notes of approximately RMB2,186,494,000 (31 December 2012: RMB1,228,886,000) which were denominated in Hong Kong dollars and US dollars, respectively, all the Group's bank and other borrowings were denominated in Renminbi. The 2011 Senior Notes were denominated in Renminbi but have been swapped into US dollars by the various cross currency swap contracts entered into by the Group in 2012.

As at 30 June 2013, except for a non-current bank loan of RMB60,000,000 (31 December 2012: Nil) and a current bank loan of RMB34,000,000 (31 December 2012: Nil) bearing interest at fixed interest rate, all the Group's bank loans bear interest at floating interest rate. As at 30 June 2013 and 31 December 2012, other borrowings, the 2011 Senior Notes and 2012 Senior Notes bear interest at fixed interest rate.

Gearing Ratio

The net gearing ratio was calculated by dividing the net amount of borrowings (including bank and other borrowings, the 2011 Senior Notes and the 2012 Senior Notes after deduction of cash and cash equivalents, restricted cash and pledged deposits) by total equity. As at 30 June 2013, the net gearing ratio was 65.7% (31 December 2012: 55.3%).

Exchange Rate Fluctuation Exposures

The majority of the Group's income, expenses, bank deposits and bank and other borrowings are denominated in Renminbi. Save as certain bank deposits, bank loans and the 2012 Senior Notes which were denominated in foreign currencies, exchange rate changes of Renminbi against other currencies will not have a material adverse effect on the operation of the Group. In addition, the Group had entered into various cross currency swap contracts in 2012 in order to manage foreign currency risk arising from retranslation of the 2011 Senior Notes held by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 2013, the Group provided financial guarantees to the banks in respect of the following items:

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|--|---|---|
| Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties | 3,771,889 | 2,877,392 |

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

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|---|---|---|
| Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties | 164,115 | 75,804 |

CAPITAL COMMITMENTS

As at 30 June 2013, the capital commitments of the Group were as follows:

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|--|---|---|
| Contracted, but not provided for: Capital expenditure for properties under development, prepaid land lease payments and construction of investment properties in Mainland China | 5,482,000 | 2,759,219 |

MANAGEMENT DISCUSSION AND ANALYSIS

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

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|--|---|---|
| Contracted, but not provided for: | | |
| Capital expenditure for jointly-controlled entities' properties under development in Mainland China | 43,103 | 54,056 |

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2013, the Group had a total of 1,822 employees (31 December 2012: 1,600 employees). The total cost of employees was approximately RMB64,119,000 (six months ended 30 June 2012: approximately RMB49,812,000). We provide employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

DISCLOSURE OF INTERESTS

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

As at 30 June 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares (the "Shares") of the Company:

| Name of Director | Interest in Shares | | | Percentage of the Company's issued share capital |
|----------------------------------|--------------------|------------------------------------|-----------------------|--|
| | Beneficial Owner | Interest of controlled corporation | Number of Shares held | |
| Mr. Wong Chiu Yeung ("Mr. Wong") | 1,000,000 | 1,640,000,000 (Note 1) | 1,641,000,000 | 57.5% |
| Mr. Chen Yuanlai ("Mr. Chen") | – | 120,000,000 (Note 2) | 120,000,000 | 4.2% |
| Mr. Cheng Hiu Lok ("Mr. Cheng") | – | 120,000,000 (Note 3) | 120,000,000 | 4.2% |

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

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

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

Save as disclosed above, as at 30 June 2013, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS

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

As at 30 June 2013, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions:

| Name | Capacity and nature of interest | Number of ordinary Shares held | Percentage of the Company's issued share capital |
|--------------|---------------------------------|--------------------------------|--|
| Newup (Note) | Beneficial owner | 1,640,000,000 | 57.5% |

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

Save as disclosed above, as at 30 June 2013, no person, other than a Director or chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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

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

During the six months ended 30 June 2013, no share options were granted, exercised or cancelled by the Company under the Scheme. There were no outstanding share options under the Scheme as at 30 June 2013.

OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company firmly believes that insisting on a high standard of corporate governance facilitates the maintenance of high efficiency of senior management as well as protecting the interests of the Company and its shareholders. Therefore the Company strives to develop and implement effective corporate governance code provisions and practices to enhance the operational efficiency of the Company. During the six months ended 30 June 2013, the Company and the Board had been in compliance with the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing Securities on the Hong Kong Stock Exchange (the "Listing Rules"), save as disclosed below.

Under Rule A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the period, Mr. Wong Chiu Yeung performed his duties as the chairman and the chief executive officer of the Company. The Board believes that serving by the same individual as chairman and chief executive officer during the stage of rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company.

AUDIT COMMITTEE

The Company established an Audit Committee (the "Audit Committee") on 6 January 2010 in compliance with Rule 3.21 of the Listing Rules. As required, the Audit Committee comprises three independent non-executive Directors, with Mr. Ting Leung Huel Stephen as the chairman. The other two members are Mr. Lu Hong Te and Mr. Dai Yiyi. Mr. Ting Leung Huel Stephen, the chairman of the Audit Committee, has considerable experience in accounting and financial management, which is in line with the requirement of Rule 3.10(2) of the Listing Rules.

During the period under review, the Audit Committee oversaw the entire financial reporting process and the internal control measures; discussed the accounting principles and policies adopted by the Group together with the management and the external auditors; and reviewed the unaudited interim condensed financial statements for the six months ended 30 June 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

OTHER INFORMATION

INTERIM DIVIDEND AND BONUS ISSUE

The Board has resolved to declare an interim dividend of HK6 cents per ordinary share for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil) and to propose a bonus issue (the “Bonus Issue”) of two bonus shares (the “Bonus Shares”) for every 10 existing ordinary shares held by the shareholders of the Company whose names appear on the register of members on 19 September 2013. The interim dividend will be paid to the shareholders of the Company on or about 30 September 2013. The proposed Bonus Issue is conditional upon, among others, the passing of ordinary resolution by shareholders of the Company in the forthcoming extraordinary general meeting (the “EGM”) of the Company. Please refer to the circular to be dispatched to the shareholders of the Company in accordance with the Listing Rules for further details of the proposed Bonus Issue.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

- (a) for the purpose of determining shareholders who are entitled to attend and vote at the EGM to be held on Monday, 9 September 2013, the register of members of the Company will be closed from Thursday, 5 September 2013 to Monday, 9 September 2013, both days inclusive, during which no transfer of shares can be registered. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 4 September 2013; and
- (b) for the purpose of determining shareholders who are qualified for the entitlement to the interim dividend for the six months ended 30 June 2013 and the Bonus Shares, the register of members of the Company will be closed from Tuesday, 17 September 2013 to Thursday, 19 September 2013, both days inclusive, during which no transfer of shares can be registered. In order to qualify for the entitlement to the interim dividend for the six months ended 30 June 2013 and the Bonus Shares, all transfer documents should be lodged for registration with Company’s Hong Kong share registrar at the above address not later than 4:30 p.m. on Monday, 16 September 2013.

By order of the Board

Wong Chiu Yeung

Chairman

Hong Kong, 14 August 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 |
| REVENUE | 4 | 3,722,512 | 836,470 |
| Cost of sales | | (2,486,693) | (478,926) |
| Gross profit | | 1,235,819 | 357,544 |
| Other income and gains | 4 | 34,620 | 25,560 |
| Changes in fair value of investment properties | | 203,484 | 264,346 |
| Selling and marketing expenses | | (69,064) | (31,211) |
| Administrative expenses | | (135,086) | (114,670) |
| Finance costs | 5 | (158,820) | (33,464) |
| Exchange differences arising from retranslation of senior notes, net | 6 | – | 2,546 |
| Share of profits and losses of: | | | |
| Jointly-controlled entities | | 12,162 | (2,854) |
| Associates | | (84) | (5,512) |
| PROFIT BEFORE TAX | 6 | 1,123,031 | 462,285 |
| Income tax expense | 7 | (516,099) | (163,730) |
| PROFIT FOR THE PERIOD | | 606,932 | 298,555 |
| OTHER COMPREHENSIVE INCOME/(LOSS): | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | |
| Cash flow hedges: | | | |
| Changes in fair value of derivative financial instruments | | 34,849 | (97,923) |
| Reclassification adjustments for exchange gains/(loss) included in the profit or loss of the statement of comprehensive income | | (34,461) | 17,020 |
| | | 388 | (80,903) |
| Share of other comprehensive loss of jointly-controlled entities | | (208) | (755) |
| Share of other comprehensive income/(loss) of associates | | 8 | (2,118) |
| Exchange differences arising from net investment hedge in foreign operations | | – | 1,042 |
| Exchange differences on translation of foreign operations | | 47,567 | (21,078) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | | 47,755 | (103,812) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 654,687 | 194,743 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

| | Note | Six months ended 30 June | |
|---|------|--------------------------------|--------------------------------|
| | | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 |
| Profit attributable to: | | | |
| Owners of the parent | | 498,310 | 199,849 |
| Non-controlling interests | | 108,622 | 98,706 |
| | | 606,932 | 298,555 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | 538,221 | 99,689 |
| Non-controlling interests | | 116,466 | 95,054 |
| | | 654,687 | 194,743 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| | 9 | | |
| Basic and diluted | | RMB17.5 cents | RMB7.0 cents |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

| | Notes | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|---|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Property and equipment | 10 | 136,717 | 144,864 |
| Investment properties | | 3,260,000 | 2,854,000 |
| Prepaid land lease payments | | 3,473,795 | 2,263,953 |
| Intangible asset | | 4,236 | 4,319 |
| Properties under development | 10 | 1,909,756 | 1,261,631 |
| Contract in progress | 10 | 376,054 | 313,072 |
| Investments in jointly-controlled entities | | 117,427 | 279,146 |
| Investments in associates | | 51,598 | 51,673 |
| Prepayments and deposits | | 1,549,564 | 974,259 |
| Derivative financial instruments | | 3,213 | – |
| Deferred tax assets | | 168,711 | 138,039 |
| Total non-current assets | | 11,051,071 | 8,284,956 |
| CURRENT ASSETS | | | |
| Properties under development | 10 | 4,692,054 | 6,481,298 |
| Completed properties held for sale | | 2,133,300 | 1,064,592 |
| Trade receivables | 11 | 441,876 | 388,350 |
| Prepayments, deposits and other receivables | | 856,466 | 571,887 |
| Due from related parties | | 25,647 | 25,527 |
| Tax recoverable | | 143,805 | 83,830 |
| Restricted cash | | 230,233 | 678,069 |
| Pledged deposits | | 155,000 | 173,000 |
| Cash and cash equivalents | | 3,333,641 | 2,277,221 |
| Total current assets | | 12,012,022 | 11,743,774 |
| CURRENT LIABILITIES | | | |
| Trade payables | 12 | 880,930 | 812,921 |
| Receipts in advance | | 3,164,951 | 2,806,387 |
| Other payables and accruals | | 1,367,553 | 1,334,638 |
| Interest-bearing bank and other borrowings | 13 | 1,752,321 | 2,111,571 |
| Due to related parties | | 76,605 | 70,250 |
| Tax payable | | 953,405 | 727,884 |
| Total current liabilities | | 8,195,765 | 7,863,651 |
| NET CURRENT ASSETS | | 3,816,257 | 3,880,123 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

| | Notes | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|--|-------|---|---|
| NET CURRENT ASSETS | | 3,816,257 | 3,880,123 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 14,867,328 | 12,165,079 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 13 | 2,765,163 | 1,648,729 |
| Senior notes | 14 | 4,157,478 | 3,195,049 |
| Derivative financial instruments | | – | 31,637 |
| Deferred tax liabilities | | 379,549 | 352,399 |
| Provision for major overhauls | | 18,848 | 16,381 |
| Total non-current liabilities | | 7,321,038 | 5,244,195 |
| Net assets | | 7,546,290 | 6,920,884 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | 15 | 250,683 | 250,683 |
| Reserves | | 5,131,416 | 4,590,666 |
| Non-controlling interests | | 5,382,099 | 4,841,349 |
| | | 2,164,191 | 2,079,535 |
| Total equity | | 7,546,290 | 6,920,884 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

| | Attributable to owners of the parent | | | | | | | | | | | |
|--|--------------------------------------|-----------------|-----------------|-----------------|----------------|----------------|-----------------|---------------------|------------------|-----------------------|-------------|-------------|
| | Share | | Statutory | | Exchange | | | | | Non- | | Total |
| | Issued capital | premium account | Capital reserve | surplus reserve | Merger reserve | Other reserves | Hedging reserve | fluctuation reserve | Retained profits | controlling interests | equity | |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| At 1 January 2013 | 250,683 | 1,657,205* | 54,446* | 275,669* | 30* | (168)* | (95,993)* | 117,316* | 2,582,161* | 4,841,349 | 2,079,535 | 6,920,884 |
| Profit for the period | - | - | - | - | - | - | - | - | 498,310 | 498,310 | 108,622 | 606,932 |
| Other comprehensive income/(loss) for the period: | | | | | | | | | | | | |
| Share of other comprehensive loss of jointly-controlled entities | - | - | - | - | - | (208) | - | - | - | (208) | - | (208) |
| Share of other comprehensive income of associates | - | - | - | - | - | 8 | - | - | - | 8 | - | 8 |
| Cash flow hedges | - | - | - | - | - | - | 388 | - | - | 388 | - | 388 |
| Exchange differences on translation of foreign operations | - | - | - | - | - | - | - | 39,723 | - | 39,723 | 7,844 | 47,567 |
| Total comprehensive income/(loss) for the period | - | - | - | - | - | (200) | 388 | 39,723 | 498,310 | 538,221 | 116,466 | 654,687 |
| Capital contribution from non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | 147,000 | 147,000 |
| Acquisition of a non-controlling interest | - | - | 2,529 | - | - | - | - | - | - | 2,529 | (22,529) | (20,000) |
| Dividend paid to non-controlling shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | (156,281) | (156,281) |
| At 30 June 2013 | 250,683 | 1,657,205* | 56,975* | 275,669* | 30* | (368)* | (95,605)* | 157,039* | 3,080,471* | 5,382,099 | 2,164,191 | 7,546,290 |

* These reserve accounts comprise the consolidated reserves of RMB5,131,416,000 (31 December 2012: RMB4,590,666,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 |
| NET CASH FLOWS USED IN OPERATING ACTIVITIES | (1,087,533) | (254,350) |
| NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | 387,454 | (692,021) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 1,743,598 | 170,139 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 1,043,519 | (776,232) |
| Cash and cash equivalents at beginning of period | 2,252,221 | 1,821,478 |
| Effect of foreign exchange rate changes, net | (12,099) | 445 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 3,283,641 | 1,045,691 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 3,283,641 | 1,045,691 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

1. BASIS OF PREPARATION

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

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2012.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|--|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i> |
| HKFRS 7 Amendments | Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i> |
| HKFRS 10 | <i>Consolidated Financial Statements</i> |
| HKFRS 11 | <i>Joint Arrangements</i> |
| HKFRS 12 | <i>Disclosure of Interests in Other Entities</i> |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — <i>Transition Guidance</i> |
| HKFRS 13 | <i>Fair Value Measurement</i> |
| HKAS 1 Amendments | Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i> |
| HKAS 19 (2011) | <i>Employee Benefits</i> |
| HKAS 27 (2011) | <i>Separate Financial Statements</i> |
| HKAS 28 (2011) | <i>Investments in Associates and Joint Ventures</i> |
| HK(IFRIC)-Int 20 | <i>Stripping Costs in the Production Phase of a Surface Mine</i> |
| <i>Annual Improvements 2009–2011 Cycle</i> | Amendments to a number of HKFRSs issued in June 2012 |

The adoption of the new and revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited interim condensed consolidated financial statements.

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

3. SEGMENT INFORMATION

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

3. SEGMENT INFORMATION *(Continued)*

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

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

4. REVENUE, OTHER INCOME AND GAINS

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

| | Six months ended 30 June | |
|--------------------------------------|---|---|
| | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 |
| Revenue | | |
| Sale of properties | 3,651,008 | 791,507 |
| Gross rental income | 36,275 | 26,038 |
| Property management fees | 35,229 | 18,925 |
| | 3,722,512 | 836,470 |
| Other income and gains | | |
| Bank interest income | 18,986 | 19,722 |
| Foreign exchange gains, net (note 6) | 10,438 | – |
| Others | 5,196 | 5,838 |
| | 34,620 | 25,560 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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5. FINANCE COSTS

An analysis of finance costs is as follows:

| | Six months ended 30 June | |
|---|---|--------------------------------|
| | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 |
| Interest on bank and other borrowings and senior notes wholly repayable within five years | 368,492 | 229,584 |
| Interest on bank and other borrowings repayable beyond five years | – | 336 |
| Increase in a discounted amount of provision for major overhauls arising from the passage of time | 369 | 266 |
| Loss on derivative financial instruments | 10,128 | 4,176 |
| Total interest expense on financial liabilities not at fair value through profit or loss | 378,989 | 234,362 |
| Less: Interest capitalised | (220,169) | (200,898) |
| | 158,820 | 33,464 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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6. PROFIT BEFORE TAX

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

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 |
| Cost of properties sold | 2,464,298 | 459,839 |
| Cost of services provided | 22,312 | 19,003 |
| Depreciation | 13,003 | 7,734 |
| Amortisation of land lease payments | 27,454 | 25,945 |
| Amortisation of an intangible asset | 83 | 84 |
| Employee benefit expense (including directors' remuneration): | | |
| Salaries and other staff costs | 54,324 | 43,551 |
| Pension scheme contributions | 9,795 | 6,261 |
| Less: Amount capitalised | (22,899) | (18,004) |
| | 41,220 | 31,808 |
| Write-off of items of property and equipment | – | 4,259 |
| Exchange differences arising from retranslation of senior notes | 34,461 | (20,608) |
| Less: Amount recognised in other comprehensive income as a result of net investment hedge | – | 1,042 |
| Less: Reclassification from hedging reserve as a result of cash flow hedges | (34,461) | 17,020 |
| Exchange differences arising from retranslation of senior notes, net | – | (2,546) |
| Other foreign exchange differences, net | (10,438) | 1,563 |
| Exchange differences, net | (10,438) | (983) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2012: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

| | Six months ended 30 June | |
|---|---|---|
| | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 |
| Group: | | |
| Current charge/(credit) for the period: | | |
| PRC corporate income tax | 253,860 | (22,140) |
| PRC land appreciation tax | 265,761 | 49,414 |
| | 519,621 | 27,274 |
| Deferred tax | (3,522) | 136,456 |
| Total tax charge for the period | 516,099 | 163,730 |

During the six months ended 30 June 2013, the share of tax charge attributable to jointly-controlled entities amounting to RMB9,360,000 (six months ended 30 June 2012: tax credit of RMB899,000) and the share of tax charge attributable to associates amounting to RMB7,000 (six months ended 30 June 2012: tax credit of RMB1,307,000) are included in "Share of profits and losses of jointly-controlled entities and associates" in profit or loss of the consolidated statement of comprehensive income.

8. DIVIDENDS

| | Six months ended 30 June | |
|--|---|---|
| | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 |
| Interim — HK6 cents (six months ended 30 June 2012: Nil) per ordinary share | 135,783 | — |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 2,853,200,000 (six months ended 30 June 2012: 2,853,200,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

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

During the six months ended 30 June 2013, the Group incurred approximately RMB4,856,000 (six months ended 30 June 2012: RMB5,554,000) on the acquisition of items of property and equipment.

During the six months ended 30 June 2013, the Group incurred approximately RMB2,361,667,000 (six months ended 30 June 2012: RMB961,062,000) and approximately RMB62,982,000 (six months ended 30 June 2012: RMB20,581,000) on the additions to properties under development and contract in progress, respectively.

11. TRADE RECEIVABLES

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

11. TRADE RECEIVABLES *(Continued)*

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

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|-------------------------------|---|---|
| Neither past due nor impaired | 420,379 | 383,980 |
| 1 to 6 months past due | 19,310 | 1,305 |
| 7 to 12 months past due | 98 | 979 |
| Over 1 year past due | 2,089 | 2,086 |
| | 441,876 | 388,350 |

12. TRADE PAYABLES

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

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|---------------|---|---|
| Within 1 year | 870,246 | 799,618 |
| Over 1 year | 10,684 | 13,303 |
| | 880,930 | 812,921 |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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13. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 30 June 2013 (Unaudited) | | | 31 December 2012 (Audited) | | |
|--|--|-----------|------------------|--|-----------|------------------|
| | Contractual interest rate (%) per annum | Maturity | RMB'000 | Contractual interest rate (%) per annum | Maturity | RMB'000 |
| Current | | | | | | |
| Bank loans — secured | 2.50–9.75 | 2013–2014 | 932,031 | 2.50–8.00 | 2013 | 1,738,381 |
| Current portion of long term bank loans — secured | 6.72–8.32 | 2013–2014 | 820,290 | 6.46–8.32 | 2013 | 373,190 |
| | | | 1,752,321 | | | 2,111,571 |
| Non-current | | | | | | |
| Bank loans — secured | 5.50–8.50 | 2014–2017 | 1,818,478 | 6.10–8.32 | 2014–2017 | 1,275,956 |
| Other borrowings — secured | 10.50–13.50 | 2014–2016 | 946,685 | 10.50–13.50 | 2014–2015 | 372,773 |
| | | | 2,765,163 | | | 1,648,729 |
| | | | 4,517,484 | | | 3,760,300 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

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

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|--|---|---|
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year or on demand | 1,752,321 | 2,111,571 |
| In the second year | 1,017,996 | 914,125 |
| In the third to fifth years, inclusive | 800,482 | 361,831 |
| | 3,570,799 | 3,387,527 |
| Other borrowings repayable: | | |
| In the second year | 466,685 | 352,773 |
| In the third to fifth years, inclusive | 480,000 | 20,000 |
| | 946,685 | 372,773 |
| | 4,517,484 | 3,760,300 |

Notes:

- (a) Certain of the Group's borrowings are secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale, details of which are disclosed in note 18 to the condensed consolidated financial statements.
- (b) As at 30 June 2013, certain of the Group's borrowings with an aggregate amount of RMB300,000,000 (31 December 2012: RMB8,043,000) were secured by share charges in respect of the equity interests of certain subsidiaries of the Group.
- (c) Except for certain bank loans amount of RMB388,599,000 (31 December 2012: RMB493,727,000) as at 30 June 2013, which were denominated in Hong Kong dollars, all of the Group's bank and other borrowings were denominated in RMB.
- (d) At the end of the reporting period, except for a non-current bank loan of RMB60,000,000 (31 December 2012: Nil), a current bank loan of RMB34,000,000 (31 December 2012: Nil) and non-current other borrowings of RMB946,685,000 (31 December 2012: RMB372,773,000), the interest rate of which were fixed in nature, all borrowings bear interest at floating interest rates. The carrying amounts of the Group's bank and other borrowings approximate to their fair value.
- (e) Certain of the Group's bank loans of RMB310,964,000 (31 December 2012: RMB314,746,000) are secured by a specific performance obligation imposed on Mr. Wong and pursuant to which Mr. Wong is required to hold legally and beneficially and directly or indirectly 40% or more of all class of the Company's voting share capital. Non-compliance with the aforesaid obligation by Mr. Wong would constitute an event of default under the relevant loan agreement and a cross default provision of the 2011 Senior Notes and 2012 Senior Notes (note14).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

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

Notes: *(Continued)*

- (f) Certain subsidiaries of the Group in the PRC which are engaged in development of real estate projects have entered into certain financing arrangements with various investors (the "Fund Investors") pursuant to which the Fund Investors raised funds and invested in these subsidiaries in the form of capital contribution (the "Fund Investment"). The Fund Investment bears interest at 10.5% per annum and the Fund Investors is entitled to exercise an option requiring the Group to repurchase the Fund Investment in two years and the Fund Investment with an aggregate sum of RMB261,000,000 as at 30 June 2013 (31 December 2012: RMB261,000,000) is therefore classified as other borrowings in the consolidated statement of financial position of the Group. The Fund Investment is also secured by pledges over the equity interests of these subsidiaries.

14. SENIOR NOTES

| | 30 June 2013 (Unaudited) | | | | 31 December 2012 (Audited) | | | |
|-------------------|--|--|----------|------------------|--|--|----------|------------------|
| | Principal at original currency 'million | Contractual interest rate (%) per annum | Maturity | RMB'000 | Principal at original currency 'million | Contractual interest rate (%) per annum | Maturity | RMB'000 |
| 2011 Senior Notes | RMB2,000* | 10.50 | 2016 | 1,970,984 | RMB2,000* | 10.50 | 2016 | 1,966,163 |
| 2012 Senior Notes | US\$350# | 11.50 | 2017 | 2,186,494 | US\$200 | 11.50 | 2017 | 1,228,886 |
| | | | | 4,157,478 | | | | 3,195,049 |

* The 2011 Senior Notes are denominated in RMB and settled in US\$, and bear coupon at 10.5% per annum payable semi-annually in arrears.

Additional senior notes with an aggregate principal amount of US\$150,000,000 are issued at a price of 108% of the principal amount on 21 January 2013 which are consolidated and formed a single class with the senior notes with aggregate principal amount of US\$200,000,000 issued in November 2012.

The Company, at its option, can redeem all or a portion of the 2011 Senior Notes and 2012 Senior Notes at any time prior to the maturity date at the redemption prices (principal amount plus applicable premium) plus accrued and unpaid interest up to the redemption date, as set forth in the written agreement between the Company and the trustees of the 2011 Senior Notes and 2012 Senior Notes.

The 2011 Senior Notes and 2012 Senior Notes are secured by pledges over the equity interests of certain subsidiaries of the Company.

The fair value of the early redemption option of the 2011 Senior Notes and 2012 Senior Notes was not significant and was therefore not recognised by the Group on inception and at 30 June 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

15. SHARE CAPITAL

Shares

| | 30 June 2013 (Unaudited) HK\$ | 31 December 2012 (Audited) HK\$ |
|---|--|--|
| Authorised: | | |
| 10,000,000,000 ordinary shares of HK\$0.10 each | 1,000,000,000 | 1,000,000,000 |
| Issued and fully paid: | | |
| 2,853,200,000 ordinary shares of HK\$0.10 each | 285,320,000 | 285,320,000 |
| Equivalent to RMB'000 | 250,683 | 250,683 |

16. FINANCIAL GUARANTEE CONTRACTS

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

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|---|---|---|
| Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties (note) | 3,771,889 | 2,877,392 |

Note: As at 30 June 2013, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

16. FINANCIAL GUARANTEE CONTRACTS *(Continued)*

Note: *(Continued)*

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

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

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|---|---|---|
| Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties | 164,115 | 75,804 |

17. COMMITMENTS

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

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|--|---|---|
| Contracted, but not provided for: Capital expenditure for properties under development, prepaid land lease payments and construction of investment properties in Mainland China | 5,482,000 | 2,759,219 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

17. COMMITMENTS *(Continued)*

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

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Capital expenditure for jointly-controlled entities' properties under development in Mainland China | 43,103 | 54,056 |

18. PLEDGE OF ASSETS

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

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|------------------------------------|---|---|
| Bank deposits | 155,000 | 173,000 |
| Property and equipment | 50,792 | 54,061 |
| Investment properties | 2,893,000 | 2,539,000 |
| Prepaid land lease payments | 713,652 | 554,092 |
| Properties under development | 1,976,768 | 3,840,727 |
| Completed properties held for sale | 1,723,452 | 547,710 |
| | 7,512,664 | 7,708,590 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

19. RELATED PARTY TRANSACTIONS

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

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 |
| Sale of a property to a director | (i) | – | 3,128 |
| Rental income from companies controlled by Mr. Wong | (ii) | 1,113 | 1,046 |
| Property management fee income from companies controlled by Mr. Wong | (ii) | 1,528 | 119 |
| Sales agency fees paid to an associate | (iii) | 7,337 | 1,812 |
| Interest income from an associate | (iv) | – | 2,480 |

Notes:

- (i) The property was sold at price mutually agreed by both parties.
- (ii) Terms on the rental and management fee income of office premises were mutually agreed between both parties.
- (iii) The sales agency fees were charged at rates ranging from 0.7% to 0.9% of the selling price of the relevant properties sold.
- (iv) The interest income represented the interest arising from a loan to an associate charged at a fixed rate of 9% per annum on outstanding principal.
- (b) During the six month ended 30 June 2012, an associate of the Group pledged its land use right as security for certain of the Group's bank loans with an aggregate amount of RMB62,000,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

19. RELATED PARTY TRANSACTIONS *(Continued)*

- (c) Compensation of key management personnel of the Group

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2013 | 2012 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Short term employee benefits | 3,133 | 3,252 |
| Post-employment benefits | 30 | 25 |
| Total compensation paid to key management personnel | 3,163 | 3,277 |

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

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

20. FAIR VALUE AND FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

| | |
|----------|--|
| Level 1: | fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities |
| Level 2: | fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly |
| Level 3: | fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

20. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

Liabilities measured at fair value:

As at 30 June 2013

| | Level 1 RMB'000 |
|----------------------------------|--------------------|
| Derivative financial instruments | 3,954 |

As at 31 December 2012

| | Level 1 RMB'000 |
|----------------------------------|--------------------|
| Derivative financial instruments | 39,508 |

21. EVENTS AFTER THE REPORTING PERIOD

The Board of the Company proposed a bonus issue of two bonus shares for every 10 existing shares, being conditional upon, among others, the passing of ordinary resolution by shareholders of the Company in the forthcoming extraordinary general meeting of the Company.

22. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved by the Board of the Company on 14 August 2013.