让生活更有风格

Make Life in Style


# FANTASIA

Fantasia Holdings Group Co., Limited 2013 Interim Report

Stock Code: 01777

# CONTENTS

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Pan Jun (Chairman)
Ms. Zeng Jie, Baby
Mr. Lam Kam Tong
Mr. Zhou Jinquan

### Independent Non-Executive Directors

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

## COMPANY SECRETARY

Mr. Lam Kam Tong

## AUTHORIZED REPRESENTATIVES

Mr. Pan Jun
Mr. Lam Kam Tong

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

## PRINCIPAL BANKERS

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

## LEGAL ADVISORS

### As to Hong Kong Law

Sidley Austin

### As to PRC Law

Commerce & Finance Law Offices

### As to Cayman Islands Law

Conyers Dill & Pearman

## REGISTERED OFFICE

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

## CORPORATE HEAD OFFICE IN HONG KONG

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

## CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

Block A, Funian Plaza
Shihua Road and Zijing Road
Interchange in Futian Duty-free Zone
Shenzhen 518048
Guangdong Province
China

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## LISTING INFORMATION

### The Company's Share Listing

Ordinary shares
The Stock Exchange of Hong Kong Limited
Stock Code: 01777

### The Company's Senior Notes Listing

USD120 million 14%, 5 years senior notes due 2015
USD250 million 13.75%, 5 years senior notes due 2017
USD250 million 10.75%, 7 years senior notes due 2020
RMB1 billion 7.875%, 3 years senior notes due 2016
The Singapore Exchange Securities Trading Limited

## WEBSITE

http://www.cnfantasia.com

# HONOURS AND AWARDS

## ON COMPANY LEVEL

1. In January 2013

Fantasia Group (China) Co., Ltd. was placed on the "List of Top 100 Outstanding Real Estate Enterprises in China for 2012" (2012年度中國房地產卓越100榜) and the "List of China's Outstanding Real Estate Management and Teams in China for 2012" (2012年度中國房地產管理與團隊卓越榜) as selected by guandian.cn (觀點地產新媒體);

2. In January 2013

Nanjing Fantasia Real Estate Development Co., Ltd. was awarded the "The Most Reliable Property in Nanjing for 2012" (2012南京最具信賴財富地產) by Jinling Evening News (金陵晚報);

3. In January 2013

Dongguan Fantasia Real Estate Investment Co., Ltd. was awarded the "Outstanding Contribution Award 2012" (2012年度突出貢獻獎) by Liaobu Town Committee of the CPC (中共寮步鎮委員會) and the People's Government of Liaobu Town (寮步鎮人民政府);

4. In March 2013

Dongguan Fantasia Real Estate Investment Co., Ltd. was awarded the "Outstanding Enterprise of Real Estate Development Companies 2012" (2012年度房地產開發企業) by Dongguan Housing and Urban-Rural Construction Bureau (東莞市住房和城鄉建設局);

5. In April 2013

Fantasia Group (China) Co., Ltd. was awarded the "China Top 100 Real Estate Developers for Five Consecutive Years from 2009 to 2013" (2009-2013連續五年中國房地產百強企業) by China Real Estate Top 10 Research Team (中國房地產TOP 10研究組);

6. In June 2013

Shenzhen Colour Life Services Group Company Limited was awarded the "China Top 100 Property Services Companies for Five Consecutive Years from 2009 to 2013" (2009-2013連續五年中國物業服務百強企業) and "Top 10 Growth Enterprises in Top 100 Property Services Companies in China in 2013" (2013中國物業服務百強企業成長性TOP 10) by China Real Estate Top 10 Research Teams (中國房地產TOP10研究組);

7. In July 2013

Shenzhen Colour Life Services Group Company Limited was named "The Largest Community Service Operator" in terms of the number of residential units managed as of 31 December 2012 (中國最大社區服務運營商) by China Index Research Institute (中國指數研究所);

8. In July 2013

Shenzhen Colour Life Services Group Company, Limited was awarded the "Community Service Innovation Prize 2013" (2013年度社區服務創新大獎) by Boao•21st Century Real Estate Forum (博鰲•21世紀房地產論壇);

9. In July 2013

Fantasia Holdings Group Co., Limited was awarded the "Listed Company with the Best Investment Value 2013" (2013年度最具投資價值上市公司大獎) by Boao•21st Century Real Estate Forum (博鰲•21世紀房地產論壇);

10. In July 2013

Fantasia Holdings Group Co., Limited was awarded the "China Outstanding Real Estate Developer 2013" (2013年中國傑出房地產商) by Economic Digest of Hong Kong (香港《經濟一週》);

## ON PROJECT LEVEL

1. In January 2013

Yuhuatai Project was awarded the "The Best Commercial Real Estate in Nanjing, China for 2012" (2012中國（南京）最佳商業地產) by Yangtse Evening News (《揚子晚報》);

2. In January 2013

Yuhuatai Project was awarded the "Real Estate with the Most Investment Potential for 2013" (2013年最具投資價值樓盤) by House.QQ.com (騰訊房產);

3. In March 2013

Chengdu Future Plaza was awarded the "Masterpiece of Commercial Real Estate in Chengdu Real Estate Market 2012" (2012成都樓市商業地產傑作) by Real Estate Market Overall List in Chengdu, China 2012 (2012中國（成都）樓市總評榜);

4. In March 2013

Chengdu Long Nian International Centre was awarded the "Masterpiece of Commercial Real Estate in Chengdu Real Estate Market 2012" (2012成都樓市商業地產傑作) by Real Estate Market Overall List in Chengdu, China 2012 (2012中國（成都）樓市總評榜).

Chengdu Longnian International Centre

# SOCIAL RESPONSIBILITY

## SOCIAL RESPONSIBILITY

In the first half of 2013, Fantasia moved ahead the development of 8 major businesses of the company. It also held on to its mission of giving back to the society. In March, Fantasia officially initiated a private charity foundation, the Shenzhen Fantasia Charity Foundation. In April, after the Ya'an earthquake, Fantasia kept track of the situation in the disaster areas from time to time. In addition to emergency donation, Fantasia also contributed to building 25 Fantasia – Rainbow Houses, as well as launching the "Music Rising Star Program" for the children in the disaster areas.

## CHARITY FOUNDATION

Shenzhen Fantasia Charity Foundation was initiated by Fantasia and was registered as a private foundation in the Shenzhen Municipal Civil Affairs Bureau in March 2013. It is an organization through which Fantasia executes its strategic social responsibility as an enterprise. Based on the core principle "enjoyable charity" and the aim of "encouraging the development of public welfare, and to build an joyful, colourful, and meaningful life", Fantasia Charity Foundation has 3 public welfare projects, namely Public Welfare in Art, Public Welfare in Education and Public Welfare in Elderly Service.

Fantasia Charity Foundation will base on the core resources of Fantasia in its real estate development and financial services field to choose public welfare projects that are related to the company's core resources, and through a creative model to enhance the experience, the degree of participation and transparency of such projects in order to integrate and attract more resources to participate in public welfare.

## PUBLIC WELFARE IN EDUCATION

On the basis of the 82 Fantasia – Rainbow Houses that were built in 2012, Fantasia completed, in 2013, the site selection for 18 new Rainbow Houses. After the Ya'an earthquake, Fantasia Charity Foundation collaborated with the Central Committee of the Communist Youth League of China, and contributed to building additional 25 Fantasia – Rainbow Houses in the Ya'an disaster area.

Fantasia launched the "Music Rising Star Program" for children in the disaster areas on 8th June with the theme "Music without boundary, love without limit". 20 teaching staff and students from the disaster areas and from Fantasia Qixiang School were invited to experience the "Fantasia – Night of Fortune – Grammy All-stars Concert" and had a 2-day tour in the city.

Fantasia Charity Foundation donated nearly RMB200,000 to Ji'an Fantasia Hope Primary School for campus upgrading, including the enhancement of the school's hardware facilities systematically and decorating the campus.

## RELIEF WORK IN YA'AN

An earthquake of magnitude 7.0 struck Ya'an, Sichuan on 20th April. Fantasia Charity Foundation donated RMB1 million to the disaster areas right after the earthquake, including RMB300,000 for the relief work, and RMB700,000 for the caring of children in the disaster areas. The first batch of donation commodity was delivered to the hands of the people in the Yucheng District, Ya'an by Fantasia volunteers on 22nd April. The second batch of commodity also arrived at the disaster areas in late July.


守望生命之花
雅安加油
花样年集团 | 花样年公益基金会


今天，我们都是雅安人


今天，我们都是雅安人

# CHAIRMAN'S STATEMENT

## Dear shareholders:

2013 sees the unfold of Fantasia's 10 year's strategy. Confronted with the changes, opportunities, hardships and challenges of the market, Fantasia firmly took the first step to implement the new strategy and formulated the theme of "transformation, innovation and breakthrough". Fantasia emphasized repeatedly the importance of the two core capabilities of the company – experience and service. During first half of the year, Colour Life Service Group Co., Ltd, one of our subsidiaries, initiated its plan for its initial public offering and was expected to implement an innovative mode in providing community service in China, while our first micro credit company, a new member of the financial family of Fantasia, commenced operation. It focuses on providing financing to facilitate Fantasia's property developments to complement its core business of property development and Fantasia aims to provide related services as value-added services to its customers. With the commencement of our first real estate project in Singapore, we accelerated the process of businesses globalization. Furthermore, our two overseas issuances of senior notes were well accepted by the market which further optimized our corporate debt structure. We also expanded our real estate businesses strategically into Shanghai and Ningbo.

Fantasia is constantly committed to providing customers with "joyful, colourful and meaningful" experience and service, and this motto was in the subconscious of every member of Fantasia, who diligently seeks to enable customers to enjoy the process and the result of the experience. Currently this core capability has created values for shareholders.

On behalf of the Board, I hereby present the interim results of Fantasia Holdings Group Co., Limited (the "Company", and together with its subsidiaries, the "Group") for the six months ended 30 June 2013. As at 30 June 2013, the Group recorded revenue of RMB2,751 million, profit of RMB325 million and profit attributable to the owners of the company of RMB317 million, representing an increase of 128.3%, 67.5% and 57.7% respectively as compared to the same period of last year.

## 1. ENHANCE THE QUALITY OF COMMUNITY SERVICES

Since its establishment in 2002, Colour Life has experienced rapid growth in scale and profit. After a decade of development, it currently manages closed to 500 projects with a total area of over 60 million square meters; these earned Colour Life "the largest community service operator in China" by China Index Academy in 2013. in terms of the number of residential units managed. Colour Life overturns the service mode of the traditional property companies by providing service with more human touch instead of just focusing on the property itself, thereby transforming from serving passively to serving actively and creating comprehensive values for customers. As the largest community service operator in China, Colour Life puts forward the corporate philosophy of "community service to the family" and launches an innovative business mode of "Business to Family". Colour Life has a deep understanding and insight of the consumption trend in the era of mobile communication. Focusing on the width and depth of application of scientific community service, it explores automatic, systematic and technological community service, and integrates commercial service resources of various areas; including clothing, food, accommodation, transportation, entertainment, shopping and travelling in order to establish a commercial circle in the community.

Colour Life has completed the introduction of strategic investors and formally launched proposed spin-off in the first half of the year.

## 2. FINANCIAL BUSINESS BEGINS WITH MICRO CREDIT TRIAL

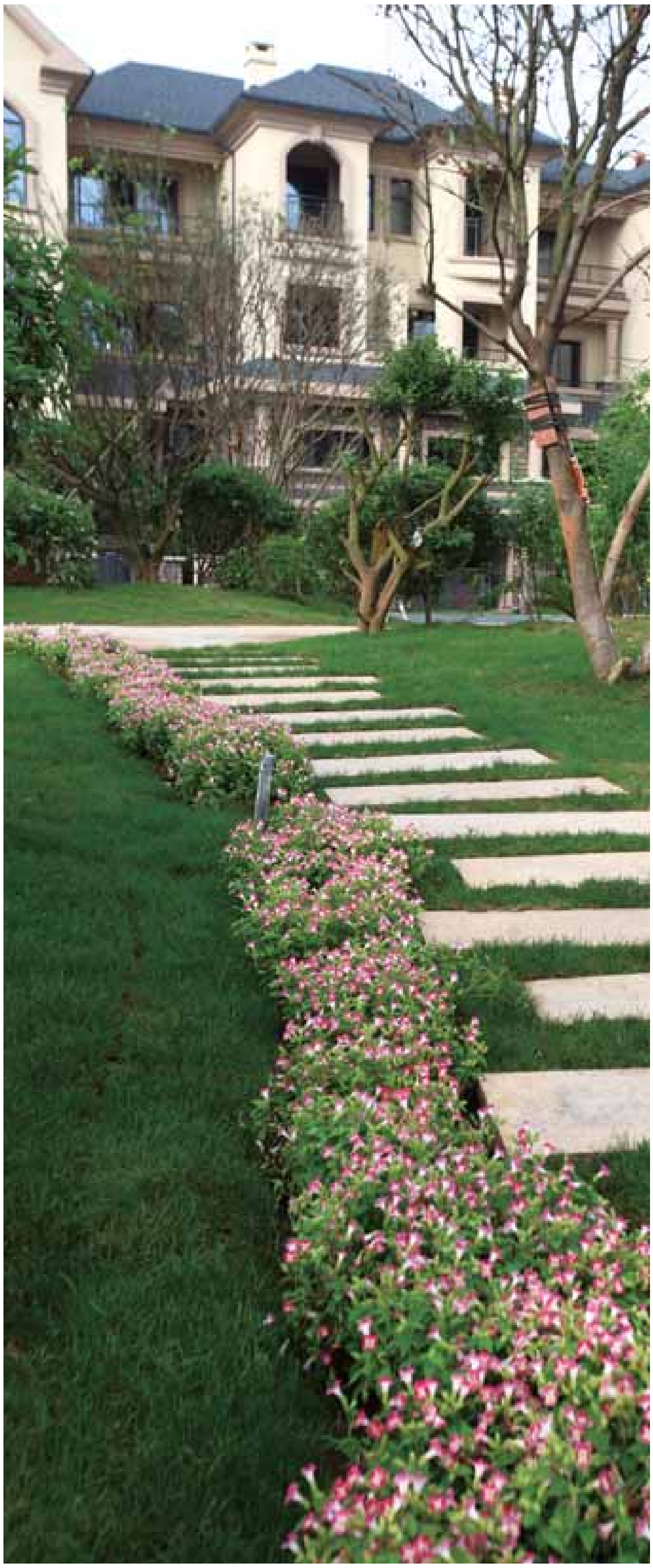
The uniqueness of the micro credit business of Fantasia bases on the fact that it relies on two service platforms; namely Colour Life community and international property. It provides professional financing consultant services and integrated solutions to numerous minute, small and medium-sized enterprises and fast income growing families. Those two platforms enable Fantasia to cater for customers' needs and to be in a more advantageous position to judge customer credit and business opportunity as well as risk control. In the first half of the year, Fantasia established the first micro credit company in Guilin and is expected to successively promote and develop the business nationwide in the future.

Furthermore, the establishment of the Qianhai Financial Service Company of Fantasia (花樣年前海金融服務公司) is almost completed and will step into more financial businesses in the second half of the year.

## 3. ACTIVELY EXPLORING OVERSEAS BUSINESSES

As the process of economic globalization speeds up, we have placed growing emphasis on the exploration of overseas market. Started from three years ago, we have already commenced on the strategical work of regional research and identification of opportunities. In addition to the revenue generated from individual investments, we intend to attach more importance to the establishment of Fantasia's unique business model. Meanwhile, it is our goal to take advantage of the continuous growth potential ahead through the consolidation of the global resources available.

In the first half of 2013, the Group chose to invest its first property project in Singapore, i.e a group of high-end apartments covering around 15,000 sm. It is expected that this project will generate sales income of approximately RMB1 billion for the Group, representing an estimated investment yield of 15%. We bring our innovative experiences to our overseas projects; which were accumulated over a decade about how to explore the value of apartments with small space. The project is expected to be launched by the end of this year.



Guilin Lakeside Eden

## 4. STABLE GROWTH IN THE REAL ESTATE BUSINESS

For the first half of 2013, the Group recorded a significant increase in the revenue from the real estate business compared to the corresponding period in previous year. The increase is primarily attributable to a series of adjustments in the Group's operation strategies in 2012. In the second half, the Group will launch more products that are close to market needs. We will adjust our business layout in urban area as well as land structure so that it will match closer to our strategies. Besides, to realize growth in cash flows and profits simultaneously, we will focus on the products with rigid demand in Tier-1 & Tier-2 cities in the PRC and complement by developing commercial projects in core locations in first-tier cities.

## 5. PROSPECT AND DEVELOPMENT

China is still one of the fastest growing economies in the world and the extraordinary growth in emerging markets should not also be overlooked. It is widely recognized that the upcoming mobile network era will gradually change people's consumption habits which will somehow constitute a challenge to the traditional business model. Based on the above conception, the Group has globalised its businesses and put forward a strategy of transformation which focuses more on service capability and relies less on capital investment. Having taken into account the future consumption trend, we are currently focusing on eight major business areas. The first step, which is the most difficult move for its ten-year strategy, has been made and despite that we will encounter numerous challenges in the future. We will hold on to a firm belief towards the Group's foresight and the path it has chosen as well as its determination towards the pursuit of its own dream.

## 6. ACKNOWLEDGE

While persistently pursuing its great business dreams, Fantasia will strive more robustly to create a business ecosphere in which we, together with our counterparties, can coexist and thrive. Meanwhile, we hope that all stakeholders will jointly create greater benefits and returns. I hereby express my sincere gratitude to our customers, staff, partners and shareholders who have been working side by side with us and hope that our companionship will brighten up our life.


Shenzhen Funian Plaza

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

### REVENUE

Revenue of the Group mainly consists of revenue derived from (i) the sales of developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services and (v) the provision of hotel management and related services. For the six months ended 30 June 2013, turnover of the Group amounted to approximately RMB2,751 million, representing an increase of 128.3% from approximately RMB1,205 million for the corresponding period in 2012. The increase is primarily attributable to the increase in the Group's total gross floor area delivered to purchasers as compared to the corresponding period in 2012, which was consistent with the Group's development schedule. It is expected that the Group's full year plan in 2013 for completion of sale properties for delivery will be completed and delivered to purchasers as scheduled.

### PROPERTY DEVELOPMENT

The Group recognize revenue from the sale of a property when the significant risks and rewards of ownership have been transferred to the purchaser, i.e., when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue from property development represents proceeds from sales of properties held for sales. Revenue derived from property development increased by 142% to approximately RMB2,541 million for the six months ended 30 June 2013 from approximately RMB1,050 million for the corresponding period in 2012. During the period under review, five new property development projects were completed which led to a significant increase in total gross floor area delivered to customers.

Chengdu Funian Plaza

The table below sets forth the total revenue derived from each of the projects and the aggregate GFA of properties sold in the first half of 2013 and 2012.

| | For the six months ended 30 June 2013 | | | For the six months ended 30 June 2012 | | |
|---|---|---|---|---|---|---|
| | Total Revenue | GFA sold | Average Selling Price | Total Revenue | GFA sold | Average Selling Price |
| | RMB'000 | Square meters | RMB | RMB'000 | Square meters | RMB |
| Nanjing Yuhuatai Project (南京花生唐) | 808,333 | 39,402 | 20,515 | – | – | – |
| Dongguan Wonderland (東莞江山) | 415,336 | 63,144 | 6,578 | | | |
| Guilin Fantasia Town (桂林花樣城) | 378,361 | 51,750 | 7,311 | – | – | – |
| Dali Human Art Wisdom (大理藝墅花鄉) | 341,064 | 53,452 | 6,381 | – | – | – |
| Chengdu Future Plaza (成都香年廣場) | 258,651 | 26,702 | 9,687 | – | – | – |
| Suzhou Lago Paradise (蘇州太湖天城) | 146,020 | 11,749 | 12,428 | 216,404 | 18,239 | 11,865 |
| Wuxi Love Forever (無錫花郡) | 61,716 | 6,150 | 10,035 | – | – | – |
| Huizhou Fantasia Special Town (惠州別樣城) | 61,622 | 9,609 | 6,413 | 3,724 | 237 | 15,680 |
| Dongguan Mont Conquerant (東莞君山) | 33,084 | 3,686 | 8,976 | 136,537 | 15,030 | 9,084 |
| Chengdu Mont Conquerant (成都君山) | 14,748 | 2,177 | 6,774 | 16,156 | 2,671 | 6,050 |
| Chengdu Fantasia Town (成都花樣城) | 10,880 | 1,015 | 10,719 | 22,705 | 2,702 | 8,404 |
| Chengdu Meinian International Plaza (成都美年國際廣場) | 5,865 | 1,403 | 4,180 | 146,234 | 18,356 | 7,966 |
| Chengdu Grande Valley (成都大溪谷) | 3,492 | 554 | 6,303 | 33,862 | 3,750 | 9,029 |
| Shenzhen Funian Plaza (深圳福年廣場) | – | – | – | 298,849 | 8,498 | 35,169 |
| Shenzhen Meinian International Complex (深圳美年國際廣場) | – | – | – | 130,628 | 4,058 | 32,190 |
| Tianjin Hailrun Plaza (天津喜年廣場) | – | – | – | 22,009 | 1,768 | 12,446 |
| Shenzhen Love Forever (深圳花郡) | – | – | – | 1,013 | 72 | 14,120 |
| Sub-total | 2,539,172 | 270,793 | 9,377 | 1,028,121 | 75,381 | 13,639 |
| Others | 2,214 | – | – | 21,544 | – | – |
| Total | 2,541,386 | – | – | 1,049,665 | – | – |

## PROPERTY INVESTMENT

Revenue generated from property investment increased by 42.5% to approximately RMB57 million for the six months ended 30 June 2013 from approximately RMB40 million for the corresponding period in 2012. The increase was primarily due to the continuing growth of the investment properties and the increase in occupancy rate.

## PROPERTY AGENCY SERVICES

Revenue derived from property agency services increased by 50% to approximately RMB6 million for the six months ended 30 June 2013 from approximately RMB4 million for the corresponding period in 2012. The increase was primarily due to the increase in number of communities we managed in which we provide agency service.

## PROPERTY OPERATION SERVICES

Revenue derived from property operation services increased by 20% to approximately RMB102 million for the six months ended 30 June 2013 from approximately RMB85 million for the corresponding period in 2012. This increase was primarily due to an increase in the gross floor area of properties that the Group managed during the first half of 2013.

## HOTEL SERVICES

Revenue derived from hotel services increased by 73.1% to approximately RMB45 million for the six months ended 30 June 2013 from approximately RMB26 million for the corresponding period in 2012. This increase was primarily due to an increase in the number of hotels we operated and occupancy rate of the hotels during the first half of 2013.

Grande Valley International Country Club

## GROSS PROFIT AND MARGIN

Gross profit increased by 104.8% to approximately RMB1,030 million for the six months ended 30 June 2013 from approximately RMB503 million for the corresponding period in 2012, while the Group's gross profit margin maintained at a high level of 37.5% for the six months ended 30 June 2013 as compared to a gross profit margin of 41.7% for the corresponding period in 2012. The decrease in gross margin was primarily due to delivery of more residential properties, which has a lower margin than commercial properties, during the first half of 2013.

## OTHER INCOME, GAIN AND LOSSES

Other income, gain and losses increased by 907.1% to approximately RMB141 million for the six months ended 30 June 2013 from approximately RMB14 million for the corresponding period in 2012. The increase was mainly due to income from land development project and exchange gain arising during the reporting period.

## SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses increased by 3.1% to approximately RMB131 million for the six months ended 30 June 2013 from approximately RMB127 million for the corresponding period in 2012. The increase was in line with our increase in contract sales during the reporting period.

Nanjing OMG

## ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by 63.9% to approximately RMB254 million for the six months ended 30 June 2013 from approximately RMB155 million for the corresponding period in 2012. This increase was primarily due to the increase in number of offices and staff cost in new locations following our expansion.

## FINANCE COSTS

The Group's finance costs increased by 371.9% to approximately RMB151 million for the six months ended 30 June 2013 from approximately RMB32 million for the corresponding period in 2012. The increase was primarily due to the issuance of new senior notes raising in first half of 2013 to finance our projects.

## INCOME TAX EXPENSES

Our income tax expenses increased by 6.2% to approximately RMB377 million for the six months ended 30 June 2013 from approximately RMB355 million for the corresponding period in 2012. This increase was in line with the increase in the Group's taxable income, which in turn increased the income tax in the first half of 2013.

## PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company increased by 57.7% to approximately RMB317 million for the six months ended 30 June 2013 from approximately RMB201 million for the corresponding period in 2012. This increase was primarily due to an increase in the accounting recognition of turnover for the six months ended 30 June 2013.

# Liquidity, Financial and Capital Resources

## CASH POSITION

As at 30 June 2013, the Group's bank balance and cash was approximately RMB4,200 million (31 December 2012: approximately RMB3,496 million), representing an increase of 20.1% as compared to that as at 31 December 2012. A portion of the cash of the Group are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties which such deposits relate to. As at 30 June 2013, the Group's restricted cash was approximately RMB605 million (31 December 2012: approximately RMB708 million), representing a decrease of 14.5% as compared to that as at 31 December 2012.

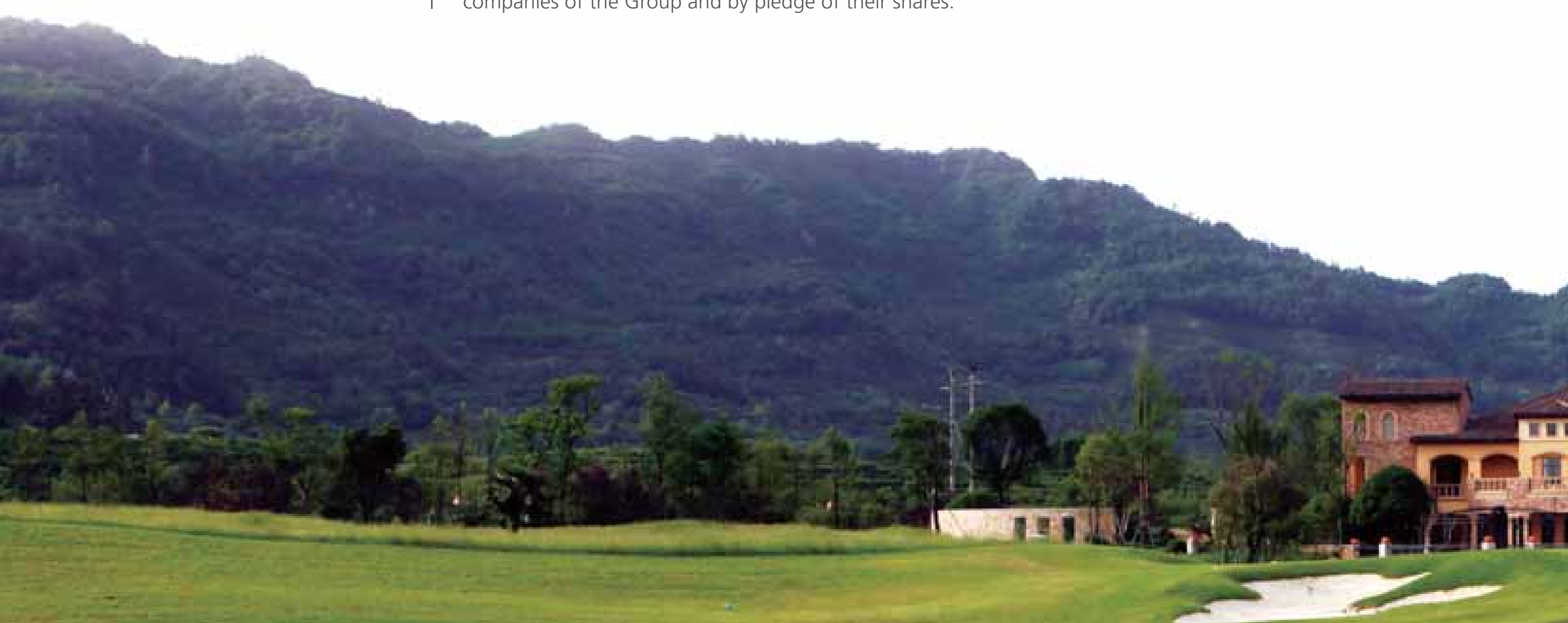
## CURRENT RATIO AND GEARING RATIO

As at 30 June 2013, the Group has current ratio (being current assets over current liabilities) of approximately 1.54 compared to that of 1.50 as at 31 December 2012. The gearing ratio was 90.7% as at 30 June 2013 (31 December 2012: 63.4%). The gearing ratio was measured by net debt (aggregated bank borrowings and senior notes net of bank balances and cash and restricted cash) over the total equity. The total debt (being aggregated bank borrowings and senior notes) over total assets ratio continued to be healthy, maintaining at 37.7% as at 30 June 2013 (31 December 2012: 32.1%).

## BORROWINGS AND CHARGES ON THE GROUP'S ASSETS

As at 30 June 2013, the Group had an aggregate bank borrowings and senior notes of approximately RMB5,976 million (31 December 2012: approximately RMB5,552 million) and approximately RMB4,871 million (31 December 2012: approximately RMB2,329 million), respectively. Amongst the bank borrowings, approximately RMB2,981 million (31 December 2012: approximately RMB2,452 million) will be repayable within one year and approximately RMB2,995 million (31 December 2012: approximately RMB3,100 million) will be repayable after one year. The senior notes were repayable between two to seven years.

As at 30 June 2013, a substantial part of the bank borrowings were secured by land use rights and properties of the Group. The senior notes were jointly and severally guaranteed by certain subsidiary companies of the Group and by pledge of their shares.



## EXCHANGE RATE RISK

The Group mainly operates its business in China. Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. Appreciation in RMB would have a positive effect on the value on paying interest and repayment of foreign currency bank borrowings and senior notes. During the six months ended 30 June 2013, though the exchange rates of RMB against U.S. dollar and the Hong Kong dollar kept on increasing, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

## CONTINGENT LIABILITIES

As at 30 June 2013, the Group had provided guarantees amounting to approximately RMB3,687 million (31 December 2012: approximately RMB2,751 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the six months ended 30 June 2013 as the default risk is low.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group had approximately 8,836 employees (31 December 2012: approximately 7,502 employees). Total staff costs, including directors' emoluments, for the six months ended 30 June 2013 amounted to approximately RMB119 million (six months ended 30 June 2012: approximately RMB63 million). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice. Apart from salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for Chinese employees), a discretionary bonus program and a share option scheme.

The Company adopted a share option scheme on 27 October 2009. Up to 30 June 2013, a total of 142,660,000 share options were granted. Up to 30 June 2013, a total of 25,090,000 share options were lapsed and no share options had been exercised. As at 30 June 2013, the outstanding share options were 117,570,000.

Chengdu Grande Valley

# BUSINESS REVIEW

## Introduction

The Group, after establishing eight major value-added services for real estates in 2012, continued to develop according to its ten-year blueprint during the first half of 2013. With design and construction teams building and executing projects by implement the concept of providing an interesting, tasteful and colorful living space and experience, the Group strives to provide all-rounded services to its customers. It is expected that the Group could establish an innovative model in the field of community service in China. In addition, the first micro-credit company of the Group was incorporated in June 2013. Regarding to real estate development, the Group moved its first step to the international market. Adhering to prudent operating strategy, the Group entered into the Singapore real estate market with an aim of providing a more stable and balanced growth and income for the Company.

On the other hand, the Group seized the best opportunity in the first half of 2013. Under the background of prudent and sluggish sentiment in global capital market, in January and May 2013, the Group issued senior notes in the amount of US$250 million at an interest rate of 10.75% due 2020 and RMB1,000 million at an interest rate of at 7.875% due 2016, respectively. The issuance of such senior notes was crucial for the Group to replenish cash and secure promising investment projects in an unfavorable market condition.

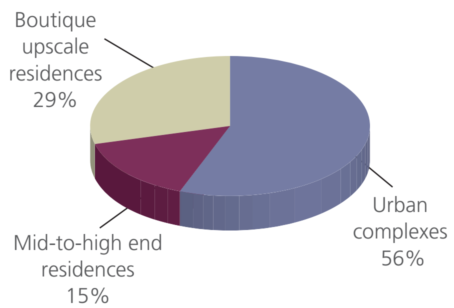
## PROPERTY DEVELOPMENT

### Contract Sales and Project Development

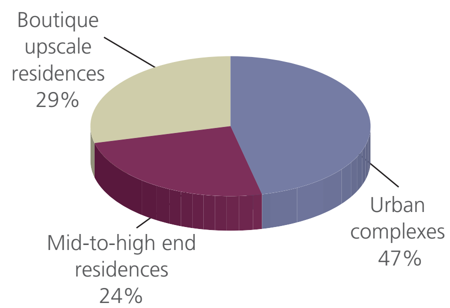
With the continuous implementation of the policies on "purchase restriction and loan restriction", the differentiation of urban development in first and second, third and fourth tier cities became more and more obvious. The Group adheres to the operating strategy of "Being Steady and Prudent", with an emphasis on the prudent management on the cash flows and capital and carried out proactive sales and measures to ensure the successful fulfillment of the sales objective in the first half of 2013.

During the period under review, the Group recorded contract sales of RMB3,668 million and contract sales area of 450,987 square meters, representing a year-on-year increase of 9.5% and 16%, respectively. RMB2,048 million of the total contract sales was derived from urban complexes projects, which accounted for 56% of total contract sales compared with 50% in the first half of 2012. It shows that the reliance on "rigid demand" and "complexes exempt from the purchase restriction" is still the mainstream.

The proportion of contract sales attributable to different categories of products in the first half of 2013



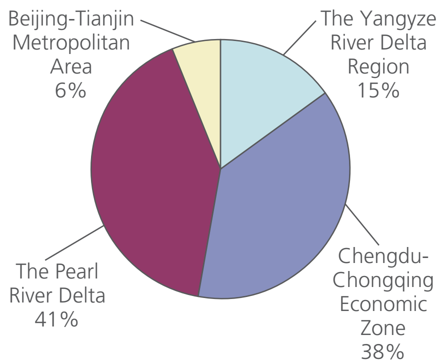

The proportion of contract sales area attributable to different categories of products in the first half of 2013



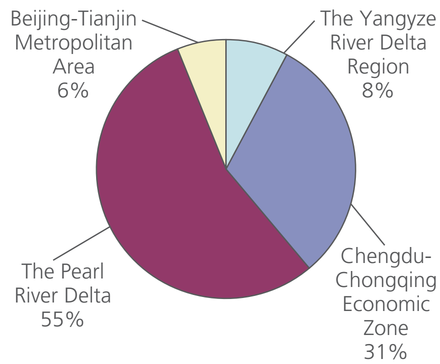

| | Amount | | Area | |
|---|---|---|---|---|
| | (RMB million) | % | (Sq. m.) | % |
| Urban complexes | 2,048 | 56% | 211,273 | 47% |
| Mid-to-high end residences | 569 | 15% | 110,662 | 24% |
| Boutique upscale residences | 1,051 | 29% | 129,052 | 29% |
| **Total** | **3,668** | **100%** | **450,987** | **100%** |

During the period under review, the contract sales contribution of the Group's real estate business were mainly derived from 9 cities, including Chengdu, Guilin, Nanjing and Dongguan, and 20 projects, including Chengdu Future Plaza, Chengdu Funian Plaza, Chengdu Longnian International Centre, Guilin Fantasia Town, Nanjing Yuhuatai Project, Dongguan Wonderland and Huizhou Fantasia Special Town, as compared to the 12 projects from 9 cities in the same period last year. The "rigid demand" product is still the sales highlight in the first half of 2013. The sales rate during the month of launch for Guilin Fantasia Town, Dongguan Wonderland, Huizhou Fantasia Special Town and Tianjin Love Forever all exceeded 80%. Among these, the sale of Dongguan Wonderland during the month exceeded RMB100 million. Commercial properties such as Yuhuatai Project and the additional shops of Phase 3 of Chengdu Fantasia Town also recorded a sales rate of 80% on the first day of launch. Furthermore, the spectacular lake view promoted the sales rate of innovative products such as the newly launched large flat units of Guilin Lakeside Eden. This reflects that, as a result of the relentless efforts over the past years, the project companies in the cities have become more mature by virtue of the operating experience accumulated and the sales strategy that follows closely to the market demand, this resulted in the more balanced business development of the Group and a continuous growth in the contributions from different regions.

The contract sales distribution in the four major regions in the first half of 2013




The contract sales area distribution in the four major regions in the first half of 2013




The breakdown of the Company's contract sales in the four major regions in the first half of 2013

| | Amount | | Area | |
|---|---|---|---|---|
| | (RMB million) | % | (Sq. m.) | % |
| The Pearl River Delta | 1,521 | 41% | 247,406 | 55% |
| Chengdu-Chongqing Economic Zone | 1,388 | 38% | 138,999 | 31% |
| The Yangyze River Delta Region | 542 | 15% | 34,804 | 8% |
| Beijing-Tianjin Metropolitan Area | 217 | 6% | 29,778 | 6% |
| **Total** | **3,668** | **100%** | **450,987** | **100%** |

## NEWLY COMMENCED PROJECTS

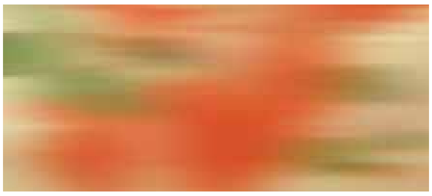
During the period under review, the Group had nine projects or phases of projects which were newly commenced, with a total planned gross floor area of approximately 1,240,000 square meters.

### The breakdown of newly commenced projects for the first half year of 2013

| Serial number | Project name | Project location | Nature of land | Expected completion date | Company's interest | Aggregate Gross floor area |
|---|---|---|---|---|---|---|
| | | | | | | sq.m |
| Pearl River Delta | | | | | | |
| 1 | Phase 5 of Huizhou Fantasia Special Town | Huinan Road, Huizhou City | Residential and Commercial | 2015 | 100% | 149,981 |
| 2 | Phase 2 and 3 of Guilin Fantasia Town | Lingui New District, Guilin City | Residential and Commercial | Phase 2: 2015<br>Phase 3: 2016 | 100% | 298,618 |
| 3 | Phase 2 of Guilin Lakeside Eden | Lingui New District, Guilin City | Residential and Commercial | 2015 | 100% | 206,788 |
| Chengdu-Chongqing Economic Zone | | | | | | |
| 1 | Phase 1 and 2 of Chengdu Longnian International Center | Pi County, Chengdu City | Residential and Commercial | 2015 | 100% | 145,113 |
| 2 | Phase 2 of Chengdu Grande Valley | Pujiang County, Chengdu City | Residential and Commercial | 2014 | 100% | 26,000 |
| 3 | Phase 2 of Chengdu Meinian Plaza | Chengdu High-technology Zone | Residential, commercial and education | 2015 | 100% | 72,972 |
| Yangtze River Delta | | | | | | |
| 1 | Suzhou Fantasia Special Town | Taihu National Tourism Vacation Zone, Suzhou City | Residential | 2015 | 100% | 136,485 |
| 2 | Suzhou Hailrun Plaza | Shishan Road, New District, Suzhou City | Residential, commercial and ancillary | 2016 | 100% | 170,309 |
| Beijing-Tianjin Metropolitan Area | | | | | | |
| 1 | Phase 1.2 of Tianjin Love Forever | Wuqing District, Tianjin City | Residential land use | 2014 | 100% | 31,611 |
| Total | | | | | | **1,237,877** |

## COMPLETED PROJECTS

During the period under review, the Group had five projects or phases of projects which were completed, with a total gross floor area of approximately 381,266 square meters.



Shenzhen Funian Plaza

Chengdu Funian Plaza


Tianjin Love Forever

The breakdown of completed projects for the first half year of 2013

| Serial number | Project name | Gross floor area | Gross saleable area | Area held for sale | | Area held by the Company | Contract sales area during 2013 |
|---|---|---|---|---|---|---|---|
| | | | | Area for sale | Contract sales area | | |
| | | sq.m | sq.m | sq.m | sq.m | sq.m | sq.m |
| Pearl River Delta | | | | | | | |
| 1 | Phase 2 of Dongguan Wonderland | 75,557 | 64,830 | 604 | 64,226 | – | 690 |
| 2 | Phase 1 of Guilin Fantasia Town | 108,656 | 91,054 | 856 | 86,176 | 4,022 | 9,370 |
| Chengdu-Chongqing Economic Zone | | | | | | | |
| 1 | Dali Human Art Wisdom | 77,408 | 64,488 | 9,902 | 54,586 | – | 7,641 |
| Yangtze River Delta | | | | | | | |
| 1 | Nanjing Yuhuatai Project | 94,774 | 66,833 | 3,110 | 41,744 | 21,979 | 17,282 |
| 2 | Block 1.1 of Suzhou Lago Paradise Land Plot No. 4 | 24,871 | 22,415 | 7,152 | 15,263 | – | 2,181 |
| **Total** | | **381,266** | **309,620** | **21,624** | **261,995** | **26,001** | **37,164** |

## PROJECTS UNDER CONSTRUCTION

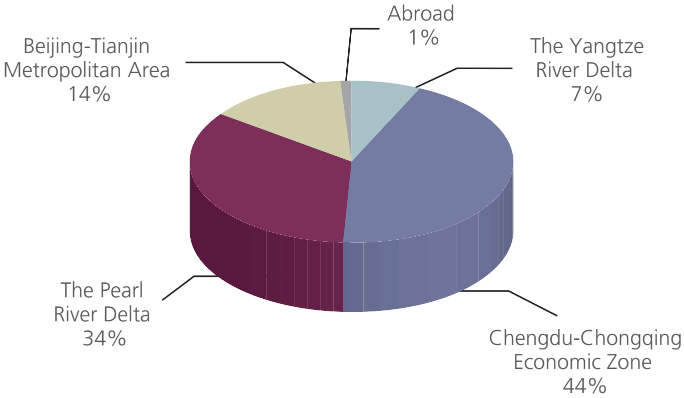
As at 30 June 2013, the Group had 17 projects or phases of projects under construction, with a total planned gross floor area of approximately 3,520,000 square meters and a planned saleable area of approximately 2,590,000 square meters, among which had an accumulated contracted area of approximately 839,959 square meters.

At present, the Group has seven projects or phases of projects of urban complexes which are under construction, namely Guilin Fantasia Town, Chengdu Funian Plaza, Chengdu MIC Plaza, Chengdu Long Nian International Centre, Suzhou Hailrun Complex and Wuxi Hailrun Complex, with a total planned GFA of approximately 1.92 million square meters, representing approximately 55% of the total GFA of projects under construction. The Group also owned seven projects or phases of projects of boutique upscale residences which are under construction, namely Dongguan Wonderland, Guilin Lakeside Eden, Chengdu Grande Valley, Tianjin Love Forever, Suzhou Lago Paradise, Suzhou Fantasia Special Town and Wuxi Love Forever; with a total GFA of approximately 933,996 square meters, representing approximately 27% of the total GFA of projects under construction.

## The breakdown of projects under construction for the first half of 2013

| Serial number | Project name | Project location | Nature of land | Company's interest | Expected completion date | Gross floor area | Gross saleable area | Area held for sale | | Expected area held by the Company | Contract sales area during 2013 | Product Category |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | sq.m. | sq.m. | Area for sale | Contract sales area | sq.m. | sq.m. | |
| **Huizhou** | | | | | | | | | | | | |
| 1 | Phase 3 and 5 of Fantasia Special Town | Huinan Road, Huizhou City | Residential and Commercial | 100% | Phase 3: 2014<br>Phase 5: 2015 | 310,231 | 232,633 | 144,951 | 87,682 | – | 50,828 | Mid-to-high end residence |
| 2 | Phase 1 and 2 of Love Forever | Huangyuyong, Daya Bay, Huizhou City | Residential and Commercial | 100% | Phase 1: 2013<br>Phase 2: 2014 | 138,766 | 111,455 | 70,933 | 40,522 | – | 20,851 | Mid-to-high end residence |
| **Dongguan** | | | | | | | | | | | | |
| 1 | Phase 3 of Wonderland | Huangjiang Town, Dongguan City | Residential and Commercial | 100% | 2014 | 158,625 | 128,118 | 8,060 | 120,058 | – | 53,689 | Boutique upscale residence |
| **Guiling** | | | | | | | | | | | | |
| 1 | Phase 1, 2 and 3 of Guilin Fantasia Town | Lingui New District, Guilin City | Residential and Commercial | 100% | Phase 1: 2014<br>Phase 2: 2015<br>Phase 3: 2016 | 630,894 | 478,024 | 231,528 | 175,973 | 70,523 | 85,096 | Urban complex |
| 2 | Phase 1.1 and 2 of Guilin Lakeside Eden | Lingui New District, Guilin City | Residential and Commercial | 100% | Phase 1.1: 2013<br>Phase 2: 2015 | 244,423 | 175,816 | 147,140 | 28,676 | – | 18,163 | Boutique upscale residence |
| **Chengdu** | | | | | | | | | | | | |
| 1 | Phase 2.2 of Grande Valley | Pujiang County, Chengdu City | residential land use | 100% | 2014 | 32,916 | 32,347 | 18,847 | 13,500 | – | 9,313 | Boutique upscale residence |
| 2 | Four Points by Sheraton of Grande Valley | Pujiang County, Chengdu City | Commercial and financial use land | 100% | 2013 | 33,700 | 33,700 | – | – | 33,700 | – | Hotel |
| 3 | Phase 4.1 and 4.2 of Fantasia Town | Wenjiang District, Chengdu City | Residential and Commercial | 100% | Phase 4.1: 2013<br>Phase 4.2: 2014 | 180,237 | 129,610 | 300 | 129,310 | – | 25,558 | Mid-to-high end residence |
| 4 | Funian Plaza | Chengdu Hightechnology Zone, Chengdu City | Commercial and financial use land | 100% | 2013 | 180,168 | 132,151 | 11,474 | 120,677 | – | 14,276 | Urban complex |
| 5 | Phase 2 and 2.3 of Meinian International Plaza | Chengdu Hightechnology Zone, Chengdu City | Residential, commercial and education | 100% | Phase 2: 2015<br>Phase 2.3: 2016 | 497,844 | 344,236 | 343,508 | 728 | – | 227 | Urban complex |
| 6 | Phase 1 and 2.1 of Longnian International Center | Pi County, Chengdu City | Residential and Commercial | 100% | 2015 | 337,871 | 233,319 | 191,040 | 24,115 | 18,164 | 15,582 | Urban complex |
| **Tianjin** | | | | | | | | | | | | |
| 1 | Phase 1.1 and 1.2 of Love Forever | Wuqing District, Tianjin City | residential land use | 100% | 2013 | 106,639 | 77,392 | 20,326 | 57,066 | – | 20,257 | Boutique upscale residence |
| **Suzhou** | | | | | | | | | | | | |
| 1 | Land 6 and 4 of Lago Paradise | Taihu National Tourism Vacation Zone, Suzhou City | Accommodation and dinning, and residential | 100% | 2013 | 33,040 | 33,040 | 18,449 | 14,591 | – | 2,181 | Boutique upscale residence |
| 2 | Fantasia Special Town | Taihu National Tourism Vacation Zone, Suzhou City | Residential | 100% | 2015 | 136,485 | 120,000 | 120,000 | – | – | – | Boutique upscale residence |
| 3 | Suzhou Hailrun Plaza | Binhe Road West, Shangxin District, Suzhou City | Residential and Commercial | 100% | 2016 | 170,309 | 104,296 | 104,296 | – | – | – | Urban complex |
| **Wuxi** | | | | | | | | | | | | |
| 1 | Phase 2 of Love Forever | New District, Wuxi City | Residential and Commercial | 100% | 2013 | 221,868 | 141,111 | 132,815 | 8,296 | – | 6,259 | Boutique upscale residence |
| 2 | Hailrun Complex | Binhu District, Wuxi City | R&D design, business office and commercial | 100% | 2013 | 102,967 | 83,126 | 64,361 | 18,765 | – | 4,427 | Urban complex |
| Total | | | | | | 3,516,983 | 2,590,374 | 1,628,028 | 839,959 | 122,387 | 326,707 | |

Chart Showing the Distribution of Projects to be Developed




## PROJECTS HELD FOR DEVELOPMENT

As at 30 June 2013, the Group had 19 projects or phases of projects held for development with a planned gross floor area of approximately 5,180,000 square meters, of which the total planned gross floor area of six projects in Chengdu-Chongqing Economic Zone was approximately 2,300,000 square meters, with a proportion of approximately 44.3%, five projects in the Pearl River Delta with total planned gross floor area of approximately 1,260,000 square meters with a proportion of approximately 33.9%, four projects in the Yangyze River Delta Region with total planned gross floor area of approximately 374,000 square meters with a proportion of approximately 7.2%, three project in Beijing-Tianjin Metropolitan Area with total planned gross floor area of approximately 744,000 square meters with a proportion of approximately 14.4%; and one project abroad had a total planned gross floor area of approximately 13,000 square meters with a proportion of approximately 0.2%.

The breakdown of projects held for development

| Serial number | Project name | Project location | Nature of land | Company's interest | Gross floor area | Average cost of floor area |
|---|---|---|---|---|---|---|
| | | | | | sq.m. | RMB/sq.m |
| Shenzhen | | | | | | |
| 1 | Zhizhou Building Project | Shekou District, Shenzhen City | Commercial and financial use land | 61% | 77,500 | 2,754 |
| 2 | Nanshan District Project (TCL Project) | Nanshan District, Shenzhen City | Industrial, commercial and financial | 55% | 39,587 | 7,970 |
| Subtotal | | | | | 117,087 | |
| Suzhou | | | | | | |
| 1 | Suzhou Hailrun Plaza | Binhe Road West, Shangxin District, Suzhou City | Residential and Commercial | 100% | 120,000 | 2,271 |
| Singapore | | | | | | |
| 1 | Ultra Mansion | Novena District, Singapore | Residential and Commercial | 90% | 13,023 | 56,111 |
| Huizhou | | | | | | |
| 1 | Remaining phases of Fantasia Special Town | Huinan Road, Huizhou City | Residential and Commercial | 100% | 162,038 | 423 |
| Dongguan | | | | | | |
| 1 | Wonderland | Huangjiang Town, Dongguan City | Residential and Commercial | 100% | 33,719 | 934 |
| Guilin | | | | | | |
| 1 | Remaining phases of Lakeside Eden | Lingui New District, Guilin City | Residential and Commercial | 100% | 1,443,101 | 393 |
| Chengdu | | | | | | |
| 1 | Remaining phases of Belle Epoque | Laojunshan, Xinjin County, Chengdu City | Residential, commercial and ancillary | 100% | 283,304 | 823 |
| 2 | Remaining phases of Grande Valley | Pujiang County, Chengdu City | Residential and Commercial | 100% | 1,490,370 | 281 |
| 3 | Remaining phases of Meinian International Plaza | High-technology Zone, Chengdu City | Education use land | 100% | 23,903 | 669 |

| Serial number | Project name | Project location | Nature of land | Company's interest | Gross floor area | Average cost of floor area |
|---|---|---|---|---|---|---|
| | | | | | sq.m. | RMB/sq.m |
| Chengdu | | | | | | |
| 4 | Remaining phases of Chengdu International Center | Pi County, Chengdu City | Residential and Commercial | 100% | 73,681 | 781 |
| 5 | Chengdu Pi county | Pi County, Chengdu City | Residential and Commercial | 100% | 129,814 | 1,196 |
| 6 | Chengdu Wenjiang | Wenjiang County, Chengdu City | Residential and Commercial | 100% | 293,588 | 726 |
| Subtotal | | | | | 2,294,660 | |
| Beijing | | | | | | |
| 1 | Qingnian Road Project | Qingnian Road, Beijing | Commercial, office and carpark | 100% | 140,000 | 5,195 |
| Tianjin | | | | | | |
| 1 | Remaining phases of Love Forever | Wuqing District, Tianjin City | Residential | 100% | 435,680 | 1,183 |
| 2 | Yingcheng Lake Project | Hangu District, Tianjin City | Residential, commercial and tourism | 100% | 168,339 | 766 |
| Subtotal | | | | | 604,019 | |
| Shanghai | | | | | | |
| 1 | Shanghai Belgravia | Pudong New District, Shanghai | Residential and Commercial | 100% | 17,564 | 2,667 |
| Ningbo | | | | | | |
| 1 | Ningbo Beilun Project | Beilun District, Ningbo City | Commercial, office and carpark | 100% | 217,507 | |
| Wuxi | | | | | | |
| 1 | Remaining phases of Love Forever | New District, Wuxi City | Residential and Commercial | 100% | 19,420 | 1,523 |
| **Total** | | | | | **5,182,138** | |

The breakdown of land bank by regions as at 30 June 2013

| Region | Projects under construction | Projects to be developed | Projects under framework agreements | Aggregate planned gross floor area of land bank | Proportion |
|---|---|---|---|---|---|
| | sq.m. | sq.m. | sq.m. | sq.m. | |
| Chengdu-Chongqing Economic Zone | | | | 7,918,526 | 59.4% |
| Chengdu | 1,262,736 | 2,294,661 | 3,364,599 | 6,921,995 | |
| Dali | – | – | 996,531 | 996,531 | |
| The Peral River Delta | | | | 3,338,424 | 25.0% |
| Shenzhen | – | 117,087 | 99,540 | 216,627 | |
| Huizhou | 448,997 | 162,038 | – | 611,035 | |
| Dongguan | 158,625 | 33,719 | – | 192,344 | |
| Guilin | 875,317 | 1,443,101 | – | 2,318,418 | |
| Beijing-Tianjin Metropolitan Area | | | | 850,658 | 6.4% |
| Beijing | – | 140,000 | – | 140,000 | |
| Tianjin | 106,639 | 604,019 | – | 710,658 | |
| The Yangtze River Delta | | | | 1,208,257 | 9.1% |
| Suzhou | 339,834 | 120,000 | 49,246 | 509,080 | |
| Wuxi | 324,835 | 19,420 | – | 344,255 | |
| Nanjing | – | – | 81,852 | 81,852 | |
| Shanghai | – | 17,563 | 38,000 | 55,563 | |
| Ningbo | – | 217,507 | – | 217,507 | |
| Overseas | | | | 13,023 | 0.1% |
| Singapore | – | 13,023 | – | 13,023 | |
| Total | 3,516,983 | 5,182,138 | 4,629,768 | 13,328,888 | |

## OUR LAND BANK

During the period under review, the Group followed the prudent investment strategy and the developing direction of replenishing land bank in Beijing, Shanghai and Shenzhen where such first-tier and second-tier cities possess great market potential and able to generate substantial capital returns. The Group also adhered to the direction of penetrating international property markets.

As at 30 June 2013, the planned gross floor area of the Group's land bank was approximately 8.70 million square meters, and the planned gross floor area of properties with framework agreements signed was approximately 4.63 million square meters. Total planned gross floor area of land bank was approximately 13.33 million square meters.

In March 2013, we entered into framework agreements for land parcels in Shanghai (gross floor area of 38,000 square meters) and Nanjing (gross floor area of 81,852 square meters). During the reporting period, the Group acquired land parcels in Wenjiang of Chengdu, Shenzhen, Suzhou, Singapore, Dongguan, Pixian of Chengdu, Pudong of Shanghai and Ningbo, respectively.

## COMMUNITY SERVICE AND PROPERTY MANAGEMENT

In its "Twelfth Five-year Plan for the Development of the Tertiary Industry" in 2012, the Chinese government announced certain requirements which placed an emphasis on the development of life-related services in a liberalized and international manner. Some regions have paid further attention to the importance of community services development which in turn provide a favorable environment for the healthy growth of community-related services.

During the period under review, the property operation business of the Group experienced continuous rapid growth through Colour Life Services Group Co., Limited (the "Colour Life Services Group") which acquired a number of property management companies. Colour Life Services Group has become a large-scale property service group showing a significant rise in the reputation of the community services brand of Colour Life Services Group, and it aims to turn itself from a pure management company into a community service operator which offers a wide coverage of online and offline services.

In order to face challenges brought by the rising labor cost of property services and accommodate the demand for community services in an era of mobile communication, the Group has taken the initiative to promote Colour Life V2.0 model on the basis of information technology infrastructure and we believe this would further increase our service efficiency for the community, the replicability of our community management and the ability of seamlessly integrating the offline business to online business, while enhancing our favorable position relative to the majority of traditional property management companies which can only provides basic property management services.

We plan to enhance the modification plan in regard to Colour Life V2.0 model for the communities managed under Colour Life Services Group in 2013, establish more model communities and Colour Space shops (彩空間) around China, optimize Colour Life online service and transaction platform with SOLOMO model, boost Colour Life's ability to explore and integrate the peripheral commercial resources of the community by adopting innovative and interactive smart mobile products as a terminal access for customers' mutual connection and Colour Space as a physical terminal access for the customers to experience online shopping while introducing and expanding the application of Colour Life online platform to the peripheral commercial entities in the community with a via to developing Colour Life Services Group as a leading integrated services provider for offering services to mini commercial areas surrounding the community.

## HOTEL MANAGEMENT

In 2012, Fantasia Group accelerated its pace to initiate cooperation with international well-known hotel management enterprises. On 28 June 2012, Fantasia Group signed a strategic alliance memorandum with Starwood Hotels & Resorts Worldwide, Inc. (喜達屋酒店管理集團) thereby formally announcing that both parties would establish a long-term and amicable cooperating relationship in the fields of hotel development, construction and management, and allowing us to further expand our cooperation platform with international well-known hotel management groups. During the period under review, our hotel projects in Chengdu, Suzhou and Guilin had progressed smoothly.

Meanwhile, Fantasia is committed to building its own boutique hotel brands, and the positioning of and analysis on the proprietary brand of "U" hotel (有園) and "HYDE" hotel (個園) have been established so far. The "U" series of hotels emphasizes on the simplicity and elegance of the brand, the cultivation of a creative environment tailored for social activities and the promotion of a brand new philosophy of hotel services. At the award ceremony of the 9th "Golden Pillow Award of China Hotels" (中國酒店金枕頭獎), the brand "U Hotel" was awarded "2012 China Chained Boutique Hotel Brand with the Most Development Potential" (2012年度中國最具發展潛力精品連鎖酒店品牌).

U Hotel in Shenzhen commenced operations on 25 February 2012. Having been evaluated and chosen by China Hotel Association (中國飯店協會) and jointly evaluated by Shenzhen Hotels Association (深圳市飯店業協會), U Hotel in Shenzhen was recognized as Green Hotel 4A (4A級綠色飯店) in June 2012. U Hotel in Tianjin is planned to commence trial operation in 2013.

Following the brand of "U", Fantasia's HYDE Hotel is another hotel brand created and run by Fantasia Group. Designed for corporate retreat and private accommodation, HYDE Hotel is positioned as a Four-Star hotel which offers a full range of business and leisure facilities and embodies a fashionable and exquisite layout, a simple style as well as a quiet and understated environment. Fantasia's HYDE Hotel provides with an impressive service experience and splendid enjoyment of a spacious, silent and green environment, crafted to integrate both culture and art and filled with Eastern Zen style. Promoting a healthy and relaxing, smart and fulfilling as well as balanced lifestyle, HYDE Hotel is devoted to offer customers a mid-end to high-end experience of a serene oasis, a palace for nourishing your body and a space for inspiration.

Fantasia's HYDE Hotel, situated at the foot of Laojun Mountain in Xinjin County of Chengdu, commenced trial operation in early January 2013. By integrating the history of Laojun Mountain and the local Taoist culture, the boutique hotel features the theme of health maintenance and spiritual cultivation.

During the period under review, Rhombus Fantasia Chengdu Hotel, the flagship hotel of Fantasia Group in Chengdu, was awarded "Top 10 Newly Opened Hotels in China" (中國十佳最新開業酒店大獎) from the 2012 China Hotel Starlight Awards (中國酒店星光獎) and "Best Innovative Hotel" (最佳創意酒店獎) from the Example of China Annual Media Award (榜樣中國年度傳媒大獎).

During the period under review, there were four hotels operating under the name of Fantasia. In the coming 3 to 5 years, Fantasia plans to set up approximately 16 hotels in regions such as Shenzhen, Tianjin, Chengdu, Suzhou and Guilin, with a total GFA of approximately 280,000 square meters.

## BUSINESS MANAGEMENT SERVICES

Since urban complex is an important category among the real estate products of the Group, and under the Group's corporate mission for pursuing innovative business model and offering a wider coverage of business with its experience accumulated over the past 16 years, Shenzhen Fantasia Business Management, a subsidiary of the Group, actively participated in the Group's certain largescale business invitation, business planning and investment invitation projects, and it has successfully introduced two big supermarkets, international fashion brands and international cinemas into the Nanjing Yuhuatai Project (南京花生唐) and Guilin Huashengtang (桂林花生唐), and this has attracted other renowned domestic and international brands into such commercial projects and improved the recognition of the Huashengtang (花生唐) series of projects in the market. We believe that Fantasia Business Management will earn a stable and constantly increasing return in the future.

# Disclosure of Interests

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

As at 30 June 2013, the interests and short positions of the directors (the "Director") and the chief executive of the Company in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities in the Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Rhombus Fantasia Chengdu Hotel

| Director | Nature of interest | Number of issued ordinary shares held | Interest in underlying Shares | Approximate percentage of shareholding |
|---|---|---|---|---|
| Ms. Zeng Jie, Baby | Interest of controlled corporation[(1)] | 3,192,201,000 | – | 61.30% |
| | Personal | – | 9,980,000[(2)] | 0.19% |
| Mr. Pan Jun | Personal | – | 9,980,000[(2)] | 0.19% |
| Mr. Lam Kam Tong | Personal | – | 2,770,000[(2)] | 0.05% |
| Mr. Ho Man | Personal | – | 1,600,000[(2)] | 0.03% |
| Mr. Liao Martin Cheung Kong, JP | Personal | – | 1,600,000[(2)] | 0.03% |
| Mr. Huang Ming | Personal | – | 1,600,000[(2)] | 0.03% |
| Mr. Xu Quan | Personal | – | 1,600,000[(2)] | 0.03% |

Notes:

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

(2) The relevant Director was granted options to subscribe for such number of Shares under the Scheme (as defined under the sub-section headed "Share Option Scheme" in this section) on 29 August 2011 and 16 October 2012.

### Long Positions in Associated Corporation

| Name of Director | Long/short position | Name of associated corporation | No. of shares | Description of shares | Percentage of that associated corporation's issued share capital |
|---|---|---|---|---|---|
| Ms. Zeng Jie, Baby | Corporate Interest[(1)] | Fantasy Pearl | 80 | No par value | 80% |
| Mr. Pan Jun | Corporate Interest[(2)] | Fantasy Pearl | 20 | No par value | 20% |

Notes:

(1) These are shares held by Ice Apex in Fantasy Pearl and Ice Apex is wholly owned by Ms. Zeng Jie, Baby.

(2) These are shares held by Graceful Star in Fantasy Pearl and Graceful Star is wholly owned by Mr. Pan Jun.

Save as disclosed above, as at 30 June 2013, none of the Directors and chief executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, so far as the Directors are aware, the following persons or institutions have beneficial interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Rhombus Fantasia Chengdu Hotel

| Name of shareholder | Nature of interest | Number of shares | Approximate percentage of interest in the Company as at 30 June 2013 |
|---|---|---|---|
| Fantasy Pearl | Beneficial interest(1) | 3,192,201,000 | 61.30% |
| Ice Apex | Interest of controlled corporation(2) | 3,192,201,000 | 61.30% |
| Ms. Zeng Jie, Baby | Interest of controlled corporation | 3,192,201,000 | 61.30% |

Notes:

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

(2) Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Ms. Zeng Jie, Baby is deemed to be interested in the shares held by Ice Apex for the purpose of Part XV of the SFO.

Save as disclosed above, as at 30 June 2013, no other shareholder, other than Directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

Wuxi Love Forever

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("Corporate Governance Code") contained in Appendix 14 to the Listing Rules. For the period throughout the six months ended 30 June 2013, the Board is of the view that the Company has complied with the code provisions under the Corporate Governance Code save for the following deviation:

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry with all Directors whether the Directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2013 and all Directors confirmed that they have complied with the Model Code throughout such period.

## AUDIT COMMITTEE

The Company established an audit committee in compliance with Rules 3.21 and 3.22 of the Listing Rules with specific written terms of reference in compliance with the Corporate Governance Code. The audit committee of the Company currently comprises four independent non-executive Directors, including Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan, while Mr. Ho Man is the chairman of the committee. The audit committee is responsible for the engagement of external auditor, review of the Group's financial information and oversight of the Group's financial reporting system and internal control and risk management procedures and reviewing the Group's financial and accounting policies and practices. The audit committee together with the management of the Company has reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2013. In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the six months ended 30 June 2013 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.

## REMUNERATION COMMITTEE

The Company established a remuneration committee with specific written terms of reference in compliance with the Corporate Governance Code. The remuneration committee currently comprises an executive Director, Mr. Pan Jun, and four independent non-executive Directors, Mr. Huang Ming, Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP and Mr. Xu Quan, while Mr. Huang Ming is the chairman of the remuneration committee. The remuneration committee is responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

## NOMINATION COMMITTEE

The Company established a nomination committee with specific written terms of reference in compliance with the Corporate Governance Code. The nomination committee currently comprises two executive Directors, Mr. Pan Jun and Ms. Zeng Jie, Baby, and four independent non-executive Directors, Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan, while Mr. Pan Jun is the chairman of the committee. The nomination committee is responsible for reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment and re-appointment of Directors.

## SHARE OPTION SCHEME

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

The total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders. The maximum number of Shares in respect of which options may be granted under the Scheme to any individual in any 12-month period is not permitted to exceed 1% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the Shareholders (voting by way of poll).

An offer of the grant of an option under the Scheme shall remain open for acceptance for 28 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK$1 to the Company as consideration. Options may be exercised in accordance with the terms of the Scheme at any time from the date of grant until the expiry of 10 years from such date. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a Share. As at the date of this report, the total number of Shares available for issue under the Scheme is 5,087,821,750 Shares, representing 9.77% as at the date of this report.

Shenzhen Funian Plaza

The summary below set out the details of options granted as at 30 June 2013 pursuant to the Scheme:

| | | | | | Number of share option | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Date of grant | Exercise price | Closing price of the Shares on the date of grant | Balance as at 1 January 2013 | Granted during the year | Exercisable/ exercised during the year | Cancelled/ lapsed during the year | Balance as at 30 June 2013 | Note |
| | | HK$ | HK$ | | | | | | |
| Mr. Pan Jun | 29 August 2011 | 0.836 | 0.82 | 4,990,000 | – | – | – | 4,990,000 | (1) |
| | 16 October 2012 | 0.8 | 0.77 | 4,990,000 | – | – | – | 4,990,000 | (3) |
| Ms. Zeng Jie, Baby | 29 August 2011 | 0.836 | 0.82 | 4,990,000 | – | – | – | 4,990,000 | (1) |
| | 16 October 2012 | 0.8 | 0.77 | 4,990,000 | – | – | – | 4,990,000 | (3) |
| Mr. Lam Kam Tong | 16 October 2012 | 0.8 | 0.77 | 2,770,000 | – | – | – | 2,770,000 | (3) |
| Mr. Ho Man | 29 August 2011 | 0.836 | 0.82 | 800,000 | – | – | – | 800,000 | (1) |
| | 16 October 2012 | 0.8 | 0.77 | 800,000 | – | – | – | 800,000 | (3) |
| Mr. Liao Martin Cheung Kong, JP | 29 August 2011 | 0.836 | 0.82 | 800,000 | – | – | – | 800,000 | (1) |
| | 16 October 2012 | 0.8 | 0.77 | 800,000 | – | – | – | 800,000 | (3) |
| Mr. Huang Ming | 29 August 2011 | 0.836 | 0.82 | 800,000 | – | – | – | 800,000 | (1) |
| | 16 October 2012 | 0.8 | 0.77 | 800,000 | – | – | – | 800,000 | (3) |
| Mr. Xu Quan | 29 August 2011 | 0.836 | 0.82 | 800,000 | – | – | – | 800,000 | (1) |
| | 16 October 2012 | 0.8 | 0.77 | 800,000 | – | – | – | 800,000 | (3) |
| Other employees | 29 August 2011 | 0.836 | 0.82 | 29,310,000 | – | – | 490,000 | 28,820,000 | (1) |
| | 29 August 2011 | 0.836 | 0.82 | 12,500,000 | – | – | 250,000 | 12,250,000 | (2) |
| | 16 October 2012 | 0.8 | 0.77 | 48,460,000 | – | – | 1,090,000 | 47,370,000 | (3) |
| Total | | | | 119,400,000 | – | | 1,830,000 | 117,570,000 | |

## Notes

1 The share options are exercisable during the following periods:

(a) up to 10% of the share options granted to each grantee at any time after the expiration of 12 months from 29 August 2011 to 28 August 2021 and after the grantee has satisfied the vesting conditions specified by the Board;

(b) up to 20% of the share options granted to each grantee at any time after the expiration of 24 months from 29 August 2011 to 28 August 2021 and after the Grantee has satisfied the vesting conditions specified by the Board; and

(c) up to 70% of the share options granted to each grantee at any time after the expiration of 36 months from 29 August 2011 to 28 August 2021 and after the Grantee has satisfied the vesting conditions specified by the Board.

2 The share options are exercisable during the following periods:

(a) up to 10% of the share options granted to each Grantee at any time after the expiration of 12 months from 29 August 2011 to 28 August 2021;

(b) up to 20% of the share options granted to each Grantee at any time after the expiration of 24 months from 29 August 2011 to 28 August 2021; and

(c) up to 70% of the share options granted to each Grantee at any time after the expiration of 36 months from 29 August 2011 to 28 August 2021.

3 The share options are exercisable during the following periods:

(a) up to 10% of the share options granted to each Grantee at any time after the expiration of 12 months from 16 October 2012 to 15 October 2022 and after the Grantee has satisfied the vesting conditions specified by the Board;

(b) up to 20% of the share options granted to each Grantee at any time after the expiration of 24 months from 16 October 2012 to 15 October 2022 and after the Grantee has satisfied the vesting conditions specified by the Board; and

(c) up to 70% of the share options granted to each Grantee at any time after the expiration of 36 months from 16 October 2012 to 15 October 2022 and after the Grantee has satisfied the vesting conditions specified by the Board.

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

The Company is empowered by the applicable laws of the Cayman Islands and its articles of association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares during the six months ended 30 June 2013.

Shenzhen Funian Plaza

# Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF FANTASIA HOLDINGS GROUP CO., LIMITED
花樣年控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 80, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
*Certified Public Accountants*
Hong Kong
16 August 2013

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

| | NOTES | Six months ended 30 June 2013 RMB'000 (unaudited) | 2012 RMB'000 (unaudited) |
|---|---|---|---|
| Revenue | 3 | 2,750,966 | 1,204,752 |
| Cost of sales | | (1,720,724) | (702,065) |
| Gross profit | | 1,030,242 | 502,687 |
| Other income, gains and losses | 4 | 140,629 | 13,990 |
| Change in fair value of investment properties | 11 | 58,883 | 11,082 |
| Recognition of change in fair value of completed properties for sale upon transfer to investment properties | 11 | 7,820 | 334,822 |
| Selling and distribution expenses | | (130,970) | (126,595) |
| Administrative expenses | | (254,340) | (154,950) |
| Finance costs | 5 | (150,915) | (32,323) |
| Share of results of associates | | 203 | (1) |
| Profit before tax | | 701,552 | 548,712 |
| Income tax expense | 6 | (376,573) | (354,553) |
| Profit for the period | 7 | 324,979 | 194,159 |
| **Other comprehensive income (expense)** | | | |
| **Items that will not be subsequently reclassified to profit or loss:** | | | |
| Surplus on revaluation of properties | | 3,840 | 29,866 |
| Income tax relating to items that will not be reclassified to profit or loss | | (1,514) | (9,180) |
| Other comprehensive income for the period (net of tax) | | 2,326 | 20,686 |
| Total comprehensive income for the period | | 327,305 | 214,845 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 316,996 | 201,028 |
| Non-controlling interests | | 7,983 | (6,869) |
| | | 324,979 | 194,159 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 319,322 | 217,814 |
| Non-controlling interests | | 7,983 | (2,969) |
| | | 327,305 | 214,845 |
| Earnings per share (RMB) | | | |
| – Basic | 9 | 0.06 | 0.04 |
| – Diluted | 9 | 0.06 | 0.04 |

# Condensed Consolidated Statement of Financial Position

At 30 June 2013

| | NOTES | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 636,632 | 585,687 |
| Investment properties | 11 | 4,181,462 | 3,422,233 |
| Interests in associates | | 1,093 | 1,171 |
| Interest in a joint venture | | 19,720 | 19,720 |
| Goodwill | | 38,083 | 16,488 |
| Prepaid lease payments | 12 | 1,400,650 | 822,252 |
| Premium on prepaid lease payments | 13 | 675,821 | 591,144 |
| Land development expenditure | 14 | 1,018,117 | 1,217,463 |
| Deposits paid for acquisition of subsidiaries | 15 | 40,672 | 6,890 |
| Deposits paid for acquisition of a property project | 16 | 132,064 | 126,004 |
| Deposits paid for acquisition of land use rights | 17 | 523,313 | 158,123 |
| Deferred tax assets | 24 | 325,213 | 329,372 |
| | | 8,992,840 | 7,296,547 |
| CURRENT ASSETS | | | |
| Properties for sale | | 12,820,816 | 11,372,628 |
| Prepaid lease payments | 12 | 41,510 | 28,121 |
| Premium on prepaid lease payments | 13 | 21,674 | 19,219 |
| Trade and other receivables | 18 | 2,551,879 | 2,142,501 |
| Amounts due from customers for contract works | | 48,786 | 52,482 |
| Tax recoverable | | 69,102 | 77,179 |
| Financial assets at fair value through profit or loss | 19 | 38,000 | 42,200 |
| Restricted bank deposits | | 604,999 | 707,614 |
| Bank balances and cash | | 3,594,995 | 2,788,106 |
| | | 19,791,761 | 17,230,050 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 20 | 2,718,610 | 2,603,457 |
| Deposits received for sale of properties | | 4,891,675 | 4,186,104 |
| Amounts due to customers for contract works | | 4,510 | 2,291 |
| Amounts due to related parties | 21 | 1,532 | 1,573 |
| Tax liabilities | | 2,233,690 | 2,238,038 |
| Borrowings – due within one year | 22 | 2,980,943 | 2,452,294 |
| Provision | 27(a)(i) | 29,591 | – |
| | | 12,860,551 | 11,483,757 |
| NET CURRENT ASSETS | | 6,931,210 | 5,746,293 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 15,924,050 | 13,042,840 |

# Condensed Consolidated Statement of Financial Position

At 30 June 2013

| | NOTES | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Borrowings-due after one year | 22 | 2,994,832 | 3,100,113 |
| Senior notes | 23 | 4,870,638 | 2,329,003 |
| Deferred tax liabilities | 24 | 728,337 | 692,558 |
| Financial liabilities | 26 | 6,177 | – |
| | | 8,599,984 | 6,121,674 |
| | | 7,324,066 | 6,921,166 |
| CAPITAL AND RESERVES | | | |
| Share capital | 25 | 457,093 | 457,093 |
| Reserves | | 6,339,897 | 6,144,037 |
| Equity attributable to owners of the Company | | 6,796,990 | 6,601,130 |
| Non-controlling interests | | 527,076 | 320,036 |
| | | 7,324,066 | 6,921,166 |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 (Note i) | Special reserve RMB'000 (Note ii) | Share options reserve RMB'000 (Note iii) | Contribution reserve RMB'000 | Statutory reserves RMB'000 (Note iv) | Discretionary reserves RMB'000 (Note iv) | Property revaluation reserve RMB'000 (Note v) | Accumulated profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| At 1 January 2012 (audited) | 457,093 | 2,620,084 | (64,168) | 2,240 | 40,600 | 40,408 | 1,477 | 6,944 | 2,496,921 | 5,601,599 | 180,657 | 5,782,256 |
| Profit for the period | – | – | – | – | – | – | – | – | 201,028 | 201,028 | (6,869) | 194,159 |
| Surplus on revaluation of properties | – | – | – | – | – | – | – | 24,666 | – | 24,666 | 5,200 | 29,866 |
| Deferred taxation liability arising from revaluation of properties | – | – | – | – | – | – | – | (7,880) | – | (7,880) | (1,300) | (9,180) |
| Other comprehensive income for the period | – | – | – | – | – | – | – | 16,786 | – | 16,786 | 3,900 | 20,686 |
| Total comprehensive income for the period | – | – | – | – | – | – | – | 16,786 | 201,028 | 217,814 | (2,969) | 214,845 |
| Dividend recognised as distribution (note 8) | – | (168,859) | – | – | – | – | – | – | – | (168,859) | – | (168,859) |
| Recognition of equity-settled share-based payments | – | – | – | 2,778 | – | – | – | – | – | 2,778 | – | 2,778 |
| At 30 June 2012 (unaudited) | 457,093 | 2,451,225 | (64,168) | 5,018 | 40,600 | 40,408 | 1,477 | 23,730 | 2,697,949 | 5,653,332 | 177,688 | 5,831,020 |
| At 1 January 2013 (audited) | 457,093 | 2,451,225 | (64,168) | 7,420 | 40,600 | 40,539 | 1,477 | 30,913 | 3,636,031 | 6,601,130 | 320,036 | 6,921,166 |
| Profit for the period | – | – | – | – | – | – | – | – | 316,996 | 316,996 | 7,983 | 324,979 |
| Surplus on revaluation of properties | – | – | – | – | – | – | – | 3,840 | – | 3,840 | – | 3,840 |
| Deferred taxation liability arising from revaluation of properties | – | – | – | – | – | – | – | (1,514) | – | (1,514) | – | (1,514) |
| Other comprehensive income for the period | – | – | – | – | – | – | – | 2,326 | – | 2,326 | – | 2,326 |
| Total comprehensive income for the period | – | – | – | – | – | – | – | 2,326 | 316,996 | 319,322 | 7,983 | 327,305 |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | – | – | – | 60,987 | 60,987 |
| Disposal of partial interest in a subsidiary without loss of control (note 32(c)) | – | – | 65,087 | – | – | – | – | – | – | 65,087 | 128,413 | 193,500 |
| Deemed disposal of partial interest in a subsidiary without loss of control (note ii) | – | – | 34,056 | – | – | – | – | – | – | 34,056 | 3,008 | 37,064 |
| Capital contributions from non-controlling interests | – | – | – | – | – | – | – | – | – | – | 6,649 | 6,649 |
| Dividend recognised as distribution (note 8) | – | (228,578) | – | – | – | – | – | – | – | (228,578) | – | (228,578) |
| Recognition of equity-settled share-based payments | – | – | – | 5,973 | – | – | – | – | – | 5,973 | – | 5,973 |
| At 30 June 2013 (unaudited) | 457,093 | 2,222,647 | 34,975 | 13,393 | 40,600 | 40,539 | 1,477 | 33,239 | 3,953,027 | 6,796,990 | 527,076 | 7,324,066 |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

Notes:

(i) Pursuant to article 16 of the Company's Articles of Association, the Company which was incorporated in the Cayman Islands with limited liability is permitted to pay out final dividend from share premium account.

(ii) Special reserve arising from the acquisition or disposal of equity interests in subsidiaries without loss of control represents the difference between the consideration paid or received and the adjustment to the non-controlling interests. During the six months ended 30 June 2013, a subsidiary of the Company issued new shares to the non-controlling shareholders, the difference between the consideration received from the deemed disposal of partial interest in this subsidiary without loss of control and proportionate share of the subsidiary's net assets by the non-controlling interests was credited to the special reserve.

(iii) Share options reserve represents the share-based payments under the Company's share option scheme.

(iv) The statutory reserves and discretionary reserves relate to subsidiaries in the People's Republic of China (the "PRC") and are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting of the PRC subsidiaries in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and increase capital upon approval from the relevant authorities.

(v) Property revaluation surplus arising from the transfer of owner-occupied property to investment properties at the date of change in use.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

| | NOTES | Six months ended 30 June 2013 RMB'000 (unaudited) | 2012 RMB'000 (unaudited) |
|---|---|---|---|
| NET CASH USED IN OPERATING ACTIVITIES | | | |
| Cash (used in) generated from operations | | (126,105) | 354,728 |
| Enterprise income tax paid, net | | (231,623) | (86,597) |
| Land appreciation tax paid | | (134,710) | (147,907) |
| Interest paid | | (323,695) | (259,052) |
| | | (816,133) | (138,828) |
| NET CASH USED IN INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | | (23,888) | (85,951) |
| Deposits paid for acquisition of a property project | | (6,060) | (16,656) |
| Proceeds on disposal of structured deposits | | 42,200 | – |
| Purchase of structured deposits | | (38,000) | – |
| Decrease (increase) in restricted bank deposits | | 102,615 | (49,241) |
| Additions to investment properties | | (507) | (44,161) |
| Acquisition of assets and liabilities through acquisition of subsidiaries (net of cash and cash equivalents acquiring) | 27(a) | (956,636) | – |
| Acquisition of business (net of cash and cash equivalents acquired) | 27(b) | (73,964) | – |
| Settlement of consideration payable in respect of acquisition of subsidiaries | | (257,030) | – |
| Other investing cash flows | | (24,814) | 8,457 |
| | | (1,236,084) | (187,552) |
| NET CASH FROM FINANCING ACTIVITIES | | | |
| Net proceeds from the issuance of senior notes | | 2,517,605 | – |
| New borrowings raised | | 2,500,597 | 1,669,254 |
| Repayment of borrowings | | (2,147,808) | (1,123,096) |
| Dividend paid to shareholders of the Company | | (228,578) | (168,859) |
| Proceeds from disposal of partial interest in a subsidiary that does not result in lossing of control | | 193,500 | – |
| Proceeds from deemed disposal of partial interest in a subsidiary that does not result in lossing of control | | 37,064 | – |
| Contributions from non-controlling interests | | 6,649 | – |
| Other financing cash flows | | 6,177 | – |
| | | 2,885,206 | 377,299 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 832,989 | 50,919 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | | 2,788,106 | 1,021,355 |
| Effect of foreign exchange rate changes | | (26,100) | 1,554 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash | | 3,594,995 | 1,073,828 |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation to Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statement.

| | |
|---|---|
| Amendments to HKFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| HKAS 19 (as revised in 2011) | Employee Benefits |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle |
| HK (IFRIC)-Int 20 | Stripping Costs in the Production Phase of a surface Mine |

Except as described below, the application of the new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK-SIC 12 "Consolidation – Special Purpose Entities". HKFRS10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

### HKFRS 11 "Joint Arrangements"

HKFRS 11, which replaces HKAS 31 "Interests in Joint Ventures", divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the interest in a jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

### HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 33. The adoption of HKFRS 13 does not have material impact on the fair value measurement of the Group's assets and liabilities.

### Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new and revised HKFRSs that have been issued after the date of 2012 annual report was issued but are not yet effective.

| | |
|---|---|
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| HK(IFRIC) – Int 21 | Levies[1] |

1 Effective for annual periods beginning on or after 1 January 2014

The directors of the Company anticipate that the application of the above interpretation and amendments will have no material impact on the results and the financial position of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 3. REVENUE AND SEGMENT INFORMATION

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

Six months ended 30 June 2013

| | Property development RMB'000 | Property investment RMB'000 | Property agency services RMB'000 | Properties operation services RMB'000 | Hotel operations RMB'000 | Reportable segment total RMB'000 | Eliminations RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| SEGMENT REVENUE (unaudited) | | | | | | | | |
| External sales | 2,541,386 | 56,501 | 6,016 | 102,121 | 44,942 | 2,750,966 | – | 2,750,966 |
| Inter-segment sales | – | 226 | – | 254,465 | – | 254,691 | (254,691) | – |
| Total | 2,541,386 | 56,727 | 6,016 | 356,586 | 44,942 | 3,005,657 | (254,691) | 2,750,966 |
| Segment profit (loss) | 660,186 | 113,237 | 5,215 | 67,383 | (8,346) | 837,675 | – | 837,675 |

Six months ended 30 June 2012

| | Property development RMB'000 | Property investment RMB'000 | Property agency services RMB'000 | Properties operation services RMB'000 | Hotel operations RMB'000 | Reportable segment total RMB'000 | Eliminations RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| SEGMENT REVENUE (unaudited) | | | | | | | | |
| External sales | 1,049,665 | 40,241 | 4,218 | 84,684 | 25,944 | 1,204,752 | – | 1,204,752 |
| Inter-segment sales | – | 876 | – | 186,464 | – | 187,340 | (187,340) | – |
| Total | 1,049,665 | 41,117 | 4,218 | 271,148 | 25,944 | 1,392,092 | (187,340) | 1,204,752 |
| Segment profit (loss) | 555,597 | 42,208 | 436 | 36,049 | (21,921) | 612,369 | – | 612,369 |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 3. REVENUE AND SEGMENT INFORMATION (continued)

Segment profit represents the profit earned or loss incurred by each segment without allocation of central administration costs and directors' salaries, interest income, exchange gain (loss), share of results of associates, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Reconciliation:

| | Six months ended 30 June 2013 RMB'000 (unaudited) | 2012 RMB'000 (unaudited) |
|---|---|---|
| Segment profit | 837,675 | 612,369 |
| Unallocated amounts: | | |
| Net foreign exchange gain (loss) | 67,547 | (7,619) |
| Unallocated income | 7,936 | 11,179 |
| Unallocated corporate expenses | (60,894) | (34,893) |
| Finance costs | (150,915) | (32,323) |
| Share of results of associates | 203 | (1) |
| Profit before tax | 701,552 | 548,712 |

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

| | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|
| Property development | 19,121,797 | 16,279,343 |
| Property investment | 4,181,462 | 3,422,233 |
| Property agency services | 9,138 | 8,358 |
| Property operation services | 343,591 | 415,056 |
| Hotel operations | 456,478 | 432,359 |
| Total segment assets | 24,112,466 | 20,557,349 |
| Total unallocated assets | 4,672,135 | 3,969,248 |
| Group's total assets | 28,784,601 | 24,526,597 |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 4. OTHER INCOME, GAINS AND LOSSES

| | Notes | Six months ended 30 June 2013 RMB'000 (unaudited) | 2012 RMB'000 (unaudited) |
|---|---|---|---|
| Interest income from bank deposits | | 7,936 | 3,900 |
| Forfeiture income on deposits received | | 1,084 | 584 |
| Government grant (note) | | 15,155 | 5,319 |
| Gain on disposal of property, plant and equipment | | 95 | 390 |
| Net foreign exchange gain (loss) | | 67,547 | (7,619) |
| Reversal of accruals and forfeiture of deposit received | | – | 7,310 |
| Gain on land development project | 14(i) | 49,274 | – |
| Others | | (462) | 4,106 |
| | | 140,629 | 13,990 |

Note: The amount represents the grants received from the relevant PRC Governments. The subsidies are unconditional and granted on a discretionary basis to the Group during the period.

## 5. FINANCE COSTS

| | Six months ended 30 June 2013 RMB'000 (unaudited) | 2012 RMB'000 (unaudited) |
|---|---|---|
| Interest on: | | |
| – borrowings wholly repayable within five years | 110,665 | 165,729 |
| – borrowings not wholly repayable within five years | 53,061 | 40,395 |
| – senior notes (note 23) | 248,704 | 54,574 |
| Less: Amount capitalised in | | |
| – properties under development for sale | (226,786) | (170,303) |
| – investment properties under development | (12,153) | (5,111) |
| – construction in progress | (2,976) | (2,980) |
| – land development expenditure | (19,600) | (49,981) |
| | 150,915 | 32,323 |

During the six months ended 30 June 2013, borrowing costs capitalised arising on the general borrowing pool amounted to RMB199,599,000 (six months ended 30 June 2012: RMB114,864,000) and were calculated by applying the capitalisation rate of 12.3% (six months ended 30 June 2012: 8.58%) per annum to expenditure on qualifying assets.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 6. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | 2013 | 2012 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| The income tax expense comprises: | | |
| PRC taxes | | |
| Enterprise income tax | 217,099 | 135,570 |
| Land appreciation tax | 152,851 | 118,889 |
| | 369,950 | 254,459 |
| Deferred tax | | |
| Current period (Note) | 6,623 | 100,094 |
| | 376,573 | 354,553 |

Note: The deferred tax expenses provided during the interim periods mainly represent deferred tax impact of fair value adjustment of investment properties.

For the six months ended 30 June 2013, the relevant tax rate for the Company's subsidiaries in the PRC is 25% (six months ended 30 June 2012: 25%).

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

## 7. PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|---|---|---|
| | 2013 | 2012 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Profit for the period has been arrived at after charging: | | |
| Release of prepaid lease payments | 16,803 | 3,312 |
| Release of premium on prepaid lease payments | 15,983 | 5,579 |
| Depreciation of property, plant and equipment | 21,208 | 16,576 |
| Staff costs (including in administrative expenses) | 84,895 | 53,068 |

## 8. DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | 2013 | 2012 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Final dividend in respect of the immediately preceding financial year of HK5.50 cents (six months ended 30 June 2012: HK4.00 cents) per share | 228,578 | 168,859 |

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 9. EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | 2013 | 2012 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| **Earnings:** | | |
| Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company) | 316,996 | 201,028 |
| **Number of shares:** | | |
| Number of ordinary shares for the purpose of basic earnings per share | 5,207,221,750 | 5,207,221,750 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | 24,654,592 | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 5,231,876,342 | 5,207,221,750 |

During the six months ended 30 June 2012, the computation of diluted earnings per share has not accounted for the effect of share options whereby the exercise prices of those options were higher than the average market price of the Company's shares during that period.

## 10. PROPERTY, PLANT AND EQUIPMENT

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

| | 2013 | 2012 |
|---|---|---|
| | RMB'000 | RMB'000 |
| At 1 January (audited) | 585,687 | 529,215 |
| Additions | 26,864 | 93,072 |
| Acquisition of subsidiaries (note 27) | 53,681 | – |
| Depreciation for the period | (21,208) | (16,576) |
| Disposals | (4,380) | (471) |
| Transfer to investment properties (Note) | (4,012) | (37,460) |
| At 30 June (unaudited) | 636,632 | 567,780 |

Note: During the six months ended 30 June 2013, RMB4,012,000 (six months ended 30 June 2012: RMB37,460,000) was transferred from buildings to investment properties upon change in use as evidenced by commencement of operating leases to independent third parties. The excess of the fair value of these properties at the dates of change in use over the carrying amounts, amounting to approximately RMB3,840,000 (six months ended 30 June 2012: RMB29,866,000) were recognised in other comprehensive income and accumulated in the property revaluation reserve in equity.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 11. INVESTMENT PROPERTIES

The movements in investment properties during the period is summarised as follows:

| | Completed investment properties (at fair value) RMB'000 | Investment properties under construction (at fair value) RMB'000 | Investment properties under construction (at cost) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| FAIR VALUE OR COST | | | | |
| At 1 January 2013 (audited) | 3,170,233 | 252,000 | – | 3,422,233 |
| Transfer from property, plant and equipment | 7,852 | – | – | 7,852 |
| Acquisition of subsidiaries (note 27(a)) | 314,301 | 290,227 | – | 604,528 |
| Additions | – | 12,660 | – | 12,660 |
| Transfer from completed properties for sale (note) | 77,541 | – | – | 77,541 |
| Transfers upon completion of construction work | 15,110 | (15,110) | – | – |
| Disposal | (2,235) | – | – | (2,235) |
| Net change in fair value recognised in profit or loss | 38,147 | 20,736 | – | 58,883 |
| At 30 June 2013 (unaudited) | 3,620,949 | 560,513 | – | 4,181,462 |
| At 1 January 2012 (audited) | 2,193,871 | – | 249,823 | 2,443,694 |
| Transfer from property, plant and equipment | 67,326 | – | – | 67,326 |
| Additions | – | – | 49,272 | 49,272 |
| Transfer from completed properties for sale (note) | 585,549 | – | – | 585,549 |
| Transfers upon completion of construction work | 71,466 | (71,466) | – | – |
| Transfers to fair value model | – | 70,231 | (70,231) | – |
| Disposal | (6,357) | – | – | (6,357) |
| Net change in fair value recognised in profit or loss | 9,847 | 1,235 | – | 11,082 |
| At 30 June 2012 (unaudited) | 2,921,702 | – | 228,864 | 3,150,566 |

At 30 June 2013 and 31 December 2012, the fair values of the Group's completed investment properties of approximately RMB3,620,949,000 (31 December 2012: RMB3,170,233,000) were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited. Jones Lang LaSalle Sallmanns Limited is a firm of independent qualified professional valuers not connected with the Group, and has appropriate qualifications and recent experiences in valuation of similar properties in the relevant locations. The valuations of completed investment properties were arrived at by reference to net rental income allowing for reversionary income potential amounted to approximately RMB3,609,990,000 (31 December 2012: RMB3,159,594,000) and market evidence of transaction prices for similar properties in the similar locations and conditions amounted to approximately RMB10,959,000 (31 December 2012: RMB10,639,000), where appropriate.

At 30 June 2013, the investment properties under development were substantially completed and therefore fair value can be reliably determined, which has been arrived at using the capitalisation of net income derived from the properties located nearby, taking into account the construction costs that would be expended to complete the development, the developer's profit and percentage of completion of the properties.

At 30 June 2013, investment properties with fair value of RMB641,882,000 (31 December 2012: RMB633,145,000) represents completed car parks with which the Group is entitled to legally lease and mortgage these car parks without obtaining the certificates according to the relevant laws and regulations in Shenzhen, Suzhou and Tianjin areas.

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

Note: During the six months ended 30 June 2013, completed properties for sale with an aggregate amount of approximately RMB69,721,000 (six months ended 30 June 2012: RMB250,727,000) were transferred to investment properties upon change in use as evidenced by commencement of operating leases to independent third parties. The excess of the fair value of these properties at the dates of transfer over their carrying amounts, amounting to approximately RMB7,820,000 (six months ended 30 June 2012:RMB334,822,000) were recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 12. PREPAID LEASE PAYMENTS

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

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

| | 2013<br>RMB'000 | 2012<br>RMB'000 |
|---|---|---|
| At 1 January (audited) | 850,373 | 169,720 |
| Additions | 461,860 | 6,723 |
| Additions through acquisition of subsidiaries (note 27) | 146,730 | – |
| Released during the period | (16,803) | (3,312) |
| At 30 June (unaudited) | 1,442,160 | 173,131 |

Analysed for reporting purposes as:

| | 30 June<br>2013<br>RMB'000<br>(unaudited) | 31 December<br>2012<br>RMB'000<br>(audited) |
|---|---|---|
| Non-current asset | 1,400,650 | 822,252 |
| Current asset | 41,510 | 28,121 |
| | 1,442,160 | 850,373 |

## 13. PREMIUM ON PREPAID LEASE PAYMENTS

Premium on prepaid lease payments of the Group represents the excess of the consideration over the original book value of the prepaid lease payments in respect of a leasehold land in the PRC under medium-term lease acquired through purchase of subsidiaries and are released over the period of the remaining lease term on a straight-line basis.

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

| | 2013<br>RMB'000 | 2012<br>RMB'000 |
|---|---|---|
| At 1 January (audited) | 610,363 | 451,432 |
| Additions through acquisition of subsidiaries (note 27) | 103,115 | – |
| Released during the period | (15,983) | (5,579) |
| At 30 June (unaudited) | 697,495 | 445,853 |

Analysed for reporting purposes as:

| | 30 June<br>2013<br>RMB'000<br>(unaudited) | 31 December<br>2012<br>RMB'000<br>(audited) |
|---|---|---|
| Non-current asset | 675,821 | 591,144 |
| Current asset | 21,674 | 19,219 |
| | 697,495 | 610,363 |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 14. LAND DEVELOPMENT EXPENDITURE

| | 2013<br>RMB'000 | 2012<br>RMB'000 |
|---|---|---|
| At 1 January (audited) | 1,217,463 | 1,335,848 |
| Additions | 113,689 | 161,678 |
| Disposal | (313,035) | – |
| At 30 June (unaudited) | 1,018,117 | 1,497,526 |

(i) In September 2009, the Group entered into an agreement ("Agreement 1") with the People's Government of Pixian County ("Pixian Government") relating to the development of the Wangcong Ancient Sichuan Culture Park located in Pixian County, Chengdu, Sichuan Province ("Land Development Project 1"). Under the Agreement 1, the Group is responsible for preparing overall plans and detailed designs of the culture park including the improvement for parcels of land and its ancillary facilities pursuant to the guidelines set by the Pixian Government as well as the construction of road nearby while the Pixian Government is required to complete the demolition and resettlement work on these parcels of land and the Group bears all the costs. The land development expenditure represents the cost incurred in respect of the road construction, demolition and resettlement work. The balance at 30 June 2013 is RMB463,572,000 (31 December 2012: RMB662,918,000).

Pixian Government is required to arrange public auction for these parcels of land after 30 days that the Group completed the road construction, demolition and resettlement work and the Pixian Government is required to pay certain percentage of sale proceeds received in public auction to the Group by reference to the formula set out in Agreement 1.

During the six months ended 30 June 2013, Pixian Government sold certain parcels of land upon completion of the road construction, demolition and resettlement work, and will pay to the Group amounting to approximately RMB362,309,000 upon completion of public auction. At the date these condensed consolidated financial statements were authorised for issue, the amount has not yet been paid. Certain of these parcels of land were successfully acquired by the Group through the public auction. For the parcels of land acquired by the Group, the difference between the reimbursement by the Pixian Government and the cost previously incurred by the Group on developing these parcels of land has been deducted from prepaid lease payments as adjustment of land cost upon purchase of these parcels of land. For the parcels of land completed and not successfully acquired by the Group, the difference between the reimbursement by the Pixian Government and the cost incurred by the Group amounting to approximately RMB49,274,000 has been recognised as other income for the six months ended 30 June 2013.

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

(ii) In March 2011, the Group entered into an agreement ("Agreement 2") with the People's Government of Chengdu ("Chengdu Government") relating to the development of the Wu Gui Qiao Town located in the Jinjiang area, Chengdu, Sichuan Province ("Land Development Project 2"). Under the Agreement 2, the Group is required to jointly construct the ancillary facilities on these parcels of land pursuant to the guidelines set by the Chengdu Government while the Chengdu Government is required to complete the demolition and resettlement work on these parcels of land. The land development expenditure represents the cost incurred for constructing the ancillary facilities. The balance at 30 June 2013 and 31 December 2012 is RMB554,545,000.

Chengdu Government is required to arrange public auction for these parcels of land on or before 31 December 2013 after the Group has completed construction of ancillary facilities and the Chengdu Government is required to pay certain percentage of sale proceeds received in public auction to the Group by reference to the formula set out in the Agreement 2.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 15. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

As at 30 June 2013, the Group made deposits of approximately RMB40,672,000 in relation to the acquisition of 100% equity interest of Liaoning Jixiang Baite Limited Company (遼寧吉祥百特有限公司) ("Liaoning Jixiang Baite"), Shanghai Tongyi Property Management Company Limited (上海通翼物業有限公司) ("Shanghai Tongyi"), Shanghai Huakang Real Estate Co., Ltd. (上海華康房地產有限公司) ("Shanghai Huakang") and Charmfull Limited ("Charmfull") from independent third parties. Liaoning Jixiang Baite and Shanghai Tongyi are principally engaged in property management in the PRC. Shanghai Huakang is principally engaged in property development in the PRC. Charmfull is principally engaged in the property development in Singapore.

At the date when these condensed consolidated financial statements were authorised for issue, the aforesaid transactions have not yet been completed. The relevant commitments were set out in note 29.

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

As at 30 June 2013, the Group made deposits of approximately RMB132,064,000 (31 December 2012: RMB126,004,000) in relation to the acquisition of a property project from an independent property developer. During the six months ended 30 June 2013, the Group made additional deposit of approximately RMB6,060,000 for acquiring the aforesaid property project.

The aforesaid deposits relate to acquisition of a building for hotel operations and are therefore classified as non-current assets.

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

## 17. DEPOSITS PAID FOR ACQUISITION OF LAND USE RIGHTS

As at 31 December 2012, the Group made deposits of approximately RMB158,123,000 in relation to acquisition of land use rights from the third parties. During the six months ended 30 June 2013, the Group made additional deposits of approximately RMB365,190,000 in relation to another acquisition of land use rights from a third party. In the opinion of the directors, the aforesaid transactions are expected to be completed within twelve months from the end of the reporting period.

## 18. TRADE AND OTHER RECEIVABLES

Trade receivables are mainly arisen from sales of properties, rental income derived from investment properties, agency fee income in respect of property rentals, service and management income in respect of property management.

Considerations in respect of properties sold are received in accordance with the terms of the related sales and purchase agreements, certain portion are received on or before the date of delivery of the properties to customers which is recorded as deposits received for sale of properties. The remaining balances (net of deposit received in advanced) are settled upon the release of funds from banks under mortgage facilities.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Management and service fee income is received in accordance with the terms of the relevant property service agreements, normally within 30–90 days from the issuance of invoices.

Agency fee income is received in accordance with the terms of the relevant agency service agreements, normally within 30–90 days from the issuance of invoices.

Hotel operation income is in the form of cash sales.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 18. TRADE AND OTHER RECEIVABLES (continued)

| | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|
| Trade receivables | 736,955 | 964,674 |
| Other receivables | 125,460 | 109,523 |
| Prepayments and other deposits | 110,594 | 62,424 |
| Prepayments to suppliers | 237,186 | 217,188 |
| Prepayment for construction work | 771,167 | 643,326 |
| Other tax prepayment | 208,208 | 145,366 |
| Receivable from Pixian Government on Land Development Project (note 14(i)) | 362,309 | – |
| | 2,551,879 | 2,142,501 |

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

| | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|
| 0 – 30 days | 260,614 | 487,829 |
| 31 – 90 days | 53,941 | 256,995 |
| 91 days – 180 days | 55,566 | 30,727 |
| 181 to 365 days | 323,239 | 113,747 |
| Over 1 year | 43,595 | 75,376 |
| | 736,955 | 964,674 |

The trade receivables as at 30 June 2013 included the receivables from the property sales of approximately RMB536,501,000 (31 December 2012: RMB870,465,000) whereby the banks have agreed in writing to provide, without any conditions, mortgage facilities to the property purchasers and the banks are in process of releasing the funds to the Group.

## 19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVFPL")

During the six months ended 30 June 2013, the Group had disposed of its structured deposits acquired during the year ended 31 December 2012 upon their maturity at their principal amounts together with the actual returns of 2.3% to 4.4% per annum.

The Group had entered into several new contracts of structured deposits with banks for the purchase of structured deposits of RMB38,000,000 with maturity ranging 3 to 6 months during the six months ended 30 June 2013. The return and principal were not guaranteed by the relevant banks and the return was determined by reference to the performance of certain PRC government debt instruments and treasury notes. The entire combined contracts have been designated as financial assets at FVTPL on initial recognition. The expected return rate stated in the contracts ranges from 3.9% to 4.4% per annum.

In the opinion of the directors, the fair value of the structured deposits at 30 June 2013 approximated their principal amounts.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 20. TRADE AND OTHER PAYABLES

| | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|
| Trade payables | 2,155,615 | 1,730,059 |
| Other payables | 352,434 | 332,415 |
| Other taxes payables | 115,748 | 161,339 |
| Payroll payable | 18,229 | 48,181 |
| Welfare payable | 3,117 | 3,315 |
| Retention payable | 64,243 | 54,796 |
| Consideration payable in respect of acquisition of subsidiaries | 600 | 257,630 |
| Accruals | 8,624 | 15,722 |
| | 2,718,610 | 2,603,457 |

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

| | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|
| 0 – 60 days | 1,797,487 | 1,269,307 |
| 61 – 180 days | 114,209 | 296,571 |
| 181 days – 365 days | 142,282 | 103,925 |
| 1 – 2 years | 151,171 | 77,074 |
| 2 – 3 years | 9,475 | 21,054 |
| Over 3 years | 5,234 | 16,924 |
| | 2,219,858 | 1,784,855 |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 21. AMOUNTS DUE TO RELATED PARTIES

The Group has the following significant balances with related parties at the end of the reporting period:

| | Notes | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|---|
| 深圳立方建築設計顧問有限公司 Shenzhen Cube Architecture Designing Consultants Company Limited ("Cube Architecture") | (i) | 1,109 | 1,150 |
| 深圳市安美華照明有限公司 Shenzhen City Anmeihua Lighting Company Limited ("Anmeihua Lighting") | (ii) | 423 | 423 |
| | | 1,532 | 1,573 |

Notes:

(i) Cube Architecture is an associate of a company which is controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company. The amount represents the payables to Cube Architecture for the design fee of several property projects of the Group, and accordingly is of trade nature.

(ii) Anmeihua Lighting is a non-controlling shareholder which holds 49% equity interest of a subsidiary of the Company. The amount is unsecured, non-interest bearing and is of non-trade nature.

## 22. BORROWINGS

| | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|
| Bank loans | 5,730,775 | 5,002,407 |
| Other loans | 245,000 | 550,000 |
| | 5,975,775 | 5,552,407 |
| Secured | 5,644,430 | 3,951,677 |
| Unsecured | 331,345 | 1,600,730 |
| | 5,975,775 | 5,552,407 |

During the current period, the Group obtained new borrowings amounting to approximately RMB2,500,597,000 (six months ended 30 June 2012: RMB1,669,254,000) and repaid borrowings amounting to approximately RMB2,147,808,000 (six months ended 30 June 2012: RMB1,123,096,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 22. BORROWINGS (continued)

Carrying amount repayable:

| | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|
| Within one year | 2,980,943 | 2,452,294 |
| More than one year | 2,994,832 | 3,100,113 |
| | 5,975,775 | 5,552,407 |

The new borrowings raised are denominated in Renminbi, Hong Kong Dollars and United States Dollars. The new borrowings raised in the current period ended 30 June 2013 are either having variable interest rate at Hong Kong Interbank Offered Rate plus 2.0%, variable interest rate at London Interbank Offered Rate plus 1.8%, variable interest rate at Benchmark Borrowing Rate of the PRC plus 3.0%, or fixed interest rate at a range from 5.4% to 9.5% per annum.

The new borrowings raised are repayable in instalments over a period from within one year to three years. The borrowings are used to finance the development of properties.

## 23. SENIOR NOTES

| | Notes | 30 June 2013 RMB'000 | 31 December 2012 RMB'000 |
|---|---|---|---|
| 2010 senior notes | (a) | 748,079 | 755,139 |
| 2012 senior notes | (b) | 1,566,737 | 1,573,864 |
| 2013 – January senior notes | (c) | 1,585,182 | – |
| 2013 – May senior notes | (d) | 970,640 | – |
| | | 4,870,638 | 2,329,003 |

### (a) 2010 senior notes

On 12 May 2010, the Company issued senior notes in an aggregate principal amount of US$120,000,000. The issue price was 98.3% of the principal amount. The senior notes are listed on the Singapore Exchange Securities Trading Limited (the "SGX") and carry interest of 14.0% per annum and interest is payable semi-annually on 12 May and 12 November in arrears. The senior notes will mature on 12 May 2015, unless redeemed earlier.

### (b) 2012 senior notes

On 27 September 2012, the Company issued senior notes in an aggregate principal amount of US$250,000,000. The issue price was 99.5% of the principal amount. The senior notes are listed on the SGX and carry interest of 13.8% per annum and interest is payable semi-annually on 27 March and 27 September in arrears. The senior notes will mature on 27 September 2017, unless redeemed earlier.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 23. SENIOR NOTES (continued)

### (c) 2013 – January senior notes

On 22 January 2013, the Company issued senior notes in an aggregate principal amount of US$250,000,000. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 10.75% per annum and interest is payable semi-annually on 22 January and 22 July in arrears. The senior note will mature on 22 January 2020, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time prior to 22 January 2017, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 22 January 2013 ("Applicable Premium 1") and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 1 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the principal amount and related interest up to 22 January 2017 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time on or after 22 January 2017, the Company may at its option redeem the notes, in whole or in part, at a redemption price equal to the redemption price set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date.

| Period | Redemption Price |
|---|---|
| 22 January 2017 to 21 January 2018 | 105.3750% |
| 22 January 2018 to 21 January 2019 | 102.6875% |
| 22 January 2019 to thereafter | 100.0000% |

At any time and from time to time prior to 22 January 2016, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 110.75% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

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

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

The interest charged for the year is calculated by applying an effective interest rate of approximately 11.30% per annum to the liability component since the senior notes were issued.

(ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 30 June 2013.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 23. SENIOR NOTES (continued)

### (d) 2013 – May senior notes

On 27 May 2013, the Company issued senior notes in an aggregate principal amount of RMB1,000,000,000. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 7.875% per annum and interest is payable semi-annually on 27 November and 27 May in arrears. The senior notes will mature on 27 May 2016, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 27 May 2013 ("Applicable Premium 2") and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 2 is the greater of the present value of the principal amount, plus all required remaining scheduled interest payments due on the notes through the maturity date, computed using a discount rate of 2% per annum, over the principal amount.

At any time and from time to time prior to 27 May 2016, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 107.875% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

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

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

    The interest charged for the year is calculated by applying an effective interest rate of approximately 8.70% per annum to the liability component since the senior notes were issued.

(ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 30 June 2013.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 23. SENIOR NOTES (continued)

### (d) 2013 – May senior notes (continued)

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

| | 2013 RMB'000 (unaudited) | 2012 RMB'000 (unaudited) |
|---|---|---|
| At 1 January (audited) | 2,329,003 | 752,367 |
| Net proceeds on the date of issuance | 2,517,605 | – |
| Interest expenses | 248,704 | 54,574 |
| Exchange (gain) loss | (64,705) | 2,872 |
| Less: interest paid to note holders | (159,969) | (52,928) |
| At 30 June (unaudited) | 4,870,638 | 756,885 |

## 24. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current accounting period:

| | Tax losses RMB'000 | Fair value adjustment of investment properties RMB'000 | Revaluation of properties RMB'000 | Temporary difference on accruals RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 1 January 2013 (audited) | (110,003) | 747,634 | 19,484 | (9,926) | (284,003) | 363,186 |
| Charge to other comprehensive income | – | – | 1,514 | – | – | 1,514 |
| (Credit) charge to profit or loss | (12,545) | 36,029 | – | (13,965) | (2,896) | 6,623 |
| Acquisition of subsidiaries (note 27) | – | 31,801 | – | – | – | 31,801 |
| At 30 June 2013 (unaudited) | (122,548) | 815,464 | 20,998 | (23,891) | (286,899) | 403,124 |

Note: Others mainly represent the deductible temporary difference arising from LAT payables.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 24. DEFERRED TAXATION (continued)

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

| | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|
| Deferred tax assets | (325,213) | (329,372) |
| Deferred tax liabilities | 728,337 | 692,558 |
| | 403,124 | 363,186 |

At 30 June 2013, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was approximately RMB5,371,656,000 (31 December 2012: RMB4,622,423,000). No liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

## 25. SHARE CAPITAL

| | Number of shares | Nominal value HK$ |
|---|---|---|
| Ordinary shares of HK$0.1 each | | |
| Authorised: | | |
| At 1 January 2012, 30 June 2012, 1 January 2013 and 30 June 2013 | 8,000,000,000 | 800,000,000 |
| Issued and fully paid: | | |
| At 1 January 2012, 30 June 2012, 1 January 2013 and 30 June 2013 | 5,207,221,750 | 487,388,875 |

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

## 26. FINANCIAL LIABILITIES

During the interim period 2013, the Group entered into subscription agreements with investors ("Subscription Agreements") which state that a subsidiary of the Company issued new shares at a total subscription price of USD7,000,000 (equivalent to HK$54,336,800) to the investors. According to one of the Subscription Agreements, one of the investors with the subscription price of USD1,000,000 (equivalent to HK$7,762,400) has a share repurchase right ("Share Repurchase Right"). According to the terms and condition of the Share Repurchase Right, at the option of that, investor can require the Group to repurchase, for cancellation, all shares issued under the Subscription Agreement (the "Subscription Shares") if the subsidiary of the Company does not complete a qualifying initial public offering on or before of 5 June 2015; or at the date duly agreed by the Group and the Subscriber in writing.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 26. FINANCIAL LIABILITIES (continued)

If the initial public offering of the subsidiary has not completed on or before the applicable dates, the investor may require the Group to repurchase the shares acquired, for a period of 30 days thereafter, by notice in writing, requires the Group to repurchase the Subscription Shares by delivering a notice in writing (the "Exercise Notice") to the Group. According to Subscription Agreements, the redemption price of shares equivalent to the subscription price plus 12% annual return for the period from 5 June 2013 to the date the Group notify the investor the receipt of the Exercise Notice ("Put Option Completion Date"), minus any dividends or distribution which have been paid to the shares before the Put Option Completion Date; and any amount received by the investor in its transfer or disposal of any of the shares before the Put Option Completion Date.

The Group has presented the above subscription with Share Repurchase Right amounting to RMB6,177,000 as a financial liability. If the Group completes a qualifying initial public offering on or before 5 June 2015, the shares issued will be reclassified as issued share capital of the subsidiary and included in special reserve of the Company.

## 27. ACQUISITIONS OF SUBSIDIARIES

### (a) Acquisitions of assets and liabilities through acquisitions of subsidiaries

*For the six months ended 30 June 2013*

(i) On 30 January 2013, the Group acquired a parcel of land through the acquisition of 60% equity interest in Shenzhen Tengxing Hongda Investment Development Co., Ltd. (深圳騰星宏達投資發展有限公司) from an independent third party.

Pursuant the agreement signed by the Group and the former equity holder of Shenzhen Tengxing Hongda Investment Development Co., Ltd., the Group was required to pay cash of approximately RMB47,900,000 for the acquisition. In addition, the Group agreed with the former equity holder of Shenzhen Tengxing Hongda Investment Development Co., Ltd that after the property project construction is completed by the Group, the Group needs to transfer 5% of the completed property in this property project to the former equity holder of Shenzhen Tengxing Hongda Investment Development Co., Ltd. The Group is responsible for management and providing funding to finance this property project. In addition, the former equity holder of Shenzhen Tengxing Hongda Investment Development Co., Ltd will not share any profit or loss of the property project.

Accordingly, the potential amount of the costs (including development expenditure and other attributable expenses of the construction of properties) to be incurred to complete for this 5% completed property to be delivered to the former equity holder of Shenzhen Tengxing Hongda Investment Development Co., Ltd. is accounted for as a provision of the Group to obtain the land amounting to RMB29,591,000 in the condensed consolidated statement of financial position as at 30 June 2013.

(ii) On 9 May 2013, the Group acquired a completed investment property situated in Shanghai, the PRC through the acquisition of the entire registered capital of China Land Property Holdings Limited (中國地產集團有限公司) at a cash consideration of approximately RMB282,500,000.

(iii) On 22 May 2013, the Group acquired a parcel of land which was under development through the acquisition of the entire equity interest in Suzhou Yinzhuang Real Estate Company Limited (蘇州銀莊置地有限公司) from an independent third party at a cash consideration of approximately RMB300,000,000.

(iv) On 26 June 2013, the Group acquired a parcel of land which was under development through the acquisition of the entire equity interest in Ningbo Century Huafeng Property Company Limited (寧波世紀華豐房產有限公司) at a cash consideration of approximately RMB330,690,000.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 27. ACQUISITIONS OF SUBSIDIARIES (continued)

### (a) Acquisitions of assets and liabilities through acquisitions of subsidiaries (continued)

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

| | RMB'000 |
|---|---|
| Property, plant and equipment | 55 |
| Investment properties | 604,528 |
| Prepaid lease payments | 7,228 |
| Premium on prepaid lease payments | 103,115 |
| Properties for sale | 864,518 |
| Other receivables | 17,129 |
| Bank balances and cash | 4,454 |
| Other payables | (518,145) |
| Deferred tax liabilities | (31,801) |
| | 1,051,081 |
| Identifiable net assets shared by non-controlling interests | (60,400) |
| | 990,681 |
| Total consideration satisfied by: | |
| Cash | 961,090 |
| Provision | 29,591 |
| | 990,681 |
| Net cash outflow arising on acquisitions | |
| Cash consideration paid during the period | (961,090) |
| Bank balances and cash acquired | 4,454 |
| | (956,636) |

### (b) Acquisition of businesses

*For the six months ended 30 June 2013*

On 8 January 2013, the Group acquired 90% entire equity interest in Nanjing Mingcheng Property Management Company Limited (南京名城物業管理有限公司) ("Nanjing Mingcheng") at a consideration of approximately RMB5,680,000. Nanjing Mingcheng was acquired so as to continue the expansion of Group's property operation.

On 6 February 2013, the Group acquired the entire equity interest in Xiehe Golf (Shanghai) Co. Ltd. (協和高爾夫(上海)有限公司) ("Xiehe Golf") at a consideration of approximately RMB70,000,000. Xiehe Golf is principally engaged in provision of golf course services and was acquired with the objective of enter into the market of golf course services.

On 26 March 2013, the Group acquired 51% equity interest in Shaanxi Colour Life Community Service Co. Ltd. (陝西彩生活社區服務有限公司) ("Shaanxi Colour Life") at a consideration of approximately RMB1. ShaanXi Colour Life was acquired so as to continue the expansion of the Group's property operation.

On 1 May 2013, the Group acquired 90% equity interest in Nanjing Huitao Property Management Services Limited (南京慧韜物業管理服務有限公司) ("Nanjing Huitao") at a consideration of approximately RMB5,280,000. Nanjing Huitao was acquired so as to continue with the expansion of the Group's property operation.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 27. ACQUISITIONS OF SUBSIDIARIES (continued)

### (b) Acquisition of businesses (continued)

Consideration transferred

| | RMB'000 |
|---|---|
| Cash | 80,960 |

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

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

| | RMB'000 |
|---|---|
| Property, plant and equipment | 53,626 |
| Prepaid lease payments | 139,502 |
| Trade and other receivables | 4,915 |
| Bank balances and cash | 1,316 |
| Trade and other payables | (59,295) |
| Tax liabilities | (112) |
| Borrowings | (80,000) |
| | 59,952 |

The trade and other receivables acquired with a fair value of approximately RMB4,915,000 approximate its gross contractual amount.

Non-controlling interests

The non-controlling interests arising from the acquisition of Nanjing Mingcheng, Shaanxi Colour Life and Nanjing Huitao were measured by reference to the proportionate share of the acquiree's net identifiable assets at the acquisition date and amounted to RMB587,000.

Goodwill arising on acquisition

| | RMB'000 |
|---|---|
| Consideration transferred | 80,960 |
| Non-controlling interests | 587 |
| Less: fair value of net assets acquired | (59,952) |
| Goodwill arising on acquisition | 21,595 |

Goodwill arose on the acquisition of subsidiaries because these acquisitions included the future profitability of the acquirees' as at acquisition date. These assets could not be separately recognised from goodwill because they are not capable of being separated from these acquirees and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 27. ACQUISITIONS OF SUBSIDIARIES (continued)

### (b) Acquisition of businesses (continued)

Net cash outflow arising on acquisition

| | RMB'000 |
|---|---|
| Cash consideration paid | 80,960 |
| Less: deposits paid in 2012 | (5,680) |
| Less: bank balances and cash acquired | (1,316) |
| | 73,964 |

Included in the profit for the six months ended 30 June 2013 is approximately RMB2,707,000 attributable to the additional businesses generated by Nanjing Mingcheng, Xiehe Golf, Shaanxi Colour Life and Nanjing Huitao in total. Revenue for the six months includes approximately RMB13,489,000 generated from Nanjing Mingcheng, Xiehe Golf, Shaanxi Colour Life and Nanjing Huitao in total. Had the above acquisitions been completed on 1 January 2013, the revenue of the Group for the six months ended 30 June 2013 would have been approximately RMB2,756,842,000, and the profit for the year would have been approximately RMB326,257,000.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2013, nor is intended to be a projection of future results.

## 28. OPERATING LEASE COMMITMENTS

### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|
| Within one year | 9,466 | 11,709 |
| In the second to the fifth year inclusive | 17,950 | 34,703 |
| After the fifth year | 624 | 3,310 |
| | 28,040 | 49,722 |

Operating lease payments represent rentals payable by the Group for certain offices premises. Leases are negotiated for an average term of 1 to 10 years with fixed rentals.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 28. OPERATING LEASE COMMITMENTS (continued)

### The Group as lessor

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

| | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|
| Within one year | 98,909 | 89,603 |
| In the second to the fifth year inclusive | 260,961 | 249,858 |
| After the fifth year | 147,925 | 132,139 |
| | 507,795 | 471,600 |

Property rental income represents rentals receivable by the Group. Leases are negotiated for an average term of 1 to 18 years with fixed rentals.

## 29. OTHER COMMITMENTS

| | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|
| Commitments in respect of the acquisition of subsidiaries contracted for but not provided in the condensed consolidated financial statements | 416,896 | – |

## 30. CONTINGENT LIABILITIES

| | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|
| Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties | 3,686,746 | 2,750,751 |

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

In the opinion of the directors, based on the past experience, there was no material default of the mortgage payment by the property purchaser, therefore, the fair value of the guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 31. PLEDGE OF ASSETS

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

| | 30 June 2013 RMB'000 (unaudited) | 31 December 2012 RMB'000 (audited) |
|---|---|---|
| Property, plant and equipment | 116,589 | 60,561 |
| Investment properties | 1,599,311 | 1,636,564 |
| Prepaid lease payments | 464,755 | 235,757 |
| Premium on prepaid lease payments | 12,961 | 87,583 |
| Properties for sale | 4,853,873 | 3,060,355 |
| | 7,047,489 | 5,080,820 |

## 32. RELATED PARTY DISCLOSURES

(a) During the period, in addition to those disclosed in note 21, the Group had the following significant transactions with related parties:

| Related parties | Relationship | Transactions | Six months ended 30 June 2013 RMB'000 (unaudited) | Six months ended 30 June 2012 RMB'000 (unaudited) |
|---|---|---|---|---|
| Cube Architecture | Company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and the director of the Company | Design service fee income | 843 | 579 |
| Shenzhen Xi Fu Hui Club Management Company Limited 深圳喜福會會所管理有限公司 | Company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and a director of the Company | Property rental income | – | 150 |

During the six months ended 30 June 2013, the Group had sold certain properties to its key management personnels of the Group, at a cash consideration of approximately RMB13,339,000 (six months ended 30 June 2012: RMB17,553,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 32. RELATED PARTY DISCLOSURES (continued)

### (b) Compensation of key management personnel

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

| | Six months ended 30 June | |
|---|---|---|
| | 2013 | 2012 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Short-term benefit | 31,933 | 24,595 |
| Post-employment benefit | 2,081 | 1,625 |
| Share-based payments | 5,427 | 2,609 |
| | 39,441 | 28,829 |

(c) During the period, the Group disposed its 45% equity interests in TCL King Electronic (Shenzhen) Company Limited (TCL 王牌電子(深圳)有限公司) to a joint venture of the Group, 新疆同之年股權投資合伙企業(有限合伙) at a consideration of approximately RMB193,500,000. After completion of the aforesaid transaction, the Group still hold 55% equity interest and has control over TCL and such disposal does not result in lossing of control, therefore, the gain on disposal of partial interest in the subsidiary is recognised in special reserve.

## 33. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 33. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

### (a) Senior notes

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2012 and 30 June 2013 except for the following financial instruments, for which their carrying amount and fair value (based on the ask price in SGX) are disclosed below:

| | Carrying amount 30 June 2013 RMB'000 | Fair value 30 June 2013 RMB'000 | Carrying amount 31 December 2012 RMB'000 | Fair value 31 December 2012 RMB'000 |
|---|---|---|---|---|
| 2010 senior notes | 748,079 | 792,185 | 755,139 | 850,405 |
| 2012 senior notes | 1,566,737 | 1,715,394 | 1,573,864 | 1,811,766 |
| 2013 – January senior notes | 1,585,182 | 1,501,263 | – | – |
| 2013 – May senior notes | 970,640 | 922,222 | – | – |

### (b) Structured deposits classified as financial assets designated FVTPL

| | Fair values as at | | Fair value hierarchy | Significant unobservable input | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|
| | 30 June 2013 RMB'000 | 31 December 2012 RMB'000 | | | |
| Structured deposits classified as financial assets designated FVTPL | 38,000 | 42,200 | Level 2 | N/A | N/A |

The valuation is by reference of discounted cash flows. Future cash flows are estimated based on the contracted maximised annualised rate of return over the principal of the structured deposits, discounted at a rate that reflects the credit risk of underlying assets of the structured deposits, being PRC government related debt instruments and treasury notes.

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