



# Wuzhou International Holdings Limited 五洲國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock code: 01369

INTERIM REPORT **2013**



# Responsible Real Estate Healthy Commercial Business



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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Shu Cecheng (*Chairman*)  
Mr. Shu Cewan (*Chief Executive Officer*)  
Mr. Shu Ceyuan  
Ms. Wu Xiaowu  
Mr. Zhao Lidong

### Independent Non-Executive Directors

Dr. Song Ming  
Mr. Lo Kwong Shun, Wilson  
Prof. Shu Guoying

## COMPANY SECRETARY

Mr. Chan Sze Hon

## AUTHORIZED REPRESENTATIVES

Mr. Chan Sze Hon  
Mr. Shu Cecheng

## AUDIT COMMITTEE

Mr. Lo Kwong Shun, Wilson (*Committee Chairman*)  
Dr. Song Ming  
Prof. Shu Guoying

## REMUNERATION COMMITTEE

Dr. Song Ming (*Committee Chairman*)  
Mr. Shu Cewan  
Prof. Shu Guoying

## NOMINATION COMMITTEE

Mr. Shu Cecheng (*Committee Chairman*)  
Dr. Song Ming  
Mr. Lo Kwong Shun, Wilson

## AUDITORS

Ernst & Young  
*Certified Public Accountants*

## COMPLIANCE ADVISOR

Octal Capital Limited

## PRINCIPAL BANKERS

Bank of China Limited  
Bank of Communications Co., Ltd  
Industrial and Commercial Bank of China Limited

## LEGAL ADVISORS

### As to Hong Kong Law

Shearman & Sterling

### As to PRC Law

Global Law Office

### As to Cayman Islands Law

Walkers

## REGISTERED OFFICE

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

## CORPORATE HEAD OFFICE IN HONG KONG

Room 605  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

### **CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA**

19th Floor  
Wuzhou International Columbus Plaza Tower B  
287 Guangyi Road  
Wuxi  
China

### **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### **LISTING INFORMATION**

#### **Share Listing**

The Company's ordinary shares  
The Stock Exchange of Hong Kong Limited  
Stock Code: 01369

### **WEBSITE**

*<http://www.wz-china.com>*

# Chairman's Statement



“ Wuzhou International has successfully achieved its goal to tap into the international capital market. Nevertheless, we will not be contented with our current performance. Instead, we will adhere to our mission of “Responsible Real Estate • Healthy Commercial Business”. Accountability is our core value and the Group will strive to enhance profitability by cooperating with various partners. ”

Dear Shareholders,

On behalf of the board of directors (the “Board”), I hereby present the interim results of Wuzhou International Holdings Limited (“Wuzhou International” or the “Company”) together with its subsidiaries (the “Group”) for the six months ended 30 June 2013.

In the first half of 2013, total revenue and gross profit of the Group amounted to approximately RMB1,839 million and RMB922 million, representing increases of approximately 24.8% and 13.3% as compared with the corresponding period of the previous year, respectively. In the first half of the year, the recognized average revenue from sales of properties increased by 24.7% to approximately RMB1,758 million as compared with the corresponding period of the previous year. Profits attributable to owners of the Company and total comprehensive income amounted to approximately RMB485 million, representing an increase of approximately 29.8% as compared with the corresponding period of the previous year. To reserve more funds for the business development of the Group, the Board does not recommend the payment of interim dividend for the period ended 30 June 2013.

During the period, the domestic and global economic conditions were challenging. The performance of the developed economies was increasingly varied. Although the economies in the US and Japan remained weak, there were signs of recovery under the quantitative easing monetary policy. The economy of the European Union remained on the verge of recession and was mired in adverse environment. It may take longer period of time before it can stabilize and recover. The economy of China stayed on a slow-growing path. All trades and industries were under great pressure. In particular, the operation environment of the real estate sector was challenging and volatile under continuous stringent regulation. The Company closely monitored the market changes and adopted measures to cope with the complicated market environment and challenges in compliance with national and local government policies. The Company strengthened the operation and management of commercial properties and further enhanced its brand recognition to facilitate a sustainable growth. During the reporting period, the total sales and floor area sold in the first half of the year were RMB2,257 million and 279,000 sq.m., representing increases of 179% and

158% as compared with the corresponding period of the previous year, respectively.

Wuzhou International focused on the development and operation of specialized wholesale markets and multi-functional commercial complexes under the brands of "Wuzhou International" and "Columbus" and extended the presence of its projects in the Yangtze River Delta Region as well as major provinces and cities, including Chongqing, Yunnan, Hubei and Shandong. The Company had stable customers and tenants. Through our unique business model, we strategically sold certain properties to generate direct funding for business expansion. We also held properties for long-term returns, including recurring rental income and capital gain. The Group entered into exclusive operation and management agreements with purchasers of retail units and received management service fees for the management and control of the leased properties on behalf of the purchasers. Moreover, the Group standardized the brand promotion, planning, management, marketing and business model of our properties to strengthen our market position. The Group also established long-term strategic cooperation with renowned domestic and international brands to refine the tenant-mix to secure long-term recurrent rental income for Wuzhou International and the purchasers of its retail units.

During the period under review, the Group achieved healthy business development and satisfactory operating results by acting fast to seize opportunities. The Group acquired four parcels of lands for the projects of Ruian, Mudanjiang, Nantong and Longkou Phase II. The construction of four projects commenced, including Longkou, Jiangyin, Sheyang and Nantong Phase II. The construction of six projects was completed. The Group was successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in June 2013.

2013 is a remarkable year for the Group. The market was concerned about the prospects of the property developers in China as the government maintained its tightening measures. However, even in such a difficult environment, Wuzhou was able to achieve record-breaking results. With its dedicated efforts, unique market position, proven and replicable business model and strong operation capability in commercial property market, the Group gained extensive social recognition and support even in the sluggish IPO market this year. The Group was successfully listed on the Stock Exchange on 13 June 2013 (the "Listing Date"), marking the first significant move in tapping

into the global capital market and a solid foundation for future business expansion. I would like to express my gratitude to the former and present management for their significant contributions to the success of Wuzhou today.

It is expected that the global economy will see a moderate growth in the second half of the year. No inflation pressure is expected as the prices of commodities stabilized while the monetary policy will remain loose. Although the market fluctuated on the concern over the exit of the Federal Reserve, market liquidity remained high due to interest rate cuts in Europe and other countries and the aggressive quantitative easing measures of Japan. Urbanization and consumer spending will still be the major drivers of the economy in China. Our businesses will benefit from the robust economy, accelerated urbanization and strong growth of the retail market of China. As a leading commercial property developer and operator, the Group will adjust and manage its development and sale strategies according to the development of the real estate market from time to time. Despite the attempt of the government to control the overheated residential property market, the commercial property market we engage in maintains its steady growth momentum. We will promote our properties to the emerging MSEs in rapid-developing cities in China. The wealthy residents in urban and rural areas will also be our sales targets. It is our priority to enhance the returns of existing projects and expand into new strategic regions. On the other hand, leveraging our healthy financial position built on prudent financial management principle, together with satisfactory rental income and stable sales of properties, the Group will maintain its sustainable growth and overcome all challenges. We believe that the Group will continue to create sustainable and relatively high returns to our Shareholders.

Wuzhou International has successfully achieved its goal to tap into the international capital market. Nevertheless, we will not be contented with our current performance. Instead, we will adhere to our mission of "Responsible Real Estate • Healthy Commercial Business". Accountability is our core value and the Group will strive to enhance profitability by cooperating with various partners. I would like to express my sincere gratitude to the Board, senior management and staff for their leadership and dedication.

**SHU Cecheng**  
*Chairman*

Hong Kong, 20 August 2013

# Management Discussion and Analysis

Based on its unique market positioning and development strategies, the specialized wholesale markets and multi-functional commercial complexes of the Group have been recognized by local markets and the business mode was replicated for market expansion in rapidly-developing provinces and cities, such as Heilongjiang. To fully take advantage of the future rapid growth of the PRC commercial property industry, the Group successfully listed its shares on The Stock Exchange of Hong Kong Limited on 13 June 2013.

## MARKET REVIEW

In the first half of 2013, although the United States restored its economic growth, the global economy was far from optimistic with countries in Europe and emerging markets mired in the financial crisis. China recorded only a 10.4% increase in exports for the first half of the year. In order to propel fixed-asset investment and domestic demand and achieve steady economic development, the government introduced a series of measures and policies aiming to maintain steady growth, achieve structural change and promote reformation. Nevertheless, during the period under review, the central government continued to implement various austerity policies, including restrictions on home purchase, loans and prices, to strictly control housing prices. Commercial properties were subject to far less government restrictions than residential properties. In addition, with low land costs, strong customer purchasing power and great market demands, commercial properties in cities, especially second and third-tier cities, in the Yangtze River Delta have higher development potential and stronger growth momentum as compared with other regions in China.

Currently, wholesale markets, including the integrated markets of various products and the specialized markets of specific products, are one of the most effective channels of commodity transaction in China, especially for small cities and towns, and play an important role in economic development. According to Savills, since 2008, the sales of wholesale markets have increased at a CAGR of approximately 60% to RMB8.2 trillion in 2011, reflecting huge demands and development potential of the wholesale markets.



# Management Discussion and Analysis

In addition, rising urban population was resulted from the emphasis on urbanization under the Twelfth Five-year Plan of China. Benefiting from the economic growth, disposable income of residents further increased, which boosted consumption and demand for products and services. As a result, there were higher market demands for multi-functional commercial complexes, which integrate retail, office, residential, hotel, entertainment and other functions.



## BUSINESS REVIEW

During the period under review, the Group capitalized on business opportunities and recorded a steady growth in corporate development and results. Based on its unique market positioning and development strategies, the specialized wholesale markets and multi-functional commercial complexes of the Group have been recognized by local markets and the business mode was replicated for market expansion in rapidly-developing provinces and cities, such as Heilongjiang. To fully take advantage of the future rapid growth of the PRC commercial property industry, the Group successfully listed its shares on the Stock Exchange on the Listing Date.



### I. Contract sales

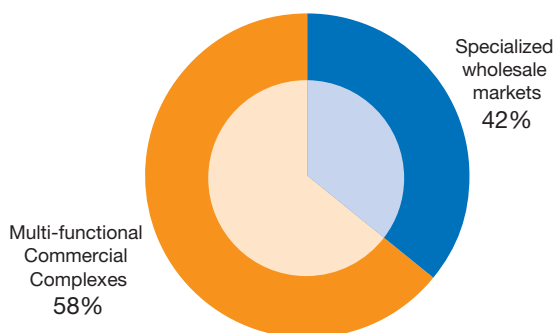
During the period under review, the Group recorded contract sales and contract sales area of approximately RMB2,257 million and approximately 279,000 sq.m., representing increases of 179% and 158% as compared with the same period of the previous year, respectively. Approximately RMB943 million and 175,000 sq.m. were from the sales of the specialized wholesale markets, representing

increases of 166% and 191% as compared with the same period of the previous year, respectively. Approximately RMB1,314 million and 104,000 sq.m. were from the sales of multi-functional commercial complexes, representing increases of 189% and 118% as compared with the same period of the previous year, respectively.

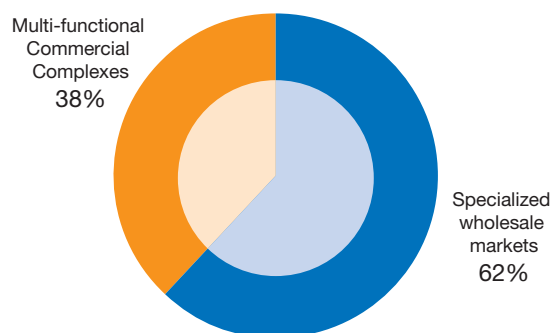
## Management Discussion and Analysis



Percentage of contract sales amount  
by categories



Percentage of contract sales area  
by categories

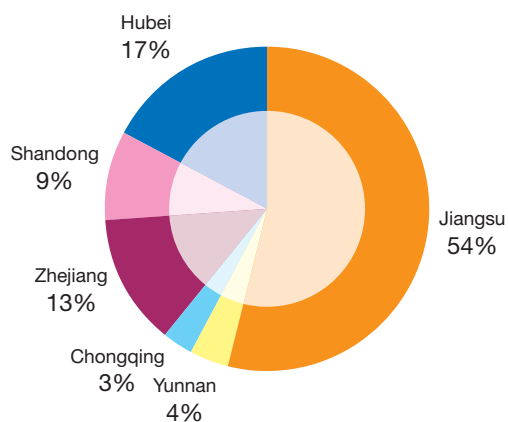


Contract sales of the Group, by geographical location, were mainly from Jiangsu Province. The contract sales and contract sales area were approximately RMB1,233 million and approximately 141,000 sq.m., accounting for 55% and 51% of the total contract sales amount and the total contract sales area, respectively. Attributable to the market expansion strategy of the Group in other rapidly-developing cities, the contract sales from other provinces and cities increased significantly, resulting in a more balanced income source in terms of geographical locations.

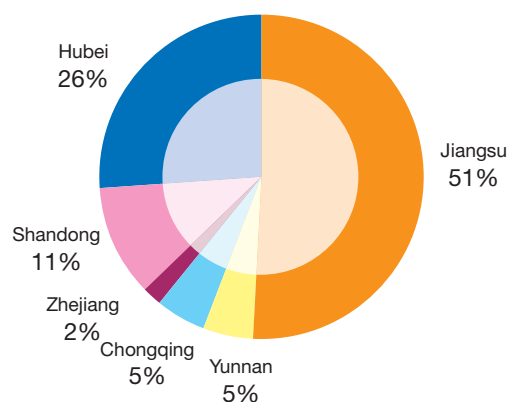
## Management Discussion and Analysis

Regions	Contract sales amount		Contract sales area	
	RMB million	Percentage (%)	Sq.m.	Percentage (%)
Jiangsu Province	1,233	54.6	141,453	50.7
Yunnan Province	94	4.2	15,424	5.5
Chongqing Municipality	62	2.7	14,883	5.3
Zhejiang Province	293	13.0	4,718	1.7
Shandong Province	200	8.9	29,847	10.7
Hubei Province	375	16.6	73,035	26.1
<b>Total</b>	<b>2,257</b>	<b>100.0</b>	<b>279,360</b>	<b>100.0</b>

Percentage of contract sales amount by regions



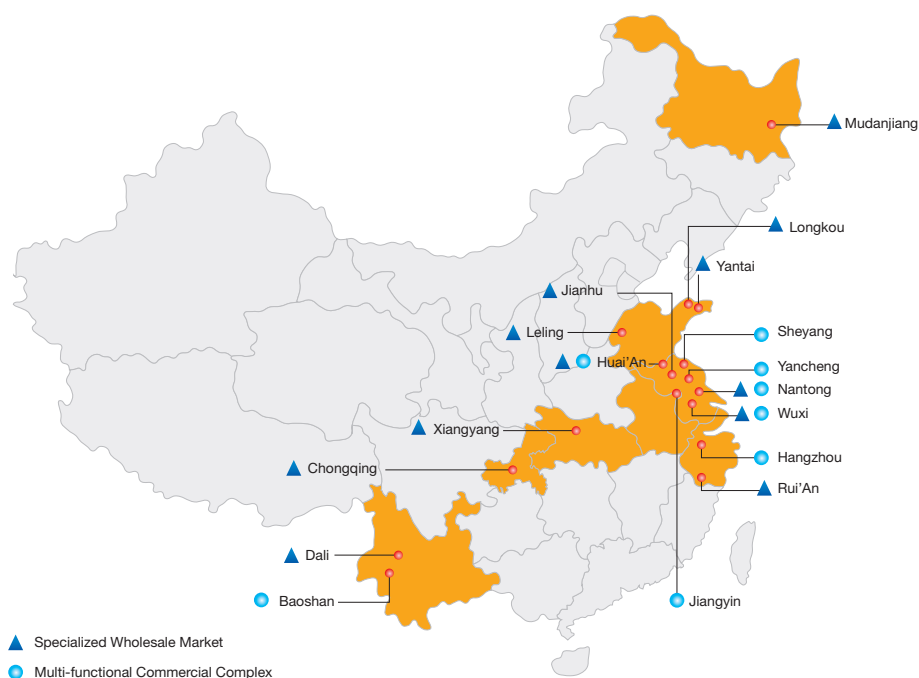
Percentage of contract sales area by regions



# Management Discussion and Analysis

## II. Project development

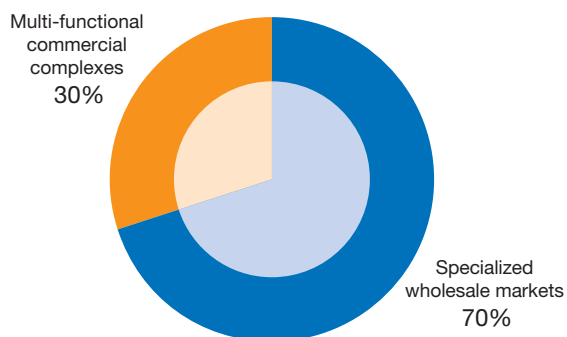
As at 30 June 2013, the Group had 27 development projects in Jiangsu, Zhejiang, Shandong, Hubei, Yunnan, Heilongjiang and Chongqing, including 13 specialized wholesale markets and 14 multi-functional commercial complexes.



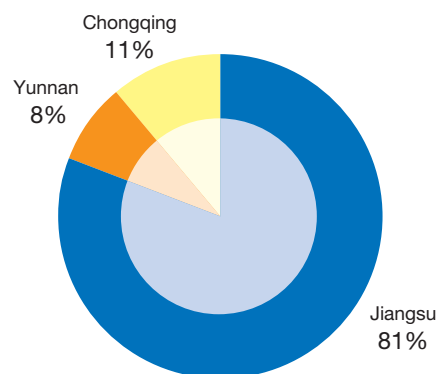
### Completed projects

During the period under review, the Group completed a total of 10 projects or project phases with a total gross floor area ("GFA") of approximately 1,484,000 sq.m., including approximately 859,000 sq.m. of GFA sold and delivered and approximately 155,000 sq.m. of GFA held for lease.

**Total GFA of completed projects by categories**



**Total GFA of completed projects by regions**



## Management Discussion and Analysis

List of completed projects:

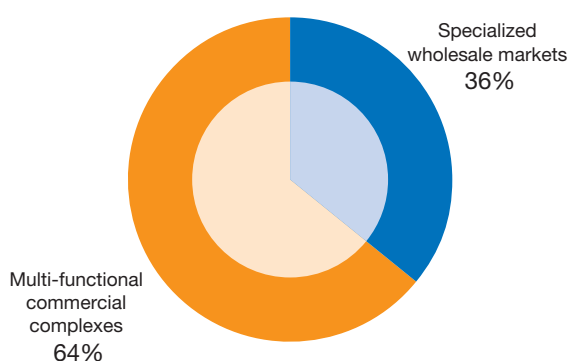
Project name	City	Category	Interests of the Company	Total	Total	GFA sold	GFA held for sale	GFA held for lease	
				Total GFA	saleable GFA				
				( <i>'000 sq.m.</i> )	( <i>'000 sq.m.</i> )	( <i>'000 sq.m.</i> )	( <i>'000 sq.m.</i> )	( <i>'000 sq.m.</i> )	
<b>Jiangsu Province</b>									
1	Wuxi	Wuzhou International Ornamental City	Specialized wholesale market	100%	288	259	220	2	37
2	Wuxi	Wuzhou International Industrial Exhibition City	Specialized wholesale market	100%	358	326	287	12	27
3	Wuxi	Wuzhou International Columbus Plaza	Multi-functional commercial complex	64.3%	212	169	104	22	43
4	Wuxi	Wuzhou International Chinese Food Culture Exposition City	Multi-functional commercial complex	51%	50	44	31	3	10
5	Wuxi	Meicun Wuzhou International Plaza	Multi-functional commercial complex	90%	54	40	15	2	23
6	Wuxi	Yangjian Wuzhou International Plaza	Multi-functional commercial complex	100%	34	20	13	7	—
7	Wuxi	New District Columbus Plaza	Multi-functional commercial complex	59%	91	71	16	40	15
8	Jianhu	Wuzhou International Trade City	Specialized wholesale market	100%	107	105	45	60	—
<b>Subtotal</b>					<b>1,194</b>	<b>1,034</b>	<b>731</b>	<b>148</b>	<b>155</b>
<b>Yunnan Province</b>									
9	Dali	Wuzhou International Trade City	Specialized wholesale market	100%	120	119	93	26	—
<b>Subtotal</b>					<b>120</b>	<b>119</b>	<b>93</b>	<b>26</b>	<b>—</b>
<b>Chongqing Municipality</b>									
10	Chongqing	Rongchang Wuzhou Hardware Ornamental City	Specialized wholesale market	94%	170	170	89	81	—
<b>Subtotal</b>					<b>170</b>	<b>170</b>	<b>89</b>	<b>81</b>	<b>—</b>
<b>Total</b>					<b>1,484</b>	<b>1,323</b>	<b>913</b>	<b>255</b>	<b>155</b>

# Management Discussion and Analysis

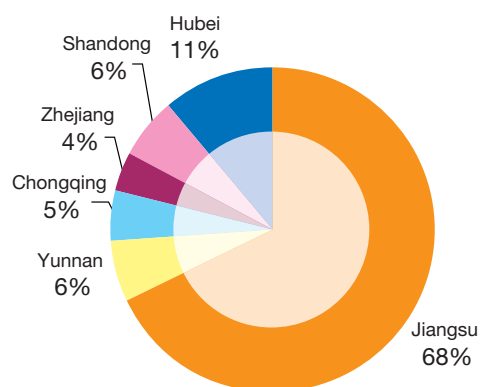
## Projects under development

As at 30 June 2013, the Group had a total of 17 projects or project phases under development with a total planned GFA of 2,052,000 sq.m., including approximately 419,000 sq.m. of GFA sold and approximately 276,000 sq.m. of GFA held for lease.

**Total GFA of projects under development by categories**



**Total GFA of projects under development by regions**



List of projects under development

Project name	City	Category	Interests of the Company	Estimated construction completion date	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA pre-sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)
<b>Jiangsu Province</b>									
1 Wuxi Wuzhou International Ornamental City Phase IV	Wuxi	Specialized wholesale market	100%	2013	104	81	7	49	25
2 Wuxi Wuzhou International Industrial Exhibition City Phase II Hall C	Wuxi	Specialized wholesale market	100%	2014	81	69	20	28	21
3 Wuxi Wuzhou International Chinese Food Culture Exposition City Phase III	Wuxi	Multi-functional commercial complex	51%	2013	142	115	14	86	15

## Management Discussion and Analysis

Project name	City	Category	Interests of the Company	Estimated construction completion date		Total	Total	GFA	GFA	GFA
						GFA	saleable GFA	pre-sold	held for sale	held for lease
						( <i>'000 sq.m.</i> )	( <i>'000 sq.m.</i> )	( <i>'000 sq.m.</i> )	( <i>'000 sq.m.</i> )	( <i>'000 sq.m.</i> )
4 Yangjian Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	2013		108	87	48	29	10
5 Nantong Wuzhou International Plaza	Nantong	Multi-functional commercial complex	51%	2014		365	287	46	235	6
6 Yancheng Wuzhou International Plaza	Yancheng	Multi-functional commercial complex	100%	2013		86	67	25	14	28
7 Huaian Wuzhou International Plaza	Huaian	Multi-functional commercial complex	100%	2013		147	123	28	64	31
8 Luoshe Wuzhou Columbus Plaza	Wuxi	Multi-functional commercial complex	100%	2013		51	38	6	19	13
9 Jiangyin Wuzhou International Plaza	Jiangyin	Multi-functional commercial complex	90%	2014		263	217	30	153	34
10 Sheyang Wuzhou International Plaza	Sheyang	Multi-functional commercial complex	100%	2014		70	62	—	62	—
<b>Subtotal</b>						1,417	1,146	224	739	183
<b>Yunnan Province</b>										
11 Dali Wuzhou International Trade City	Dali	Specialized wholesale market	100%	2013		122	122	14	46	62
<b>Subtotal</b>						122	122	14	46	62
<b>Chongqing Municipality</b>										
12 Rongchang Wuzhou Hardware Ornamental City	Chongqing	Specialized wholesale market	94%	2014		103	103	—	103	—
<b>Subtotal</b>						103	103	—	103	—
<b>Zhejiang Province</b>										
13 Hangzhou Wuzhou International Plaza	Hangzhou	Multi-functional commercial complex	100%	2013		77	60	4	38	18
<b>Subtotal</b>						77	60	4	38	18

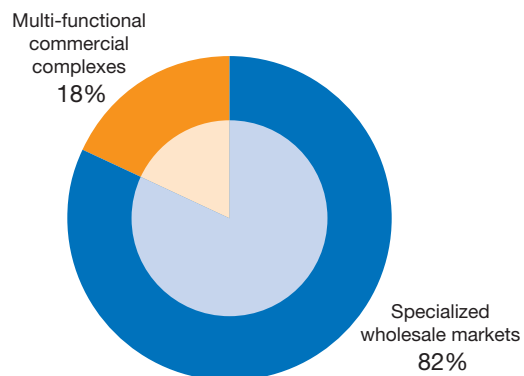
## Management Discussion and Analysis

Project name	City	Category	Interests of the Company	Estimated construction completion date	Total GFA	Total saleable GFA	GFA pre-sold	GFA held for sale	GFA held for lease
<b>Shandong Province</b>									
14 China Longkou Wuzhou International Trade City	Longkou	Specialized wholesale market	95%	2013	22	22	15	7	–
15 Yantai Wuzhou International Industrial Exhibition City (Fushan)	Yantai	Specialized wholesale market	95%	2013	56	56	34	22	–
16 Leling Wuzhou International Ornamental City	Leling	Specialized wholesale market	51%	2013	38	37	2	35	–
<b>Subtotal</b>					116	115	51	64	–
<b>Hubei Province</b>									
17 Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Specialized wholesale market	100%	2013	217	215	126	89	–
<b>Subtotal</b>					217	215	126	89	–
<b>Total</b>					2,052	1,761	419	1,079	263

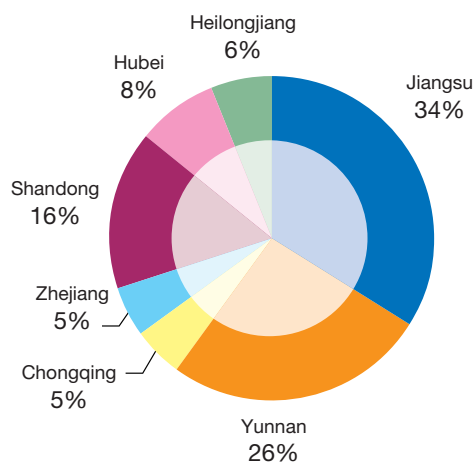
### Projects planned for development

As at 30 June 2013, the Group had a total of 17 projects or project phases planned for development, with a total planned GFA of approximately 4,367,000 sq.m.

**Total planned GFA of projects planned for development by categories**



**Total planned GFA of projects planned for development by provinces and cities**





## Management Discussion and Analysis

List of projects planned for future development:

Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)
<b>Jiangsu Province</b>				
1 Wuxi Wuzhou International Ornamental City Phase V Hall F	Wuxi	Specialized wholesale market	100%	21
2 Wuxi Wuzhou International Industrial Exhibition City Product Exhibition Hall BD Multi-use Building	Wuxi	Specialized wholesale market	100%	240
3 Yancheng Wuzhou International Plaza Phase II Building No. 4	Yancheng	Multi-functional commercial complex	100%	24
4 Huaian Wuzhou International Plaza Phase II	Huaian	Multi-functional commercial complex	100%	91
5 Jianhu Wuzhou International Trade City Phase II	Jianhu	Specialized wholesale market	100%	114
6 Jianhu China Green Light Exposition City	Jianhu	Specialized wholesale market	100%	94
7 Sheyang Wuzhou International Plaza	Sheyang	Multi-functional commercial complex	100%	350
8 Qianzhou Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	80%	128
9 Wuzhou International Automobile Exhibition City	Nantong	Specialized wholesale market	75%	430
			<b>Subtotal</b>	<b>1,492</b>
<b>Yunnan Province</b>				
10 Dali Wuzhou International Trade City Phase III	Dali	Specialized wholesale market	100%	942
11 Baoshan Wuzhou International Plaza	Baoshan	Multi-functional commercial complex	80%	209
			<b>Subtotal</b>	<b>1,151</b>
<b>Chongqing Municipality</b>				
12 Rongchang Wuzhou Hardware Ornamental City Phase II	Chongqing	Specialized wholesale market	94%	197
			<b>Subtotal</b>	<b>197</b>
<b>Shandong Province</b>				
13 China Longkou Wuzhou International Trade City	Longkou	Specialized wholesale market	95%	284
14 Leling Wuzhou International Ornamental City	Leling	Specialized wholesale market	51%	414
			<b>Subtotal</b>	<b>698</b>

## Management Discussion and Analysis

Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)
<b>Hubei Province</b>				
15 Xiangyang Wuzhou International Industrial Exhibition City (Phase II)	Xiangyang	Specialized wholesale market	100%	350
<b>Subtotal</b>				350
<b>Zhejiang Province</b>				
16 Ruian Project	Ruian	Specialized wholesale market	100%	235
<b>Subtotal</b>				235
<b>Heilongjiang Province</b>				
17 Mudanjiang Project	Mudanjiang	Specialized wholesale market	100%	244
<b>Subtotal</b>				244
<b>Total</b>				4,367

### *Projects with MOUs signed*

As at 30 June 2013, the Group had a total of 5 projects or project phases with MOUs signed, which showed the site area in the agreements, with a total planned GFA of approximately 1,347,000 sq.m.

List of projects with MOUs signed:

Project name	City	Total GFA ('000 sq.m.)
1 China Longkou Wuzhou International Trade City	Longkou	496
2 Project Shenyang	Shenyang	224
3 Project Luoyang	Luoyang	400
4 Project Xinghua Dainan International	Xinghua	67
5 Rongchang Wuzhou Hardware Ornamental City	Chongqing	160
<b>Total:</b>		1,347

## Management Discussion and Analysis

### III. Land bank

The Group considers that acquiring ample land bank at reasonable costs is crucial to the long-term development and profitability of Wuzhou International. It carried out in-depth studies on local urban planning and acquired lands of substantial development potential in order to build new commercial areas and design projects in line with market demand. During the period under review, the Group strived to consolidate its existing land bank and actively expand and develop into other areas, including Heilongjiang, for more extensive land bank across China.

As of 30 June 2013, the total planned GFA of land bank amounted to approximately 7,044,000 sq.m., including approximately 625,000 sq.m. for completed projects, approximately 2,052,000 sq.m. for projects under development and approximately 4,367,000 sq.m. for projects planned for future development. The land bank is sufficient for the development of the Group in the future three to five years. The average GFA costs per square meter amounted to approximately 10% of the average selling price. With lower land costs, the Group can ensure sustainable future development and higher profitability.

As of 30 June 2013, the breakdown of land bank by regions is as follows:

Region	Completed projects ( <i>'000 sq. m.</i> )	Projects under development ( <i>'000 sq. m.</i> )	Projects planned for future development ( <i>'000 sq. m.</i> )	Total planned GFA of land bank ( <i>'000 sq. m.</i> )
Jiangsu Province	479	1,417	1,492	3,388
Yunnan Province	41	122	1,151	1,314
Chongqing Municipality	105	103	197	405
Shandong Province	—	116	698	814
Hubei Province	—	217	350	567
Zhejiang Province	—	77	235	312
Heilongjiang Province	—	—	244	244
<b>Total</b>	625	2,052	4,367	7,044

### IV. Centralized operation, management and marketing

Most of the purchasers of its retail stores entered into exclusive operation and management agreements with the Group, under which the Group received management service income from the purchasers for managing and controlling the leases of the retail shops, event organization and ancillary service provision. The Group also provided the purchasers with services such as project positioning, planning, design, construction, marketing, leasing and operation so as to ensure the centralized operation of projects. In addition, the Group also provided general property management services for tenants and occupants.

## Management Discussion and Analysis

The Group develops and operates the specialized wholesale markets and multi-functional commercial complexes under the brands of “Wuzhou International” and “Columbus”. In order to unify the brand image of its specialized wholesale markets and multi-functional commercial complexes, its professional planning and marketing team is responsible for formulating the nation-wide promotion strategies and coordinating marketing activities. During the period under review, both the brand effect and visitor flow of its specialized wholesale markets and multi-functional commercial complexes recorded significant growth attributable to various marketing and promotion activities and sponsorship for a number of activities. Moreover, asset management, construction, design and operation capability of the Group were highly recognized in the industry. As a result, the brands “Wuzhou International” and “Columbus” were well-received in the places where the Group operates.

### V. Outlook

Urbanization, which is positioned as the top priority of the Twelfth Five-year Plan of China, together with other favorable national policies to enlarge domestic demands, will provide stable support for the commercial property investment and the consumer retail market. In the future, the Group will ensure the prudent development of each new project based on the policy adjustments of the central government and further enhance its operation and management with an aim to achieve satisfactory results and create better returns for the shareholders.

In June, the State Council promulgated the shanty town transformation plan, pursuant to

which 10 million households will be renovated within five years and the target of this year is 3.04 million renovated households. Apart from speeding up urbanization, the plan will also boost investment and housing supply for taming property market demand and stimulating consumption power, which will be beneficial to the development of multi-functional commercial complex business of the Group. In addition, the State Council also announced that the MSEs would be temporarily exempted from VAT and business tax starting from 1 August 2013, which will create a more favorable environment for the development of MSEs with more job opportunities. The exemption will also facilitate the future development of the specialized wholesale market projects of the Group as SMEs in China are the target customers.

The unique business model of the Group plays a vital role for its successful development. Looking forward, the Group will strive to apply its successful business models for its business expansion in other rapidly-developing cities in China. The Group is committed to creating new specialized wholesale markets and developing industrial cities such as Yantai and Shenyang as the core cities of the respective regions. In the long run, its business will continue to be expanded to the mid-west and northeast region as well as the Bohai Rim in China, especially in second-tier provincial capitals including Nanjing, Xi'an and Zhengzhou. The Group will expand its multi-functional commercial complexes to first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen in the future. It will also make efforts to establish new projects in Hangzhou, Nantong, Yancheng and Xuyi where both economic development and population are on rapid growth track.

# Management Discussion and Analysis

The Group will further focus on optimizing project management strategies to enhance the synergies among property buyers, occupants and the Group. It will also be committed to improving the experience of visitors of the specialized wholesale markets and multi-functional commercial complex projects. In the future, the Group may also consider providing occupants with value-added ancillary services so as to increase the popularity of the projects and maximize rental yield. Furthermore, the Group will strive to enhance its brand awareness in the market with effective project planning and better project quality to create a better service platform for its business partners. In addition, the Group will also grasp opportunities arising from the development of e-commerce channels. Efforts will be made to formulate innovative business and cooperation models through differentiated positioning and business planning with a view to seizing new business opportunities arising from the urbanization of China.

## FINANCIAL REVIEW

### Corporate Reorganization

The Company was incorporated in the Cayman Islands on 22 June 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The companies comprising our Group underwent a reorganization (the "Reorganization") to rationalize our Group's structure in preparation for the listing of the Company's shares on the Stock Exchange. As a result, the Company became the holding company of the Group. Details of the Reorganization are set out in the section headed "History and Reorganization" to the prospectus of the Company issued on 31 May 2013 (the "Prospectus").

### Revenue

Our revenue comprises mainly income from the sale of properties, rental income, commercial management service income, property management service income and commissions from concessionaire sales after deduction of allowances for returns and trade discounts.

For the six months ended 30 June 2013, turnover of the Group amounted to approximately RMB1,839 million, representing an increase of 24.8% from approximately RMB1,474 million for the corresponding period in 2012. Profit and total comprehensive income for the period attributable to the equity holders of the Company was approximately RMB485 million, representing an increase of 29.8% from approximately RMB373 million for the corresponding period in 2012.

### *Sale of Properties*

Revenue from the sale of properties is recognized (i) when the significant risks and rewards of ownership of the properties are transferred to the purchasers; (ii) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties, are retained; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and (v) the cost incurred or to be incurred in relation to the transaction can be measured reliably. We consider that the significant risks and rewards of ownership are transferred when the construction of relevant properties has been completed and the properties have been delivered to the purchasers.

Revenue from property development represents proceeds from sales of our properties held for sales.

## Management Discussion and Analysis

Revenue derived from property development increased by 24.7% to approximately RMB1,758 million for the six months ended 30 June 2013 from approximately RMB1,410 million for the corresponding period in 2012. This increase was due primarily to an increase in total GFA and an increase in the average selling price of properties sold to our customers.

### *Rental Income*

Rental income generated from rental of investment properties increased by 56.8% to approximately RMB22 million for the six months ended 30 June 2013 from approximately RMB14 million for the corresponding period in 2012. The increase was due primarily to the continuing growth of the investment properties.

### *Commercial Management Service Income and Property Management Income*

We generate commercial management service income from most purchasers of the retail units at our projects pursuant to our exclusive operation and management agreements. Under these agreements, which we enter into with the purchasers at the pre-sale stage, we typically receive commercial management service income equivalent to the entire rental value of the underlying properties for the initial periods ranging from three to five years, which typically commence upon the opening for operation of the building where the property is located, and then 8% to 10% of the rental value for the remaining years. In practice, we collect rents directly from the tenants of the underlying properties, retain our commercial management service fees and remit the remainder, if any, to the purchasers. To attract tenants, we may offer selected tenants rent-free periods ranging from two to six months. We typically secure tenants for the vast majority of the purchasers prior to the commencement of the initial

period. Since we charge commercial management service fees based on the rental value of the underlying properties, we will not be able to receive any commercial management service fees in the event we are unable to lease out the underlying properties.

Commercial management service income increased by 41.8% to approximately RMB44 million for the six months ended 30 June 2013 from approximately RMB31 million for the corresponding period in 2012 while property management income decreased by 67.7% to approximately RMB2 million for the six months ended 30 June 2013 from approximately RMB7 million for the corresponding period in 2012. The increase for commercial management service income was due primarily to an increase in the GFA of the properties operated and managed by us, as a result of an increase in sales of our properties, while the decrease in property management income was because the Group was gradually transferring its property management business to other third parties in order to concentrate in the commercial management service.

### *Commissions from concessionaire sales*

Revenue derived from the commissions from concessionaire sales increased by 132.3% to approximately RMB5 million for the six months ended 30 June 2013 from approximately RMB2 million for the corresponding period in 2012, which was resulted from our mature operation.

### *Gross Profit and Margin*

Gross profit increased by 13.3% to approximately RMB922 million for the six months ended 30 June 2013 from approximately RMB814 million for the corresponding period in 2012, while our gross profit margin decreased to 50.1% for the six months ended

# Management Discussion and Analysis

30 June 2013 from 55.2% for the corresponding period in 2012. This increase in gross profit was in line with the increase in the total revenue for the six months ended 30 June 2013 while the decrease in our gross margin was resulted from the change in product mix, but it remained in a high level.

## Other Income and Gain

Other income and gains decreased by 12.6% to approximately RMB14 million for the six months ended 30 June 2013 from approximately RMB16 million for the corresponding period in 2012. Other income and gains mainly represented by subsidy income and interest income and certain non-recurring income and gains.

## Selling and Distribution Expenses

Our selling and distribution expenses increased by 69.6% to approximately RMB123 million for the six months ended 30 June 2013 from approximately RMB72 million for the corresponding period in 2012. This increase was due primarily to an increase in general selling, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold in the first half of 2013 as compared to that in the same period of 2012.

## Administrative Expenses

Our administrative expenses increased by 72.2% to approximately RMB196 million for the six months ended 30 June 2013 from approximately RMB114 million for the corresponding period in 2012. This increase was due primarily to the increase in number of offices and staff cost in new locations due to our expansion and certain expenses incurred resulting from our initial public offering.

## Finance Costs

Our finance costs increased by 204.1% to approximately RMB31 million for the six months ended 30 June 2013 from approximately RMB10 million for the corresponding period in 2012. This increase was due primarily to an increase in bank loans to finance the business operation and development, which in turn increased the interest expenses.

## Income Tax Expenses

Our income tax expenses increased by 27.7% to approximately RMB409 million for the six months ended 30 June 2013 from approximately RMB320 million for the corresponding period in 2012. This increase was due primarily to an increase in enterprises income tax and land appreciation tax as a result of increase in properties sold and recognized in the first half of 2013 as compared to that in the same period of 2012.

## Profit and Total Comprehensive Income Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased by 29.8% to approximately RMB485 million for the six months ended 30 June 2013 from approximately RMB373 million for the corresponding period in 2012. This increase was due primarily to an increase in properties recognised and in the revaluation gain on the appreciation of our investment properties in the first half of 2013 as compared to that in the same period of 2012. Our net profit margin maintained at a satisfactory level of 26.3% in the first half of 2013 as compared to 25.3% in the same period of 2012.

# Management Discussion and Analysis

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Cash Position

As at 30 June 2013, the Group's bank balances and cash (including restricted cash and pledged deposits) was approximately RMB1,783 million (31 December 2012: approximately RMB909 million), representing an increase of 96.1% as compared to that as at 31 December 2012. A portion of our cash 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 in which such deposits relate to. As at 30 June 2013, the Group's restricted cash was approximately RMB214 million (31 December 2012: approximately RMB27 million), representing an increase of 692.8% 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 1.30 compared to that of 1.06 as at 31 December 2012. The gearing ratio was 53.8% as at 30 June 2013 compared to that of 112.9% as at 31 December 2012. The gearing ratio was measured by net debt (aggregated bank loans and other borrowings net of cash and cash equivalents, pledged deposits and restricted cash) over the equity attributable to owners of the Company. The total debt (being aggregated bank loans and other borrowings) over total assets ratio continued to be healthy, maintaining at 25.2% (31 December 2012: 23.0%) as of 30 June 2013.

### Borrowings and Charges on the Group's Assets

As at 30 June 2013, the Group had an aggregate interest-bearing bank and other borrowings of approximately RMB3,326 million. Amongst the bank and other borrowings, approximately RMB835 million will be repayable within 1 year, approximately RMB2,286 million will be repayable between 2 to 5 years and approximately RMB205 million will be repayable after 5 years.

As at 30 June 2013, a substantial part of the bank loans and other borrowings were secured by land use rights and properties of the Group.

### Exchange Rate Risk

The Group mainly operates in the PRC. Other than the foreign currency denominated bank deposits and bank borrowings, 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. 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.

### Commitments

As at 30 June 2013, the Group had committed payment for the acquisitions of land use rights and properties under development amounting to approximately RMB150 million (31 December 2012: RMB134 million) and approximately RMB1,814 million (31 December 2012: RMB1,630 million), respectively.



# Management Discussion and Analysis

## Contingent Liabilities

As at 30 June 2013, the Group had provided guarantees amounting to approximately RMB564 million (31 December 2012: approximately RMB519 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. The Group had also provided guarantees amounting to approximately RMB35 million and RMB56 million to banks in connection with facilities granted to third parties and a related company, respectively, as at 31 December 2012. There was no such guarantees as at 30 June 2013.

## Employees and Remuneration Policies

As at 30 June 2013, the Group had approximately 2,629 employees, of which 1,417 employees involved in the property development sector and 1,212 in the property operation services sector. Total staff costs, including directors' emoluments, for the six months ended 30 June 2013 amounted to approximately RMB91 million (six months ended 30 June 2012:

approximately RMB51 million). Remuneration is determined by reference to their performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme.

As at 30 June 2013, no options had been granted, exercised or cancelled under the share option scheme adopted on 27 May 2013. Please refer to the paragraph headed "Share Option Scheme" in this announcement for further details.

## Use of Net Proceeds from the Company's Initial Public Offering

The Company was listed on the Stock Exchange on 13 June 2013. The net proceeds from the Company's issue of new shares (after deducting the underwriting commission and estimated expenses payable by the Group in relation to the listing of the Company after the exercise of the over-allotment option) amounted to approximately HK\$1,460 million including the partial exercise of over-allotment option in 5 July 2013, which are intended to be applied in compliance with the intended use of proceeds set out in the section headed "Future plans and use of proceeds" contained in the Prospectus.

## INTERIM DIVIDEND

The Directors had resolved that no interim dividend be paid for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

# Disclosure of Interests

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

As at 30 June 2013, the interests and short positions of the Directors and the chief executives 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

### Interest in the shares of the Company

Director	Long/short position	Nature of interests	Number of issued ordinary shares held	Approximate percentage of shareholding
Mr. Shu Cecheng	Long position	Interest of controlled corporation <sup>(1)</sup>	3,387,940,295	74.25%
Mr. Shu Cewan	Long position	Interest of controlled corporation <sup>(1)</sup>	3,387,940,295	74.25%
Mr. Shu Ceyuan	Long position	Interest of controlled corporation <sup>(2)</sup>	8,384,297	0.18%
Ms. Wu Xiaowu	Long position	Interest of controlled corporation <sup>(3)</sup>	8,384,297	0.18%
Mr. Zhao Lidong	Long position	Interest of controlled corporation <sup>(4)</sup>	3,832,821	0.08%

Note 1: Boom Win Holdings Limited ("Boom Win") is owned as to 60% by Mr. Shu Cecheng and 40% by Mr. Shu Cewan and Mr. Shu Cecheng and Mr. Shu Cewan are deemed to be interested in the shares of the Company held by Boom Win for the purpose of Part XV of the SFO.

Note 2: Dream Chaser Holdings Limited ("Dream Chaser") is wholly owned by Mr. Shu Ceyuan and Mr. Shu Ceyuan is deemed to be interested in the shares of the Company held by Dream Chaser for the purpose of Part XV of the SFO.

Note 3: Starry Horizon Holdings Limited ("Starry Horizon") is wholly owned by Ms. Wu Xiaowu and Ms. Wu Xiaowu is deemed to be interested in the shares of the Company held by Starry Horizon for the purpose of Part XV of the SFO.

Note 4: Mastery Ventures Holdings Limited ("Mastery Ventures") is wholly owned by Mr. Zhao Lidong and Mr. Zhao Lidong is deemed to be interested in the shares of the Company held by Mastery Ventures for the purpose of Part XV of the SFO.

### Long Positions in Associated Corporations

Name of Director	Nature of interest	Name of associated corporation	No. of shares or debentures	Description of shares or debentures	Percentage of that associated corporation's issued share capital
Mr. Shu Cecheng	Corporate Interest	Boom Win	30,000 shares	Par value of US\$1.00	60%
Mr. Shu Cewan	Corporate Interest	Boom Win	20,000 shares	Par value of US\$1.00	40%
Mr. Shu Ceyuan	Corporate Interest	Dream Chaser	1 share	Par value of US\$1.00	100%
Ms. Wu Xiaowu	Corporate Interest	Starry Horizon	1 share	Par value of US\$1.00	100%
Mr. Zhao Lidong	Corporate Interest	Mastery Ventures	1 share	Par value of US\$1.00	100%

## Disclosure of Interests

Save as disclosed above, as at 30 June 2013, none of the Directors and chief executives of the Company had an interests or short positions in the equity or debt securities of the Company or any associated corporations (within the meaning of Part XV 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 they were 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 or chief executives of the Company were aware, the person(s) or institution(s) (other than a Director or chief executives of the Company) who had interests or short positions in any shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Nature of Interest	Number of shares	Approximate Percentage of interest in our Company as at 30 June 2013
Boom Win	Beneficial interest <sup>(1)</sup>	3,387,940,295	74.25%

Notes:

- (1) Boom Win is owned as to 60% by Mr. Shu Cecheng and 40% by Mr. Shu Cewan. Mr. Shu Cecheng is deemed to be interested in the shares held by Boom Win for the purpose of Part XV of the SFO.

Save as disclosed above, as at 30 June 2013, the Directors were not aware of any other persons who 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 five executive Directors and three 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 and global economy and have contributed to the Board with their professional opinions.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Code on Corporate Governance") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code regarding directors' securities transactions during the period from the Listing Date to 30 June 2013 and all Directors confirmed that they have complied with the Model Code.

## **AUDIT COMMITTEE**

The Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The audit committee of the Company currently comprises three independent non-executive Directors, including Mr. Lo Kwong Shun Wilson, Dr. Song Ming and Prof. Shu Guoying, while Mr. Lo Kwong Shun Wilson is the chairman of the audit committee. The audit committee is to review important accounting policies, supervise the Company's financial reporting processes, monitor the performance of the external auditor and the internal audit department, review and evaluate the effectiveness of the Company's financial reporting procedures and internal control and ensure the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board.

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.

## Corporate Governance and Other Information

In addition, the independent auditors of the Company, Ernst & Young, 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 has established a remuneration committee in compliance with the Listing Rules. The remuneration committee currently comprises an executive Director, Mr. Shu Cewan, and two independent non-executive Directors, Dr. Song Ming and Prof. Shu Guoying, while Dr. Song Ming is the chairman of the committee. The remuneration committee is responsible for advising the Board on the remuneration policy and framework of the Company’s Directors and senior management member(s), as well as reviewing and determining the remuneration of all executive Directors and senior management member(s) with reference to the Company’s objectives from time to time.

### NOMINATION COMMITTEE

The Company has established a nomination committee in compliance with the Listing Rules. The nomination committee currently comprises an executive Director, Mr. Shu Cecheng, and two independent non-executive Directors, Mr. Lo Kwong Shun Wilson and Dr. Song Ming while Mr. Shu Cecheng is the chairman of the committee. The nomination committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the committee in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

### SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) which became effective on 27 May 2013 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 (i) any employee (whether full time or part time) of the Company, its subsidiaries or any entity in which the Group holds any equity interest (the “Invested Entity”), including any executive Director of the Company, its subsidiaries or Invested Entity; (ii) any non-executive Director (including independent non-executive Director) of the Company, its subsidiaries or any Invested Entity; or (iii) any senior management of our Company, its subsidiaries or Invested Entity, 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 6 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 each eligible participant in any 12-month period is not permitted to exceed 1% in nominal amount of

## Corporate Governance and Other Information

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 a connected person 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 of our Company, 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 15 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 6 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 Shares as stated in the Stock Exchange's daily quotations on the date of grant of that option, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant of that option; and (iii) the nominal value of the Shares.

As at the date of this report, the total number of Shares available for issue under the Scheme is 456,290,191 Shares, representing 10% of the total number of Shares in issue immediately following completion of the Global Offering and 9.80% as at the date of this announcement. For the six months ended 30 June 2013, no share option has been granted or agreed to be granted to any person or exercised by any person under the Scheme.

### **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 period from the Listing Date to 30 June 2013.

# Report on Review of Interim Financial Information



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To the Directors of  
**Wuzhou International Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 50, which comprise the condensed consolidated statement of financial position of Wuzhou International Holdings Limited (the “Company”) and its subsidiaries as at 30 June 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes.

The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standards 34 “Interim Financial Reporting” (“IAS 34”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagements, 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 International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, 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 International 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 such opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**  
*Certified Public Accountants*

Hong Kong  
20 August 2013

# Unaudited Interim Condensed Consolidated Statements of Comprehensive Income

	Notes	For the six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
<b>REVENUE</b>	5	<b>1,839,151</b>	1,473,835
Cost of sales		<b>(917,138)</b>	(660,184)
<b>GROSS PROFIT</b>		<b>922,013</b>	813,651
Other income and gains	5	<b>13,913</b>	15,926
Selling and marketing expenses		<b>(122,924)</b>	(72,459)
Administrative expenses		<b>(195,707)</b>	(113,677)
Other expenses		<b>(4,084)</b>	(10,186)
Fair value gain upon transfer to investment properties		<b>65,542</b>	—
Change in fair value of investment properties		<b>352,781</b>	100,036
Finance costs	6	<b>(31,098)</b>	(10,227)
Share of profits and losses of associates		<b>(3,169)</b>	(3,482)
<b>PROFIT BEFORE TAX</b>	7	<b>997,267</b>	719,582
Income tax expense	8	<b>(408,897)</b>	(320,145)
<b>PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>588,370</b>	399,437
Attributable to:			
Owners of the parent		<b>484,505</b>	373,142
Non-controlling interests		<b>103,865</b>	26,295
		<b>588,370</b>	399,437
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted	10	<b>0.14</b>	0.11



# Unaudited Interim Condensed Consolidated Statements of Financial Position

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	258,784	257,098
Investment properties	12	3,477,700	2,572,100
Prepaid land lease payments		169,312	80,783
Intangible assets		4,205	4,487
Long-term deferred expense		3,958	3,019
Investments in associates		38,615	41,784
Available-for-sale investment		10,000	10,000
Deferred tax assets		231,132	224,426
Total non-current assets		4,193,706	3,193,697
<b>CURRENT ASSETS</b>			
Inventories		950	1,251
Properties under development		4,025,833	4,307,812
Completed properties held for sale		1,205,892	532,425
Trade and bills receivables	13	30,459	18,106
Due from related companies	17	—	94,710
Prepaid land lease payments		716,159	600,441
Prepayments, deposits and other receivables		1,191,446	696,453
Tax recoverable		55,628	79,668
Restricted cash	14	213,837	26,971
Pledged deposits	14	162,750	126,800
Cash and cash equivalents	14	1,406,811	755,451
Total current assets		9,009,765	7,240,088

## Unaudited Interim Condensed Consolidated Statements of Financial Position

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	15	1,906,144	1,932,687
Other payables, deposits received and accruals		617,058	677,394
Advances from customers		3,011,529	2,737,177
Due to related companies	17	—	213,980
Due to shareholders	17	—	18,136
Interest-bearing bank loans and other borrowings	16	834,800	772,480
Tax payable		578,966	465,811
<b>Total current liabilities</b>		<b>6,948,497</b>	6,817,665
<b>NET CURRENT ASSETS</b>		<b>2,061,268</b>	422,423
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,254,974</b>	3,616,120
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans and other borrowings	16	2,491,460	1,627,080
Deferred tax liabilities		431,979	343,925
<b>Total non-current liabilities</b>		<b>2,923,439</b>	1,971,005
<b>NET ASSETS</b>		<b>3,331,535</b>	1,645,115
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		287,142	216,659
Reserves		2,582,306	1,103,034
		<b>2,869,448</b>	1,319,693
<b>Non-controlling interests</b>		<b>462,087</b>	325,422
<b>TOTAL EQUITY</b>		<b>3,331,535</b>	1,645,115

# Unaudited Interim Condensed Consolidated Statements of Changes in Equity

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Share awards reserve	Statutory surplus reserve	Retained profits	Total		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 January 2013	216,659	–	51,074	–	143,304	908,656	1,319,693	325,422	1,645,115
Issuance of new shares	70,483	993,521	–	–	–	–	1,064,004	–	1,064,004
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	32,800	32,800
Total comprehensive income for the period	–	–	–	–	–	484,505	484,505	103,865	588,370
Share award expense	–	–	–	1,246	–	–	1,246	–	1,246
<b>As at 30 June 2013</b>	<b>287,142</b>	<b>993,521</b>	<b>51,074</b>	<b>1,246</b>	<b>143,304</b>	<b>1,393,161</b>	<b>2,869,448</b>	<b>462,087</b>	<b>3,331,535</b>

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Retained profits	Total			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
As at 1 January 2012	–	298,234	55,578	468,776	822,588	429,334	1,251,922	
Acquisition of subsidiaries by the Group from the then equity holders of the subsidiaries	–	(299,214)	–	–	(299,214)	–	(299,214)	
Acquisition of non-controlling interests by the then equity holders of the subsidiaries	–	52,054	–	–	52,054	(61,194)	(9,140)	
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	4,352	4,352	
Disposal of a subsidiary	–	–	–	–	–	(74,032)	(74,032)	
Total comprehensive income for the period	–	–	–	373,142	373,142	26,295	399,437	
Dividends paid to the then equity holders of subsidiaries	–	–	–	(172,105)	(172,105)	–	(172,105)	
Dividends paid to non-controlling shareholders	–	–	–	–	–	(32,211)	(32,211)	
<b>As at 30 June 2012</b>	<b>–</b>	<b>51,074</b>	<b>55,578</b>	<b>669,813</b>	<b>776,465</b>	<b>292,544</b>	<b>1,069,009</b>	

# Unaudited Interim Condensed Consolidated Statements of Cash Flows

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Net cash flows used in operating activities	(845,038)	(252,293)
Net cash flows (used in)/from investing activities	(215,545)	81,885
Net cash flows from/(used in) financing activities	1,711,943	(62,611)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>651,360</b>	(233,019)
Cash and cash equivalents at beginning of period	755,451	545,781
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,406,811</b>	312,762
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	1,783,398	507,835
Less: Restricted cash	213,837	18,903
Pledged deposits	162,750	176,170
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>1,406,811</b>	312,762

# Notes to Unaudited Interim Condensed Consolidated Financial Statements

## 1. CORPORATE INFORMATION

The registered address of Wuzhou International Holdings Limited (the “Company”) is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together with the Company, referred to as “the Group”) are principally engaged in property development business in the People’s Republic of China (the “PRC”). The ultimate holding company of the Company is Boom Win Holdings Limited. The ultimate controlling party of the Group is Mr. Shu Cecheng and Mr. Shu Cewan (“The Shu Brothers”, or “Controlling Shareholders”).

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited on 13 June 2013.

The principal activities of the Group are described in note 4 to the condensed consolidated interim financial statements.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by International Accounting Standards Board (the “IASB”).

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

# Notes to Unaudited Interim Condensed Consolidated Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs", which also include IASs and interpretations) that are relevant to the Group's operation for the preparation of the Group's condensed consolidated financial statements:

IFRS 10	<i>Consolidated Financial Statements;</i>
IFRS 11	<i>Joint Arrangements;</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
Amendments to IFRS 10, IFRS 11 and IFRS 12	<i>Transition Guidance;</i>
IFRS 13	<i>Fair Value Measurement;</i>
IAS 19 (as revised in 2011)	<i>Employee Benefits;</i>
IAS 27 (as revised in 2011)	<i>Separate Financial Statements;</i>
IAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures;</i>
Amendments to IFRS 7	<i>Disclosures – offsetting Financial Assets and Financial Liabilities;</i>
Amendments to IFRS 1	<i>Government Loans;</i>
Amendments to IAS 1	<i>Presentation of Items of Other Comprehensive Income;</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine;</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2009–2011 Cycle;</i>

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

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

# Notes to Unaudited Interim Condensed Consolidated Financial Statements

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

- (a) the property development segment engages in the development and sale of properties.
- (b) the property management and investment segment engages in providing commercial management services and property management services and invests in properties for their rental income potential and/or for capital appreciation.
- (c) the other segment engages in lending to customers and department store operating.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax from continuing operations.

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in the Mainland China and no non-current assets of the Group are located outside the Mainland China.

No information about major customers is presented as no single customer individually contributed to over 10% of the Group's revenue for the six months ended 30 June 2012 and 2013.

# Notes to Unaudited Interim Condensed Consolidated Financial Statements

## 4. OPERATING SEGMENT INFORMATION (continued)

### Operating segments

The following tables present revenue, profit and certain expenditure information for the Group's business segments for the six months ended 30 June 2013 and 2012:

Six months ended 30 June 2013	Property development (Unaudited) RMB'000	Property management and investment (Unaudited) RMB'000	Others (Unaudited) RMB'000	Adjustments and eliminations (Unaudited) RMB'000	Consolidated (Unaudited) RMB'000
<b>Segment revenue</b>					
Sales to external customers	1,758,475	69,028	31,318	(19,670)	1,839,151
<b>Segment results</b>	585,369	423,452	4,289	19,670	1,032,780
<i>Reconciliation:</i>					
Finance costs					(31,098)
Share of profits and losses of associates					(3,169)
Share award expense					(1,246)
Profit before tax					997,267
<b>Other segment information</b>					
Depreciation and amortization	(11,445)	(931)	—	—	(12,376)
Fair value gain upon transfer to investment properties	—	65,542	—	—	65,542
Change in fair value of investment properties	—	352,781	—	—	352,781

Six months ended 30 June 2012	Property development (Unaudited) RMB'000	Property management and investment (Unaudited) RMB'000	Others (Unaudited) RMB'000	Adjustments and eliminations (Unaudited) RMB'000	Consolidated (Unaudited) RMB'000
<b>Segment revenue</b>					
Sales to external customers	1,409,739	66,103	9,279	(11,286)	1,473,835
<b>Segment results</b>	610,946	110,410	649	11,286	733,291
<i>Reconciliation:</i>					
Finance costs					(10,227)
Share of profits of and losses of associates					(3,482)
Profit before tax					719,582
<b>Other segment information</b>					
Depreciation and amortization	(10,602)	(510)	—	—	(11,112)
Change in fair value of investment properties	—	100,036	—	—	100,036



## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents income from the sale of properties, rental income, commercial management service income, property management service income and commissions from concessionaire sales for the six months ended 30 June 2013.

An analysis of revenue and other income and gains is as follows:

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
<b>Revenue</b>		
Sale of properties	1,758,475	1,409,739
Rental income	22,309	14,229
Commercial management service income	44,100	31,090
Property management income	2,374	7,348
Commissions from concessionaire sales	4,995	2,150
Others	6,898	9,279
	<b>1,839,151</b>	1,473,835
<b>Other income and gains, net</b>		
Subsidy income	7,543	7,581
Interest income	4,458	2,431
Dividends received	—	692
Others	1,912	5,222
	<b>13,913</b>	15,926

### 6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Interest on bank loans and other borrowings	134,952	60,767
Less: Interest capitalised	(103,854)	(50,540)
	<b>31,098</b>	10,227

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2013	2012
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Cost of properties sold	878,655	632,014
Depreciation of item of property, plant and equipment	11,909	10,842
Amortisation of intangible assets	467	270
Amortisation of long-term deferred expenses	781	627
Impairment allowance on loans receivable	—	20
Provision for guarantees	—	208
Loss on disposal of a subsidiary	—	6,918
Loss on disposal of items of property, plant and equipment	159	7
Cost of property management service provided	3,129	8,686
Direct operating expenses arising from rental earning properties and commercial management service provided	27,750	13,813
Auditors' remuneration	655	185
Employee benefit expense (including directors' remuneration):		
Wages and salaries	79,051	45,372
Pension scheme and social welfare	10,306	5,141
Share award expense	1,246	—

### 8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income currently arising in Hong Kong for the six months ended 30 June 2013.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax rate of 25%.

According to the requirements of the Provisional Regulations of the PRC on land appreciation tax ("LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interest on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

In addition, Wuxi Wuzhou Ornament City, Wuxi Zhongnan, Wuxi Longan, and Dali Wuzhou were subject to LAT which is calculated based on 3% to 8.34% of their revenue in accordance with "Wuxi Tax Circular No. (2009) 46" and "No. 1 (2010) Announcement of Dali tax bureau".

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### 8. INCOME TAX (continued)

The Group has estimated and made tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Current tax:		
PRC corporate income tax	185,231	148,457
LAT	142,128	142,416
Deferred tax	81,538	29,272
Total tax charge for the period	408,897	320,145

A reconciliation of income tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for the six months ended 30 June 2012 and 2013 is as follows:

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Profit before tax	997,267	719,582
At the statutory income tax rates	249,317	179,896
Expenses not deductible for tax	5,828	5,227
Tax loss not recognized	12,080	742
Tax at lower tax rates	—	(688)
Profits and losses attributable to associates	792	870
Withholding taxes on undistributed profits of the subsidiaries in the PRC	34,133	25,728
Adjustments to current tax of previous years	151	—
Non-taxable income	—	(173)
Disposal of a subsidiary	—	1,730
Provision for LAT	142,128	142,416
Tax effect on LAT	(35,532)	(35,603)
Tax charge for the period	408,897	320,145

### 9. DIVIDEND

At a meeting of the board of directors held on 20 August 2013, the directors resolved not to pay any interim dividend to shareholders (2012: Nil).

# Notes to Unaudited Interim Condensed Consolidated Financial Statements

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

The calculation of basic earnings per share amount for the period is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,547,365,085 (2012: 3,422,161,914) in issue during the period.

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	484,505	373,142

	For the six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,547,365,085	3,422,161,914

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

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment at a total cost of RMB13,975,000 (six months ended 30 June 2012: RMB51,445,000) and disposed of or wrote off items of property, plant and equipment with a total net carrying amount of RMB786,000 (six months ended 30 June 2012: RMB45,000).

Certain of the Group's buildings with an aggregate carrying value of approximately RMB195,672,000 as at 30 June 2013 (31 December 2012: RMB128,315,000) were pledged to secure general banking facilities granted to the Group (note 16).

# Notes to Unaudited Interim Condensed Consolidated Financial Statements

## 12. INVESTMENT PROPERTIES

The Group's investment properties as at 30 June 2013 were valued by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at RMB3,477,700,000 (31 December 2012: RMB2,572,100,000) on an open market, existing use basis.

Certain of the Group's investment properties with an aggregate carrying value of approximately RMB1,984,052,000 as at 30 June 2013 (31 December 2012: RMB1,039,978,000) were pledged to secure general banking facilities granted to the Group (note 16).

## 13. TRADE AND BILLS RECEIVABLES

Trade and bills receivables represent rentals receivable from tenants, sales income and service income receivables from customers which are payable on presentation of invoices or in accordance with the terms of the related sales and purchase agreements. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade and bills receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables and bills receivable approximate to their fair values.

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

	<b>30 June 2013 RMB'000 (Unaudited)</b>	<b>31 December 2012 RMB'000</b>
Trade and bills receivables:		
Less than 3 months	<b>19,019</b>	13,766
4 to 6 months	<b>11,360</b>	4,272
7 to 12 months	<b>80</b>	68
	<b>30,459</b>	18,106

# Notes to Unaudited Interim Condensed Consolidated Financial Statements

## 14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000
Cash and bank balances	<b>1,783,398</b>	909,222
Less: Restricted cash	<b>(213,837)</b>	(26,971)
Pledged deposits	<b>(162,750)</b>	(126,800)
Cash and cash equivalents	<b>1,406,811</b>	755,451

Pursuant to relevant regulations in PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 30 June 2013 and 31 December 2012, such amounts of restricted cash was amounted to RMB213,837,000 and RMB26,971,000, respectively.

Bank deposits of RMB162,750,000 and RMB126,800,000, respectively, were pledged as security for bank loans, as guarantee deposits in respect of mortgage facilities granted to purchasers of the Group's properties, or as collateral for issuance of bank acceptance notes as at 30 June 2013 and 31 December 2012.

At 30 June 2013 and 31 December 2012, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### 15. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables based on the invoice date is as follows:

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000
Less than 1 year	<b>1,728,889</b>	1,666,854
Over 1 year	<b>177,255</b>	265,833
	<b>1,906,144</b>	1,932,687

### 16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000
Bank loans — secured	<b>2,242,840</b>	1,638,420
Bank loans — unsecured	—	83,500
Other borrowings — secured	<b>1,083,420</b>	677,640
	<b>3,326,260</b>	2,399,560
<b>Bank loans and other borrowings</b>		
Repayable within one year	<b>834,800</b>	772,480
Repayable in the second year	<b>1,769,320</b>	1,084,540
Repayable in the third to fifth years	<b>516,700</b>	331,700
Repayable over five years	<b>205,440</b>	210,840
Subtotal	<b>2,491,460</b>	1,627,080
	<b>3,326,260</b>	2,399,560

The Group's borrowings are all denominated in RMB.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### 16. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The effective interest rates of the Group's bank and other borrowings ranged as follows:

Year ended 31 December 2012	6.55% to 16.80%
Six months ended 30 June 2013	4.20% to 16.80%

The Group's bank loans are secured by the pledges of the following assets with carrying values at the end of each reporting period as follows:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Property, plant and equipment	195,672	128,315
Investment properties	1,984,052	1,039,978
Prepaid land lease payments	417,689	173,655
Properties under development	3,123,065	2,491,862
Completed properties held for sale	620,291	209,796
Pledged deposits	23,701	83,480

The fair values of interest-bearing bank borrowings repayable at the end of each reporting period approximated to their corresponding carrying amounts as all bank loans and other borrowings carry a floating interest rate that has been pegged at the benchmark interest rate of the People's Bank of China.



# Notes to Unaudited Interim Condensed Consolidated Financial Statements

## 17. RELATED PARTY TRANSACTIONS

### (1) Name and relationship

Name of related party	Relationship with the Group
The Shu Brothers	Ultimate controlling shareholder
Wuxi Longhe Property Co., Ltd. ("Wuxi Longhe")	Associated company
Wuxi Wuzhou Investment Co., Ltd. ("Wuzhou Investment")	Company controlled by The Shu Brothers
Hong Kong Wuzhou International Group Investment Limited ("Wuzhou Int'l Group Investment")	Company controlled by The Shu Brothers
Shenzhen Continent Investment Development Co., Ltd. ("Shenzhen Continent")	Company under significant influence by The Shu Brothers

### (2) Outstanding balances with related parties

#### The Group

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Due from related companies:		
Wuzhou Int'l Group Investment	—	88
Wuxi Longhe	—	94,622
	—	94,710
Due to a shareholder:		
Mr. Shu Cecheng	—	18,136
Due to related companies:		
Wuzhou Investment	—	213,680
Shenzhen Continent	—	300
	—	213,980

Balances with the related parties were unsecured, non-interest-bearing and had no fixed repayment terms.

# Notes to Unaudited Interim Condensed Consolidated Financial Statements

## 18. OPERATING LEASE ARRANGEMENTS

### As lessor

The Group leases out its investment properties under operating lease arrangements with leases negotiated for terms ranging from 1 to 20 years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of each reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000
Within one year	<b>71,211</b>	60,581
In the second to fifth years, inclusive	<b>249,003</b>	265,122
After five years	<b>678,276</b>	821,723
	<b>998,490</b>	1,147,426

### As lessee

The Group leases certain of its office properties under operating lease arrangements, negotiated for terms of one to three years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000
Within one year	<b>4,891</b>	4,731
In the second to fifth years, inclusive	<b>4,236</b>	5,260
After five years	<b>150</b>	180
	<b>9,277</b>	10,171

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### 19. COMMITMENTS

In addition to the operating lease commitments as detailed in note 18 above, the Group had the following capital commitments at the end of the reporting period:

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000
Contracted, but not provided for:		
– Acquisition of land use rights	<b>149,821</b>	133,880
– Properties under development	<b>1,814,419</b>	1,630,025
	<b>1,964,240</b>	1,763,905

### 20. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties <sup>(1)</sup>	<b>564,406</b>	518,609
Guarantees given to banks in connection with facilities granted to third parties <sup>(2)</sup>	—	35,000
Guarantees given to banks in connection with facilities granted to Meijite <sup>(3)</sup>	—	56,000
	<b>564,406</b>	609,609

# Notes to Unaudited Interim Condensed Consolidated Financial Statements

## 20. CONTINGENT LIABILITIES (continued)

- (1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of individual purchaser's collateral agreement.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to the purchasers of the Group's completed properties held for sale. The directors consider that in case of default on payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

- (2) The Group provided guarantees to banks in connection with banking facilities granted to third parties. The directors consider that no provision is needed in respect of the guarantees.
- (3) The Group provided guarantees to banks in connection with banking facilities granted to Jiujiang Lushan Meijite Small-credit Co., Ltd. ("Meijite"). The Group held a 10% equity interest in Meijite as of 30 June 2013 and 31 December 2012.

## 21. FAIR VALUE HIERARCHY

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

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

As at 30 June 2013 and 2012, the Group's investment properties (Level 1 and Level 2) were measured at fair value. The Group did not have financial instruments measured at fair value as at 30 June 2013 and 2012.

## 22. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 20 August 2013.