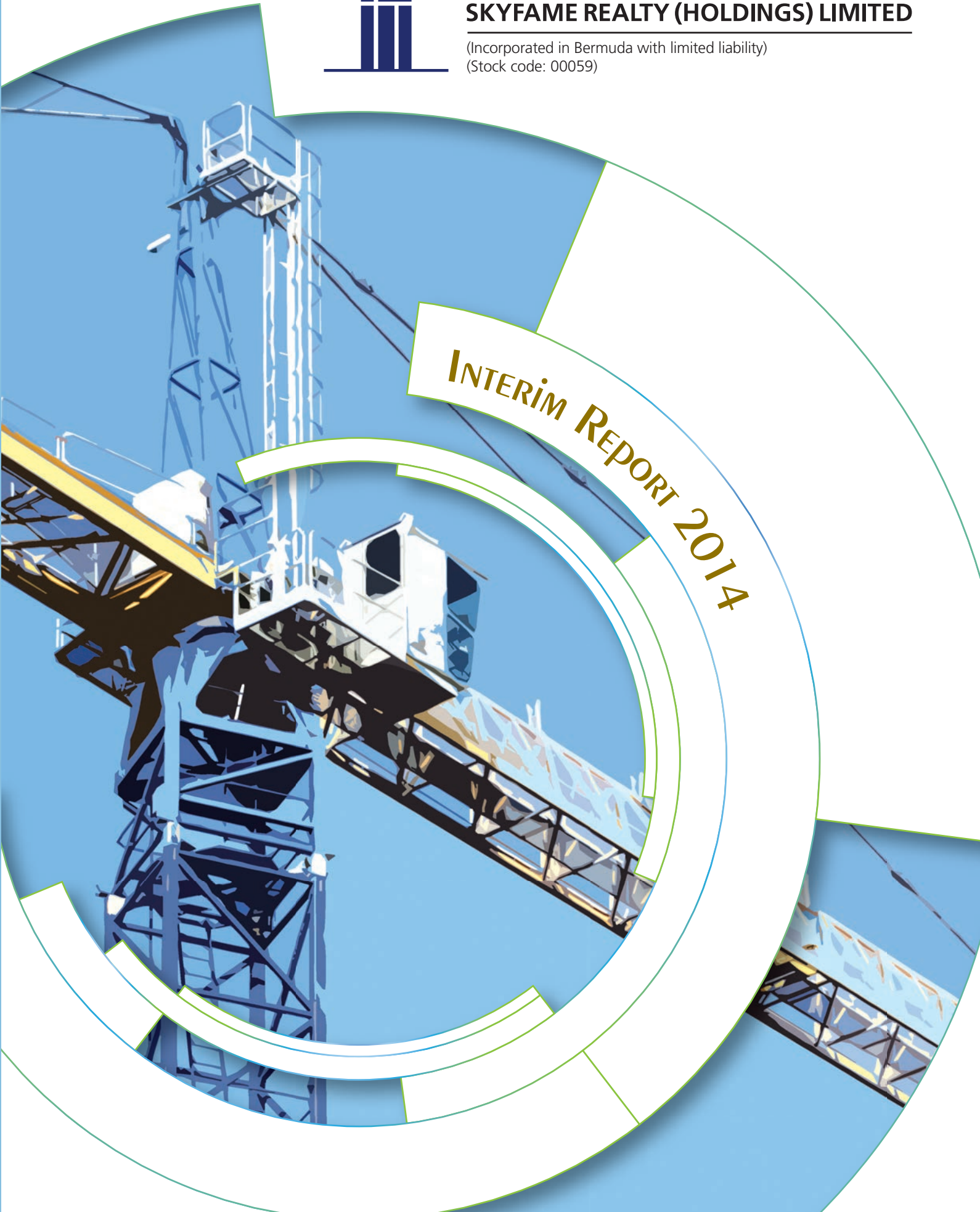




天譽置業（控股）有限公司
SKYFAME REALTY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 00059)

INTERIM REPORT 2014



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CORPORATE INFORMATION

Directors

Executive Directors:

YU Pan (*Chairman and Chief Executive Officer*)
WEN Xiaobing (*Deputy Chief Executive Officer*)
WONG Lok

Non-executive Directors:

ZHONG Guoxing

Independent Non-executive Directors:

CHOY Shu Kwan
CHENG Wing Keung, Raymond
CHUNG Lai Fong

Company Secretary

CHEUNG Lin Shun

Audit Committee

CHOY Shu Kwan (*Chairman*)
CHENG Wing Keung, Raymond
CHUNG Lai Fong

Remuneration Committee

CHUNG Lai Fong (*Chairman*)
CHOY Shu Kwan
CHENG Wing Keung, Raymond
YU Pan

Nomination Committee

YU Pan (*Chairman*)
CHOY Shu Kwan
CHENG Wing Keung, Raymond
CHUNG Lai Fong

Share Listing

Main Board of The Stock Exchange
of Hong Kong Limited, Stock Code: 00059

Auditor

BDO Limited
Certified Public Accountants

Company's Website

<http://www.sfr59.com>

Head Office and Principal Place of Business in the PRC

32nd to 33rd Floors of HNA Tower,
8 Linhe Zhong Road, Tianhe District,
Guangzhou, Guangdong Province, the PRC.
Telephone: (86-20) 2208 2888
Facsimile: (86-20) 2208 2777

Principal Place of Business in Hong Kong

Unit 1401, 14th Floor, AXA Centre,
151 Gloucester Road, Wanchai, Hong Kong.
Telephone: (852) 2111 2259
Facsimile: (852) 2890 4459

Registered Office

Clarendon House, 2 Church Street,
Hamilton, HM 11, Bermuda.

Principal Share Registrar and Transfer Office

Codan Services Limited
Clarendon House, 2 Church Street,
Hamilton, HM 11, Bermuda.

Branch Share Registrar and Transfer Office

Tricor Abacus Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong.

Principal Bankers

Industrial and Commercial Bank of China Limited
The Bank of East Asia, Limited

Legal Advisers

Hong Kong Laws:

Sidley Austin
DLA Piper Hong Kong
Vincent T.K. Cheung, Yap & Co.

Bermuda Laws:

Conyers Dill & Pearman

PRC Laws:

廣東國鼎律師事務所
(Guangdong Guardian Law Firm)



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Business review

The Group started to deliver its completed properties of low-rise apartments in Yongzhou Project in May this year. Added also by the sales of some remaining units in Guiyang Project which were completed in 2013, the Group recorded sales after business taxes amounting to RMB85.8 million (2013: RMB637.5 million) for the period. The revenue from property sales, when compared with the previous period, showed a drop of 86.5% as a result of the comparatively small volume of properties completed and delivered during the period. During the period, properties with a total GFA of 26,200 sq.m. (2013: 148,600 sq.m.) were delivered. The other subsidiary line of business, the leasing of properties mainly the commercial podium of Tianyu Garden Phase II in Tianhe, Guangzhou and AXA Centre in Wanchai, Hong Kong, contributed revenue totaling RMB8.6 million (2013: RMB11.6 million) to the Group. Leasing income also shows a decrease of 25.8% when the occupancy of Tianyu Garden Phase II was temporarily affected by the moving out of some key tenants upon the expiry of the leases in the recent months.

In March 2014, the Group acquired the stake interest in a property management company which is engaged in the provision of property management services in eight property developments in Guangdong, Hunan and Guiyang provinces. The management believes the acquisition helps the Group in providing comprehensive after-sale services to property buyers. The business produced revenue of RMB11.5 million for the period.

Property sales constituted 81.0% of total revenue for the period (2013: 98.2%). Gross margin in property sales for the period was 8.1% which is exceptionally low as a result of the low-priced products in Yongzhou Project which are completed and sold during the period. Despite the foregoing, due to the higher proportion of revenue constituted by leasing income, the overall gross margin for the period was maintained at a higher level at 22.0% (2013: 20.7%).

Overall administrative, sales and marketing expenses, and other operating expenses amounting to RMB53.0 million (2013: RMB39.0 million). The increase is generally driven by the increase in staff costs, being the biggest item in operating expenses, amounting to RMB36.6 million of which RMB11.6 million have been capitalised as development costs. The rise in staff costs is explained by the increase in pay rise, rise in headcounts to cope with the business expansion and the take-over of a property management team in the newly acquired property management business. Depreciation of RMB against HK dollar during the period by 1.0% led to realised exchange losses totalling RMB3.6 million on borrowings which are denominated in HK dollar, whilst net exchange gain of RMB4.0 million was enjoyed in previous period when RMB appreciated against the HK dollar. In addition, extra amortisation and depreciation expenses of RMB2.2 million were incurred on the two office floors at the HNA Tower at Tianhe, Guangzhou which were taken up as the purchaser's partial settlement of the disposal consideration for Tianhe Project in December 2013 and are now used as the head office of the Group. Also included in the expenses are sales and marketing expenses, which on the other hand, dropped to RMB8.5 million (2013: RMB10.9 million) and was in line with the lesser activities in promotion and marketing as no new pre-sale activities were launched during the period.

The Group has increased borrowings to finance the construction of projects and raised corporate bonds and debts to fund the acquisitions of land in recent two years, as a result, finance costs incurred during the period rose 163.9% to RMB117.7 million (2013: RMB44.6 million). Due to the fact that the properties under development dominate the general corporate borrowings of the Group, all finance costs incurred were capitalised as development costs. Finance income dropped from RMB5.9 million to RMB0.9 million resulting from the special default interest charged in last period against the purchaser of the equity interests in Tianhe Project for delays in settlement of the installment consideration for the disposal, and the reduced bank deposits placed during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review and Outlook (Continued)

Business review (Continued)

Non-operating items charged to the consolidated statement of profit or loss for the period include the provision for loss on disposal of a project company engaged in the development of Guiyang Project of RMB13.9 million which was completed in early July 2014, and the increase in the fair value amounting to RMB3.7 million in respect of derivative financial liabilities embedded in the exchangeable bonds issued by the Company to a financial institution in a face value of HK\$298 million (RMB236.5 million) in 2013 empowering the bondholder the rights to exchange the bonds for the newly issued shares of Guangzhou Zhoutouzui Development Limited (“**GZ Zhoutouzui**”), the rights to put the shares to the Company and the Company’s right to buy back the shares. The effect was offset by the a gain of RMB0.6 million arising from the early repayment in August 2014 of a secured loan of HK\$298 million (RMB236.5 million) borrowed in 2012 from a financial institution together an early redemption of warrants at the same time entitling the holder a guaranteed return of HK\$29.8 million (RMB23.6 million) upon maturity in November 2014.

In consequences of the lower turnover in the period and the general increase in operating expenses, the Company incurred an after-tax loss of RMB51.6 million (2013: profit of RMB81.1 million) of which a loss of RMB48.3 million (2013: profit of RMB31.8 million) was attributable to the shareholders of the Company for the period.

Properties under development and land reserves

Excluding the Guiyang Project which was disposed in early July 2014, the Group is currently undergoing four real estate development projects in mainland China. Up to 25 August 2014, the Group’s projects on hand renders a land reserve for property development of a total GFA of approximately 1.8 million sq.m., all of which are now under construction.

Zhoutouzui Project

The project is held by a sino-foreign cooperative joint venture enterprise which is jointly controlled by the Company and a third party, 廣州港集團有限公司 (Guangzhou Port Group Co., Limited), an original user of the land who is entitled to share 28% in GFA of the completed properties pursuant to a joint venture agreement entered into in 2001 which stipulates that the Group has to finance all construction costs of the entire development.

The site, opposite to the renounced White Swan Hotel, offers a full waterfront view of the Pearl River. The development on the site of 44,552 sq.m. consists of 7 towers of residential apartments, offices, service apartments and a commercial complex in a total GFA of approximately 320,000 sq.m., and underground car parking facilities in a total GFA of approximately 102,000 sq.m. Up to 25 August 2014, foundation works of all towers have been completed whilst tower 5, 6 and 7 have been built up to the 16th floor and tower 1 up to the 5th floor. In view of the progress in construction, the management expects that the Group can start the pre-sales of some towers in late 2014.

Yongzhou Project

The project offers a total site area of 1,000 mu on which a GFA of about 1.6 million sq.m. and is to be developed into residential, commercial complexes and street-front shops. As a condition to the grant of development rights, the project company is also obligated to manage the remodelling works of some scenic spots in Dongshan District of Yongzhou.

The first phase of the Project, named as “Tianyu-huafu” (“天譽•華府”), features a residential development of villas, apartments and retail shops with a total GFA of 212,000 sq.m. on a 106 mu site and is in full progress of construction, out of which a total saleable GFA of approximately 23,600 sq.m. have been completed and delivered to buyers during the period, whilst the other low-rise apartments, villas and small portion of commercial properties of saleable GFA of approximately 7,000 sq.m. will be delivered at the end of 2014 and the remaining saleable GFA of approximately 28,800 sq.m. of high-rise apartments and commercial properties will be completed in 2015. Up to 25 August 2014, presale proceeds totalling RMB308.3 million have been received in respect of GFA of saleable approximately 92,800 sq.m.. The overall average selling price of the properties pre-sold is RMB3,321 per sq.m..

As part of the development of Tianyu-huafu Project and to preserve the heritages in the region, the Group has completed the rebuilding of a historic temple “Wen Miao” in Lingling District that was originated in Ming Dynasty in an area of over 20,000 sq.m..

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review and Outlook (Continued)

Properties under development and land reserves (Continued)

Tianhe Project

The equity interest in the project was disposed to a third party in late 2010 at a gross consideration of RMB1.09 billion before deduction of finance and other costs that are to be borne by the Group which are yet to be ascertained. According to the disposal transaction agreement, construction costs are to be borne by the purchaser whilst the Group resumes the role of a project manager and is responsible for the due completion of the properties at agreed timeline and construction costs.

As the Group is obliged to bear overruns in construction costs and indemnify the timely completion of the construction of the properties, the criteria for recognition of revenue set out in the Hong Kong accounting standard has not been met but the revenue arising from the disposal be deferred and not yet recognised until when construction is close to completion and substantial part of the associated costs can be ascertained reliably.

The project, consisting of a GFA of approximately 113,000 sq.m. of two twin towers, will be developed into a hotel, serviced apartments and offices situated Tianhe District, a commercial business hub of the central city of Guangzhou. Up to the date of this report, construction of the mainframe of the buildings has been completed and the interior construction works are being done. Given the current progress of the construction and the construction costs have been duly settled by the project company, the directors expect that the construction can be completed in the second half of 2015 when the sale transaction will be fully recorded in the accounts of the Group. With our current assessment of the costs to be borne by the Group according to the disposal agreement, an estimated gain of RMB217.3 million will be recognised upon completion of the project.

Nanning Project

In January 2014, the Group acquired through tenders for two pieces of land in Wuxiang New District (五象新區), Nanning, Guangxi province. The development, named as "Nanning Tianyu Garden" ("南寧天譽花園"), will be developed into a residential development with total GFA of approximately 1,177,000 sq.m., consisting of GFA of approximately 888,000 sq.m. for residential and ancillary commercial and other facilities for sale and GFA of approximately 289,000 sq.m. of residential and commercial areas for resettlement of the original occupants. All land premium has been paid and construction commenced. The management expects that the first phase of the project will be launched for pre-sale in the second half of the year 2014. According to the land transfer contract, the city government promises to pay a total consideration of RMB1,045.0 million for the acquisition of the resettlement properties from the project company. During the period, deposits of RMB500.0 million and RMB493.2 million for the resettlement properties were respectively received in May and July 2014.

Investment properties

The Group also holds two investment properties for regular leasing income with details as follows:

The 20,000 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou is 96.6% occupied as at the date of this report. The occupancy rate of the property during the period has been temporarily affected by the vacancy of certain floor areas when the US consulate, a key tenant, and some other tenants moved out upon the expiry of the lease. The directors consider the property is fairly stated in the statement of financial position of the Group as of 30 June 2014 at its open market value of RMB530.0 million carried.

The 14,500 sq.ft. office premise at the 14th floor of AXA Centre in Wanchai, Hong Kong was acquired by the Group in April 2013. The property is currently fully occupied or tenanted of which approximately 40% of the floor area is used by the Company as the office in Hong Kong. The directors consider the property is fairly stated in the statement of financial position of the Group as of 30 June 2014 at its open market value of HK\$230.0 million (approximately RMB182.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review and Outlook *(Continued)*

Outlook

Following the slower economic growth of China that led to a slowdown in demand for properties during the period, the industry is stepping into adjustments, in both trading volumes and prices. Developers have to sustain business at price cuts and lower margins. Having said this, the directors believe that the demand for basic housing is still stable that grows in pace with the needs for urbanisation and city modernisation in many regions throughout the nation. Also, the increasing regulated industry will continue to drive bigger players in the market and wipe off the smaller ones who find the market conditions hard to survive. The barrier of entry into the market is getting higher. After nearly 10 years fast growth in the real estate market, the market is entering into a short-term adjustment. We expect some marked adjustments to come in the investment, trading volume and prices in the property market. However, the directors and management perceive that after the adjustment period, the environment will become healthier and solid in facing market turbulence.

The management forecasts that the Group's properties under development (in particular the existing Zhoutouzui Project which enjoys historically low land costs at a unique location for luxurious accommodation) will still have attractive gross margins. Situation will be different for new projects that carry land costs at the current market levels, when facing pressure on pricing, which will be operated at lower margins.

To counter the challenges in the tough environment in the real estate development industry, the Group is striving to maintain a solid financial position to strike a balance between business growth and financial stability. At the date of this report, the Group has financing facilities granted from commercial banks to finance the construction of the projects in an aggregate of RMB1,165.0 million (of which borrowings of RMB512.1 million have drawn down). In addition, pre-sale proceeds received and expected to be received from pre-sales of properties being developed all ongoing projects of the Group will provide sufficient working capital to finance the ongoing construction costs of these projects, making the completion of these projects beyond doubts. To keep the business growing in sales and earnings, the Company is on the other hand putting endeavor to increase its land reserves in a suitable scale for the Group's future development in the coming years, in particular starting from 2017 when all of the existing projects will come to the final stage of development.

Liquidity and Financial Resources

Capital structure and liquidity

During the period under review, the Company has raised funds of RMB500.0 million by way of a trust loan to a subsidiary and certain unsecured bonds in aggregated value of HK\$100 million (equivalent to approximately RMB79.0 million) issued to certain investors for the general working capital of the Group. The trust loan is secured by the investment properties at Tianyu Garden Phase 2 and office premises at HNA Tower in Tianhe, Guangzhou. The bonds issued in October 2013 in a principal value of HK\$298 million (RMB236.5 million), together with a loan with a principal amount of HK\$298 million (RMB236.5 million) borrowed from the same group of entities in a financial institution in 2012, is secured by the entire issued shares of GZ Zhoutouzui, the immediate holding company of the project company holding the Zhoutouzui Project. Besides, the secured bonds of HK\$298 million are embedded with derivative financial liabilities comprising a right to the bondholders to exchange for some issued shares of GZ Zhoutouzui and a subsequent right to put the shares to the Company for redemption as well as a right to the Company to call for the shares.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity and Financial Resources (Continued)

Capital structure and liquidity (Continued)

At the period-end, the Group is indebted to commercial banks on the mainland for two term loans in an outstanding amount of RMB512.1 million for the financing of the construction costs of Zhoutouzui Project and Yongzhou Project, a term loan and revolving loan totaling RMB102.3 million due to a commercial bank based in Hong Kong for the financing of the acquisition of AXA Centre and general working capital of the Company, the loan borrowed from and bonds with outstanding fair value balances aggregated to RMB471.4 million issued to a financial institution and secured by the share charges over the shares of GZ Zhoutouzui, and derivative financial liabilities with fair values totaling RMB29.1 million embedded with the bonds and warrants issued to the bondholder and the secured loan lender, a trust loan of RMB500.0 million issued in favour of a number of investors as beneficiaries, unsecured bonds with principal value of HK\$100 million issued to certain investors at fair value of RMB70.6 million, advances from non-controlling shareholders of RMB72.3 million and other borrowing of RMB17.0 million of a subsidiary engaged in the Guiyang Project which was disposed in early July 2014 and are included in liabilities associated with assets classified as held for sale on the financial statements of the Company, and unsecured borrowings from a third party of RMB233.2 million and a company controlled by Mr. YU Pan, the controlling shareholder of the Company, of RMB30.0 million. In all, these indebtedness of the Group is aggregated to RMB2,038.0 million (2013: RMB1,046.0 million), of which 23.6% due within one year, representing an increase of RMB992.0 million when compared with the balance as at 31 December 2013. The gearing ratio (calculated as total indebtedness net of cash and cash equivalents (the “**Net Debt**”) divided by the equity attributable to shareholders of the Company plus Net Debt) is 49.7% at the period-end date (2013: 28.7%). The increase in the gearing ratio reflects the rise in the Group’s indebtedness to cope with the expansion in the development business. Nonetheless, the management believes the indebtedness level is still at a comfortable and affordable level that the Group can meet with its loan commitments when mature by funds generated from its operations.

In the period, other than Guiyang Project which was sold after the period-end date and the associated assets and liabilities are separately shown on the consolidated statement of financial position as assets and liabilities held for sale, all other development projects are under construction, building up development costs in properties under development to RMB3,219.7 million (2013: RMB2,262.7 million), whilst properties held for sale decreased to RMB118.7 million (2013: RMB173.4 million) as only those completed properties in Yongzhou Project are accounted for in this asset category at the current period-end. Current assets, totaling RMB4,925.9 million as at the period-end date, show an increase of RMB1,677.7 million from that as at 31 December 2013 as a result of the enlarged asset base of the Group. Apart from the properties under development or held for sale as mentioned above and the assets totaling RMB878.3 million in respect of assets associated with the Guiyang Project that were disposed after the period-end date, current assets also comprise trade deposits paid to contractors and other deposits and receivable of RMB462.1 million, and bank balances totaling RMB247.1 million.

Total current liabilities at the current period-end amounted to RMB2,090.7 million, representing an increase of RMB815.1 million compared with that on 31 December 2013. The increase in current liabilities is mainly due to the deposits of received from Nanning city government for the purchases of resettlement properties in the Nanning Project being built. Apart from the current liabilities amounting to RMB666.9 million associated with the Guiyang Project pending disposal, the current liabilities mainly comprise deposits for resettlement properties under construction and pre-sale deposits in a total of RMB736.5 million, the outstanding amount of RMB235.8 million for the secured loan due in November 2014 (which has been early repaid in early August 2014) and current portion of bank borrowings of RMB102.3 million, the current portion of the derivative financial liabilities totaling RMB23.7 million, miscellaneous items in trade payables, accruals, and income tax payable aggregated to RMB295.5 million.

The current ratio shows further improvement which is 2.4 times at the current period-end (2013: 2.6 times).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity and Financial Resources *(Continued)*

Borrowings and pledge of assets

The land and construction in progress in Zhoutouzui Project and Yongzhou Project, and the office premises at the AXA Centre are mortgaged to commercial banks to secure for bank loan facilities granted to the subsidiaries engaged in the development projects and investment property holding. In addition, the property units in Tianyu Garden Phase II and the office premises at HNA Tower were mortgaged to a financial institution for a trust loan of RMB500.0 million drawn down during the period. The secured loan and exchangeable bonds in the aggregated outstanding principal value of HK\$598.0 million (RMB473.0 million) were secured by a share charge over the entire issued shares of GZ Zhoutouzui. The trust loan and the commercial bank loan in Hong Kong were secured by corporate guarantees provided by the Company. As at 30 June 2014, these related bank loans in an aggregate amount of RMB614.5 million, trust loan of RMB500.0 million, and secured loan and exchangeable bonds of RMB471.4 million are outstanding.

Foreign Currency Management

The Group is principally engaged in property development activities which are all conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. At the same time, certain financing, investment holding and administrative activities of the Group are denominated in HK dollars.

During the period, RMB has been fluctuating in both directions against HK dollar. Foreign exchange losses were realised when transactions relating to the Hong Kong dollar-denominated bonds and loans and the leasing activities of the investment property in Hong Kong were transacted in Hong Kong dollars. Exchange differences arise on consolidation of assets and liabilities of some subsidiaries operated in Hong Kong which carry their books in HK dollars, resulting to an exchange loss of RMB0.5 million as at 30 June 2014 that is deducted from the exchange reserve, forming part of the equity of the Company. The Directors perceive that RMB will, in a longer run, still move gradually in upward movements against HK dollars and foresee the Group has no significant adverse foreign currency exposure in the future. In the event of a depreciation of RMB against these foreign currencies, given the comparatively low levels of indebtedness and activities that are denominated in HK dollars, the directors perceive that such fluctuations will not have material unfavourable effect on the financial position of the Group. For these reasons, the Group does not hedge against its foreign currency risk. However, the management will closely monitor the currency exposures from time to time and will react to any permanent or significant changes in the exchange rates in RMB against HK dollars to lessen the possible adverse impact on the Group's results and financial position.

Contingent Liabilities

The Group provides guarantees to the extent of RMB811.8 million as at 30 June 2014 (2013: RMB745.6 million) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for the purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take possession of the related properties. Such guarantees will terminate upon the delivery of properties and issuance of the relevant property ownership certificates to the property purchasers.

Employees

To keep pace with the growth of the Group and replenish staff force for normal turnover, the Group is recruiting suitable staff in capable caliber from time to time. As at 30 June 2014, other than the Executive Directors of the Company, the Group employed 627 (2013: 259) full-time staff working in site offices for property development, property management and back offices in Hong Kong and Guangzhou for supporting services and central management. The increase in headcount is mainly a result of the acquisition of the property management servicing team during the period. Employees are remunerated according to qualifications and experience, job nature and performance. They are incentivised by bonuses benchmarked on performance targets. Remuneration packages are aligned with job markets in the business territories where the employees are located.



The board of directors (the "Board") of Skyfame Realty (Holdings) Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2014, together with comparative figures for the corresponding period of 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited and restated)
Revenue	3	105,922	649,125
Cost of sales and services		(82,606)	(514,860)
Gross profit		23,316	134,265
Other income and gain, net		30	4,390
Sales and marketing expenses		(8,505)	(10,920)
Administrative and other expenses		(44,518)	(28,066)
Fair value changes in derivative financial asset/liabilities		(3,111)	(286)
Impairment loss on goodwill	21	(1,209)	—
Impairment loss on disposal of a subsidiary, net of tax	13	(13,885)	—
Finance costs	4	(1)	(1,673)
Finance income	4	913	5,943
(Loss)/profit before income tax	5	(46,970)	103,653
Income tax expense	6	(4,653)	(22,508)
(LOSS)/PROFIT FOR THE PERIOD		(51,623)	81,145
Other comprehensive income:			
Exchange differences arising on foreign operations		(451)	128
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(52,074)	81,273
(Loss)/profit for the period attributable to:			
— Owners of the Company		(48,261)	31,672
— Non-controlling interests		(3,362)	49,473
		(51,623)	81,145
Total comprehensive income for the period attributable to:			
— Owners of the Company		(48,712)	31,800
— Non-controlling interests		(3,362)	49,473
		(52,074)	81,273
(Loss)/earnings per share	7		
— Basic		(RMB0.0218)	RMB0.0143
— Diluted		(RMB0.0218)	RMB0.0143

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	161,489	159,450
Investment properties	9	712,551	710,826
Properties under Tianhe Project		773,063	768,130
Goodwill		13,554	13,554
Derivative financial asset	15	—	2,076
Consideration receivable	10	105,000	105,000
		1,765,657	1,759,036
Current assets			
Properties under development		3,219,725	2,262,709
Properties held for sale		118,715	173,395
Trade and other receivables	11	462,106	453,931
Restricted and pledged deposits	12	4,460	57,660
Cash and cash equivalents		242,621	300,516
		4,047,627	3,248,211
Assets classified as held for sale	13	878,282	—
		4,925,909	3,248,211
Current liabilities			
Trade and other payables	14	211,148	228,740
Properties pre-sale deposits		736,537	571,377
Bank and other borrowings — current portion	15	338,154	300,885
Derivative financial liabilities — current portion	15	23,652	23,963
Loan from a related company	16	30,000	—
Loans from non-controlling shareholders of a subsidiary	17	—	84,803
Income tax payable		84,274	65,801
		1,423,765	1,275,569
Liabilities associated with assets classified as held for sale	13	666,947	—
		2,090,712	1,275,569
Net current assets		2,835,197	1,972,642
Total assets less current liabilities		4,600,854	3,731,678
Non-current liabilities			
Bank and other borrowings — non-current portion	15	1,551,553	632,542
Derivative financial liabilities — non-current portion	15	5,421	3,829
Consideration from disposal of Tianhe Project	18	990,360	990,360
Deferred tax liabilities		179,298	179,298
		2,726,632	1,806,029
Net assets		1,874,222	1,925,649
Capital and reserves			
Share capital	19	21,068	21,068
Reserves		1,780,736	1,828,913
Equity attributable to owners of the Company		1,801,804	1,849,981
Non-controlling interests		72,418	75,668
Total equity		1,874,222	1,925,649

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company												
	Share capital	Share premium	Contributed surplus reserve	Share-based payment	Property revaluation reserve	Merger reserve	Statutory reserve	Foreign exchange reserve	Capital reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2014 (Unaudited)													
At 31 December 2013 (Audited) and 1 January 2014	21,068	1,507,182	16,116	13,505	34,499	(293,095)	6,471	(87)	7,351	536,971	1,849,981	75,668	1,925,649
Loss for the period	—	—	—	—	—	—	—	—	—	(48,261)	(48,261)	(3,362)	(51,623)
Other comprehensive income	—	—	—	—	—	—	—	(451)	—	—	(451)	—	(451)
Total comprehensive income for the period	—	—	—	—	—	—	—	(451)	—	(48,261)	(48,712)	(3,362)	(52,074)
Reallocation of lapsed options from share-based payment reserve to retained profits	—	—	—	(1,934)	—	—	—	—	—	1,934	—	—	—
Recognition of equity-settled share-based payment expenses	—	—	—	535	—	—	—	—	—	—	535	—	535
Acquisition of non-controlling interests in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	112	112
At 30 June 2014 (Unaudited)	21,068	1,507,182	16,116	12,106	34,499	(293,095)	6,471	(538)	7,351	490,644	1,801,804	72,418	1,874,222
Six months ended 30 June 2013 (Unaudited)													
At 31 December 2012 (Audited) and 1 January 2013	21,068	1,507,182	16,116	13,674	34,499	(293,095)	6,471	(371)	7,351	471,538	1,784,433	18,484	1,802,917
Profit for the period	—	—	—	—	—	—	—	—	—	31,672	31,672	49,473	81,145
Other comprehensive income	—	—	—	—	—	—	—	128	—	—	128	—	128
Total comprehensive income for the period	—	—	—	—	—	—	—	128	—	31,672	31,800	49,473	81,273
Recognition of equity-settled share-based payment expenses	—	—	—	637	—	—	—	—	—	—	637	—	637
At 30 June 2013 (Unaudited)	21,068	1,507,182	16,116	14,311	34,499	(293,095)	6,471	(243)	7,351	503,210	1,816,870	67,957	1,884,827

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Operating activities		
Cash used in operations	(986,239)	(157,198)
Income tax paid	(3,518)	(9,772)
Other borrowing costs paid	(9,885)	(15,435)
Interest paid	(70,930)	(18,288)
Net cash used in operating activities	(1,070,572)	(200,693)
Investing activities		
Net cash inflow arising from the acquisitions of a subsidiary (Note 21)	7,541	—
Acquisition of investment properties	—	(163,818)
Purchase of property, plant and equipment	(5,555)	(795)
Decrease in restricted and pledged deposits	46,153	39,256
Other investing activities	913	5,850
Net cash from/(used in) investing activities	49,052	(119,507)
Financing activities		
New bank and other borrowings	1,060,419	306,694
Repayment of bank and other borrowings	(98,108)	(18,311)
Loan advance from a related company	30,000	—
Repayment of loans from non-controlling shareholders of a subsidiary	(12,542)	(30,593)
Net cash from financing activities	979,769	257,790
Net decrease in cash and cash equivalents	(41,751)	(62,410)
Effect of foreign exchange rate changes	217	555
Cash and cash equivalents at beginning of period	300,516	363,203
	258,982	301,348
Less: Balance classified as assets held for sale (Note 13)	(16,361)	—
Cash and cash equivalents at end of period	242,621	301,348
— Cash and bank balances	242,621	301,348

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. Basis of Preparation

These unaudited condensed consolidated financial statements for the six months ended 30 June 2014 (the “**Interim Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Financial Statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2013.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

2. Segment Reporting

In a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment, the Group is currently organised into three operating divisions — property development, property investment and provision of property management services. As management of the Group considers that nearly all consolidated revenue are attributable to the markets in the People’s Republic of China (“**PRC**”) and consolidated non-current/current assets are substantially located in the PRC, no geographical information is presented. The Group’s reportable segments are as follows:

Property development	—	Property development and sale of properties
Property investment	—	Property leasing
Property management	—	Provision of property management services

The Group’s senior management monitors the results attributable to each reportable segment on the basis that revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses directly incurred by those segments. In addition to the segment performance in terms of segment results, the management also provides other segment information concerning depreciation, additions to properties under development and capital expenditure.

Segment assets/liabilities include all assets/liabilities attributable to those segments with the exception of cash and bank balances, unallocated bank and other borrowings, derivative financial asset/liabilities, deferred tax liabilities and tax payable. Investment properties are included in segment assets but the related fair value changes in investment properties are excluded from segment results because the Group’s senior management considers that they are not generated from operating activities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

2. Segment Reporting (Continued)

Information regarding the Group's reportable segments as provided to the Group's senior management for the purposes of resource allocation and assessment of segment performance in the Interim Financial Statements is set out below:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Total RMB'000
Six months ended 30 June 2014 (Unaudited)				
Segment revenue				
Reportable segment revenue	88,072	9,200	14,458	111,730
Elimination of inter-segment revenue	—	(2,888)	(2,920)	(5,808)
Consolidated revenue from external customers	88,072	6,312	11,538	105,922
Segment results				
<i>Reconciliation:</i>				
Unallocated corporate net expenses				(11,823)
				(29,677)
Fair value changes in derivative financial asset/liabilities				(3,111)
Impairment loss on goodwill	—	—	(1,209)	(1,209)
Impairment loss on disposal of a subsidiary, net of tax	(13,885)	—	—	(13,885)
Finance costs				(1)
Finance income				913
Consolidated loss before income tax				(46,970)
Other segment information:				
Depreciation	(387)	(1,947)	(39)	(2,373)
Additions to properties under Tianhe project	4,934	—	—	4,934
Additions to properties under development	1,643,129	—	—	1,643,129
Capital expenditure	1,717	2,207	60	3,984
As at 30 June 2014 (Unaudited)				
Assets and liabilities				
<i>Assets</i>				
Reportable segment assets	5,556,076	722,885	5,761	6,284,722
<i>Reconciliation:</i>				
Restricted and pledged deposits				4,460
Cash and cash equivalents				242,621
Unallocated corporate assets				159,763
Consolidated total assets				6,691,566
<i>Liabilities</i>				
Reportable segment liabilities	3,807,441	11,665	15,935	3,835,041
<i>Reconciliation:</i>				
Income tax payable				84,274
Deferred tax liabilities				179,298
Derivative financial liabilities				29,073
Unallocated bank and other borrowings				674,424
Unallocated corporate liabilities				15,234
Consolidated total liabilities				4,817,344

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

2. Segment Reporting (Continued)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Total RMB'000
Six months ended 30 June 2013 (Unaudited and restated)				
Segment revenue				
Reportable segment revenue	639,168	9,957	—	649,125
Elimination of inter-segment revenue	—	—	—	—
Consolidated revenue from external customers	639,168	9,957	—	649,125
Segment results				
Reportable segment results	95,351	6,065	—	101,416
<i>Reconciliation:</i>				
Unallocated corporate net expenses				(1,747)
				99,669
Fair value changes in derivative financial liabilities				(286)
Finance costs				(1,673)
Finance income				5,943
Consolidated profit before income tax				103,653
Other segment information:				
Depreciation	(263)	(499)	—	(762)
Additions to properties under development	227,927	—	—	227,927
Capital expenditure	141	—	—	141
As at 31 December 2013 (Audited)				
Assets and liabilities				
<u>Assets</u>				
Reportable segment assets	3,773,573	719,450	—	4,493,023
<i>Reconciliation:</i>				
Derivative financial asset				2,076
Restricted and pledged deposits				57,660
Cash and cash equivalents				300,516
Unallocated corporate assets				153,972
Consolidated total assets				5,007,247
<u>Liabilities</u>				
Reportable segment liabilities	2,259,517	7,828	—	2,267,345
<i>Reconciliation:</i>				
Income tax payable				65,801
Deferred tax liabilities				179,298
Derivative financial liabilities				27,792
Unallocated bank and other borrowings				524,919
Unallocated corporate liabilities				16,443
Consolidated total liabilities				3,081,598

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

2. Segment Reporting (Continued)

Information about major customers

None of the customers of the Group contributed more than 10% of the Group's revenue for the six months ended 30 June 2014 and 2013.

3. Revenue

Revenue represents the aggregate of the net invoiced amounts received and receivable from property development, property investment and property management services earned by the Group, and net of sale related taxes. The revenue of each significant category recognised during the period are as follows:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited and restated)
Sale of properties	85,783	637,538
Rental income	8,601	11,587
Property management services	11,538	—
	105,922	649,125

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

4. Finance Costs and Income

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Finance costs:		
Interest on bank and other borrowings		
— wholly repayable within five years	98,998	26,650
— wholly repayable after five years	943	2,483
Interest on short-term loan from a related company	512	—
	100,453	29,133
<i>Less: Amount capitalised as properties under development</i>		
Interest on bank and other borrowings	(99,941)	(28,020)
Interest on short-term loan from a related company	(512)	—
	(100,453)	(28,020)
	—	1,113
Other borrowing costs	17,174	15,435
<i>Less: Amount capitalised as properties under development</i>	(17,173)	(14,875)
	1	560
Finance costs charged to profit or loss	1	1,673
Finance income:		
Bank interest income	904	3,665
Other interest income	9	2,278
Finance income credited to profit or loss	913	5,943

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

5. (Loss)/Profit Before Income Tax

(Loss)/profit before income tax for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cost of properties sold	78,812	513,184
Staff costs (including directors' emoluments) comprise:		
— Basic salaries and other benefits	34,583	22,583
— Equity-settled share-based payment expenses	535	637
— Contributions to defined contribution pension plans	1,500	1,043
Total staff costs (including directors' emoluments)	36,618	24,263
Less: Amount capitalised as properties under development	(11,636)	(6,752)
Staff costs charged to profit or loss	24,982	17,511
Auditor's remuneration		
— current period	378	420
— over-provision for prior period	(40)	—
Depreciation of property, plant and equipment	2,029	883
Less: Amount capitalised as properties under development	(15)	(11)
Depreciation charged to profit or loss	2,014	872
Amortisation of leasehold land	1,478	—
Depreciation and amortisation charged to profit or loss	3,492	872
Loss on disposal of property, plant and equipment	57	13
Exchange loss/(gain), net	3,574	(3,966)

6. Income Tax Expense

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Current tax		
Hong Kong profits tax	—	—
PRC corporate tax		
— current period	7,277	15,818
— over-provision in respect of prior periods	(3,947)	(121)
PRC land appreciation tax		
— current period	1,323	6,811
Total income tax expense	4,653	22,508

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

6. Income Tax Expense (Continued)

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil) as the Group has no estimated assessable profits in respect of operation in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% (six months ended 30 June 2013: 16.5%) for the six months ended 30 June 2014.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2013: 25%) on the estimated assessable profits.

The provision of PRC land appreciation tax ("LAT") is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided, as appropriate, at progressive rates ranging from 30% to 60% on the appreciation value, with certain allowable deductions including land costs, borrowing costs and relevant property development expenses.

7. (Loss)/Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of basic and diluted (loss)/earnings per share is based on the (loss)/profit attributable to ordinary equity holders of the Company and the following data:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
(Loss)/profit for the purposes of basic and diluted (loss)/earnings per share	(48,261)	31,672

	Number of shares	
	'000 (Unaudited)	'000 (Unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	2,216,531	2,216,531

For the six months ended 30 June 2014 and 2013, basic (loss)/earnings per share are same as diluted (loss)/earnings per share as any effect from the Company's options and warrants is anti-dilutive.

8. Dividends

The directors of the Company (the "Directors") do not recommend the payment of interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

9. Property, Plant and Equipment and Investment Properties

The movements of the property, plant and equipment and investment properties are as follows:

	Property, plant and equipment RMB'000	Investment properties RMB'000
Net book value at 31 December 2013 (<i>Audited</i>) and 1 January 2014	159,450	710,826
Additions	5,555	—
Disposals	(57)	—
Acquired through business combinations (<i>Note 21</i>)	189	—
Reallocated to assets held for sale	(164)	—
Depreciation	(2,029)	—
Amortisation	(1,478)	—
Exchange differences	23	1,725
Net book value at 30 June 2014 (<i>Unaudited</i>)	161,489	712,551

10. Consideration Receivable

	Gross consideration	(Received) /Paid	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Gross consideration for the sale of equity interest plus net assets of Huan Cheng (net of relocation cost borne by the Group)	1,128,273	(988,273)	140,000	140,000
Less: Estimated development costs and finance costs borne by the Group	(55,000)	20,000	(35,000)	(35,000)
Amount due after one year	1,073,273	(968,273)	105,000	105,000

The receivable relates to the final instalment receivable from the purchaser, HNA Hotel Holdings Group Co. Limited ("**HNA Hotel**"), for the disposal of the entire equity interests in 廣州寰城實業發展有限公司 (Huan Cheng Real Estate Development Company Limited) ("**Huan Cheng**"). The amount receivable is unsecured and interest-free. The final instalment, estimated at a present value of approximately RMB105,000,000 after taking into account the estimated development costs and finance costs totalling RMB35,000,000 to be borne by the Group, is receivable from HNA Hotel when the construction of the properties is completed, which is expected to occur in more than twelve months from the end of reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

11. Trade and Other Receivables

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Current or less than 1 month	511	305
1 to 3 months	174	555
More than 3 months but less than 12 months	3,452	1,156
More than 1 year	68	1,377
Trade receivables, net of impairment	4,205	3,393
Refundable earnest money in a development project	10,000	10,000
Surety deposit paid for securing due performance of the construction of a hotel in Yongzhou	30,000	30,000
Tender deposit in development project	—	6,000
Prepaid construction costs	332,577	316,882
Prepaid finance costs	10,598	25,131
Business taxes and surcharges paid for properties pre-sold	37,735	32,353
Deposits, prepayments and other receivables	36,991	30,172
	462,106	453,931

The Group has a policy of allowing an average credit period of 8 to 30 days to its trade customers. The Group's formal credit policy in place is to monitor the Group's exposure to credit risk through regular reviews of receivables and follow-up enquires on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount.

12. Restricted and Pledged Deposits

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
To secure for:		
– payment of construction costs of development projects	—	53,233
– others	4,460	4,427
	4,460	57,660

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

13. Assets and Liabilities of Disposal Subsidiary Classified as Held for Sale

On 23 April 2014, a subsidiary of the Company, 廣州譽浚諮詢服務有限公司 (Guangzhou Yu Jun Consulting Service Company Limited) (“GZ Yu Jun”), entered into an agreement with two third parties, pursuant to which GZ Yu Jun agreed to dispose of the 55% equity interest in 貴州譽浚房地產開發有限公司 (Guizhou Yu Jun Real Estate Development Company Limited) (“Guizhou Yu Jun”) and Guizhou Yu Jun to repay the shareholder loan to GZ Yu Jun. The 55% equity interest was transferred and the shareholder loan repaid at an aggregate consideration of approximately RMB160,491,000. The disposal, completed on 1 July 2014, resulted in an estimated loss of approximately RMB13,885,000 which was charged in the consolidated profit or loss for the period.

The assets and liabilities attributable to the Guiyang project, which is determined to be disposed of as at 30 June 2014, have been included in the consolidated statement of financial position as assets classified as held for sale and liabilities associated with assets classified as held for sale respectively. The carrying amounts of the major assets and liabilities in this disposal group as at 30 June 2014 are as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Assets classified as held for sale		
Property, plant and equipment	164	—
Properties held for development	615,366	—
Properties held for sale	164,257	—
Trade and other receivables	57,784	—
Prepaid income tax	17,303	—
Restricted and pledged deposits	7,047	—
Cash and cash equivalents	16,361	—
	878,282	—
Liabilities associated with assets classified as held for sale		
Trade and other payables	143,691	—
Properties pre-sale deposits	433,995	—
Other borrowings	17,000	—
Loans from non-controlling shareholders of a subsidiary	72,261	—
	666,947	—
Net assets classified as held for sale	211,335	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

14. Trade and Other Payables

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Current or less than 1 month	—	5,810
1 to 3 months	519	966
More than 3 months but less than 12 months	145	24,431
More than 1 year	55	1,037
Total trade payables	719	32,244
Construction costs payable	64,502	85,367
Tender receivable from the suppliers	47,079	35,749
Receipts in advance, rental and other deposits from buyers, customers and/or tenants	9,300	32,408
Interest payable on bank and other borrowings	20,327	1,014
Impairment loss on disposal of a subsidiary (Note 13)	13,885	—
Other accrued expenses and other payables	55,336	41,958
	211,148	228,740

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

15. Bank and Other Borrowings and Derivative Financial (Asset)/Liabilities

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Bank and other borrowings			
Secured bank borrowings:			
term loans, revolving loans and construction loans	(a)	614,487	480,625
Other secured borrowings:			
(i) trust loan	(b)	500,000	—
(ii) secured loan	(c)	235,769	228,768
(iii) secured bonds	(d)	235,707	224,034
Unsecured borrowings:			
(i) unsecured bonds	(e)	70,564	—
(ii) other borrowings	(f)	233,180	—
		1,889,707	933,427
Amounts due within one year included in current liabilities		(338,154)	(300,885)
Amounts due after one year		1,551,553	632,542
Derivative financial asset			
Company's repurchase rights embedded on the secured bonds	(d)	—	(2,076)
Derivative financial liabilities			
Warrants of HK\$29,800,000	(c)	—	3,974
Guaranteed return of warrants	(c)	23,652	19,989
Bondholder's exchange rights and repurchase rights embedded on the secured bonds	(d)	5,421	3,829
		29,073	27,792
Amounts due within one year included in current liabilities		(23,652)	(23,963)
Amounts due after one year		5,421	3,829

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

15. Bank and Other Borrowings and Derivative Financial (Asset)/Liabilities (Continued)

Notes:

- (a) As at 30 June 2014, the bank borrowings are secured by mortgages of ownership titles of properties under development, properties held for sale and investment properties with an aggregate carrying amount of approximately RMB2,010,119,000 (31 December 2013: RMB1,961,350,000). The bank loans carry interests at market rates ranging from 2.75% to 7.38% per annum (31 December 2013: 2.75% to 7.38% per annum) as at 30 June 2014. Out of the total secured bank borrowings, a loan of RMB383,183,000 (31 December 2013: RMB72,117,000) is also secured by personal guarantees provided by Mr. YU Pan and his spouse. Bank loans totalling RMB546,231,000 (31 December 2013: RMB411,653,000) are repayable in 2015 and 2016 and the other loan of RMB68,256,000 (31 December 2013: RMB68,972,000) is repayable by monthly instalment until 2033.
- (b) As at 30 June 2014, the property units at Tianyu Garden Phase II and the office premises at HNA Tower with an aggregate carrying amount of RMB637,531,000 (31 December 2013: RMB639,709,000) are mortgaged to a financial institution for a loan facility of RMB500,000,000 granted to a subsidiary. The loan facility is secured by corporate guarantees provided by the Company, certain subsidiaries and a company controlled by Mr. YU Pan and personal guarantee provided by Mr. YU Pan.
- (c) A secured loan due 2014 in the principal amount of HK\$298,000,000 (approximately RMB236,523,000) (the "Secured Loan") was drawn down on 22 November 2012 together with the issue of warrants, with guaranteed return conferring rights to the lender to subscribe in aggregate up to a principal amount of HK\$29,800,000 (approximately RMB23,652,000) for shares of the Company, exercisable in whole or in part at any time during the subscription period from 22 November 2012 to 21 November 2014 at an initial subscription price of HK\$0.7217 per share of the Company (subject to adjustment). The Secured Loan was amortised at the effective interest method by applying the effective interest rate of 18.9% per annum. The warrants are not listed on the Stock Exchange and are accounted for as derivative financial liabilities at fair value through profit or loss.

The Secured Loan carries interest, which shall be paid quarterly in arrears, at the actual rate of 7% per annum for first anniversary year and 13% per annum for second anniversary year and is repayable on 21 November 2014.

As a security for the Secured Loan, Fortunate Start Investments Limited ("Fortunate Start"), a wholly-owned subsidiary of the Company, has charged all its rights, title and interest in Guangzhou Zhoutouzui Development Limited ("GZ Zhoutouzui") by way of first fixed charges in favour of the lender.

If the lender does not exercise the warrants in its entirety by the end of the exercise period, the unexercised portion of the warrants will be automatically cancelled on the expiry of the exercise period. Whereupon the Company shall pay the warrant holder a net sum equivalent to the principal amount of the warrants of HK\$29,800,000 deducting the total gain realised from the exercise of the warrants (if any) by the warrant holder, with the total gain subject to the maximum amount of HK\$29,800,000. This guaranteed return is accounted for as derivative financial liabilities at fair value through profit or loss.

On 6 August 2014, the Secured Loan was early repaid and the warrants early redeemed at a total consideration of approximately HK\$335,973,000 (approximately RMB266,661,000) in full settlement of the Secured Loan and accrued interests, and the guaranteed return on the warrants. The early redemption at the warrants results in a write-back of RMB540,000 in the fair value of the warrants to the redemption price of HK\$29,800,000 paid to the holders of warrants on the date of redemption.

The movements of the Secured Loan are as follows:

	Nominal value HK\$'000	Liability component RMB'000
At 31 December 2013 (<i>Audited</i>) and 1 January 2014	298,000	228,768
Accrued interest expense	—	20,023
Interest paid	—	(15,179)
Exchange differences	—	2,157
At 30 June 2014 (<i>Unaudited</i>) — Amounts due within one year	298,000	235,769

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

15. Bank and Other Borrowings and Derivative Financial (Asset)/Liabilities (Continued)

- (d) In October 2013, the Company has issued secured bonds in a principal amount of HK\$298,000,000 (approximately RMB236,523,000) (the “**Secured Bonds**”) and paid to a subscriber with an initial arrangement fee of HK\$17,880,000 (the “**Fee**”) which is equivalent to 6% of the principal amount of the Secured Bonds. Details of the Secured Bonds was set out in the Company’s circular dated 18 October 2013. The Secured Bonds bear interests charged from the date of issue at the rate of 10% per annum until the earlier of (i) the date on which the exchange rights as mentioned in the succeeding paragraph are exercised, or (ii) the maturity date on 17 October 2015 (the “**Maturity Date**”) (being the second anniversary of the date of the issuance of the Secured Bonds). Unless previously redeemed, exchanged or purchased and cancelled, the Company will redeem all the principal amount of the Secured Bonds at approximately HK\$327,800,000 (approximately RMB260,175,000) (being the redemption price of HK\$405,280,000 less the Fee and the total amount of interest paid up to the Maturity Date of HK\$59,600,000).

Pursuant to the terms and conditions of the instrument dated 18 October 2013, the bondholders shall, where so requested in writing by bondholders of at least 75% of the aggregate principal amount of the Secured Bonds then outstanding, have the right at any time during 18 October 2013 to 17 October 2015 to exchange the whole of the outstanding principal amount of the Secured Bonds for nine new shares of GZ Zhoutouzui (the “**Exchange Shares**”) (being one share of GZ Zhoutouzui for every principal amount of HK\$33,111,111 (approximately RMB26,280,000) of the Secured Bonds) (the “**Exchange Rights**”), representing approximately 8.26% of the enlarged issued share capital of GZ Zhoutouzui. In the event that the Exchange Rights are exercised, (i) the holder of the Exchange Shares may exercise the repurchase rights (the “**Holders Repurchase Rights**”) at any time after the third anniversary and before the fifth anniversary of the issuance of the Secured Bonds, pursuant to which the holder of the Exchange Shares may request the Company to repurchase the Exchange Shares which the holder of Exchange Shares holds at the repurchase prices as set out in the agreement; or (ii) the Company may at its sole discretion exercise the repurchase rights (the “**Company Repurchase Rights**”) at any time after the Exchange Rights have been exercised to repurchase the Exchange Shares from the holder of the Exchange Shares at the repurchase prices as set out in the agreement.

The Secured Bonds are amortised using the effective interest method by applying the effective interest rate of 19.1% per annum.

As a security for the Secured Bonds, Fortunate Start, a wholly-owned subsidiary of the Company, has charged all its rights, title and interest in GZ Zhoutouzui by way of a secondary share charge in favour of the bondholders.

The movements of the Secured Bonds are as follows:

	Nominal value HK\$'000	Liability component RMB'000
At 31 December 2013 (<i>Audited</i>) and 1 January 2014	298,000	224,034
Accrued interest expense	—	21,284
Interest paid	—	(11,732)
Exchange differences	—	2,121
At 30 June 2014 (<i>Unaudited</i>) — Amounts due after one year	298,000	235,707

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

15. Bank and Other Borrowings and Derivative Financial (Asset)/Liabilities (Continued)

- (e) In February 2014, the Company entered into a placing agreement with an arranger and bookrunner in relation to the placing of the unsecured and unsubordinated bonds in an aggregate amount of up to HK\$100,000,000 (RMB79,016,000) due 2016 (the “**Bonds**”).

During the period, the Company has issued the Bonds in an aggregate principal amount of HK\$100,000,000 at a discount of 7% of the principal amount of the Bonds. The Bonds carry interests at the actual rate of 10% per annum, which are payable quarterly in arrears, and will mature in 2016. The Bonds were amortised at the effective interest method by applying the effective interest rate of 18.4% per annum.

The movements of the Bonds are as follows:

	Nominal value HK\$'000	Liability component RMB'000
Issue of the Bonds, net of transaction costs	100,000	73,649
7% discounts and interest paid	—	(6,499)
Accrued interest expense	—	3,110
Exchange differences	—	304
At 30 June 2014 (Unaudited) — Amounts due after one year	100,000	70,564

- (f) The balances represent unsecured loans advanced from a third party. The loans carry interest at the fixed rate of 20% per annum and are repayable in January 2016.

16. Loan from a Related Company

The balance represents unsecured loans advanced from a company controlled by Mr. YU Pan. The loan carried interest at the fixed rate of 15% per annum and was fully repaid in July 2014.

17. Loans from Non-controlling Shareholders of a Subsidiary

The balances relate to loans to a subsidiary engaged in the development of the Guiyang project, and are unsecured, interest-free and have no fixed terms of repayment but are expected to be repaid within one year. The balances were reallocated to liabilities associated with assets classified as held for sale as a result of the disposal of the equity interest in the subsidiary which was completed on 1 July 2014.

18. Consideration from Disposal of Tianhe Project

In July 2010, a framework agreement (the “**Agreement**”) for the transfer of the entire equity interest in Huan Cheng, the project company for the development of the Tianhe project, was entered into between the Company, Yaubond Limited and a third party, HNA Hotel, for a gross sale consideration of RMB1,090,000,000, subject to certain adjustments. Such adjustments represent adjustment on net assets transferred to HNA Hotel of RMB38,273,000 and future development costs and finance costs to be borne by the Group estimated at RMB20,000,000 and RMB35,000,000 respectively. Details of the adjustment mechanism to the consideration and timing of the payment was set out in the Company’s circular dated 19 August 2010 which is supplemented by a memorandum of understanding signed on 8 September 2010 by the contracting parties in relation to finance cost to be borne by the Group.

As at 30 June 2014, net consideration from disposal of Tianhe project was estimated to be approximately RMB990,360,000 (31 December 2013: RMB990,360,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

18. Consideration from Disposal of Tianhe Project (Continued)

The Directors consider that the Agreement constitutes an agreement for the sale of goods/services and the criteria for recognition of revenue set out in paragraph 14 of HKAS 18 "Revenue" apply. As the project has not been substantially completed at the end of the reporting period, there are uncertainties about the due performance of the Group of certain obligations under the Agreement, and the costs to be deducted from the gross sale consideration caused by overruns in construction costs other than due to the change in design plan proposed by HNA Hotel.

The Directors foresee no overruns in construction costs in material aspects to which the Group is exposed, except that it will have to bear up to RMB20,000,000 for additional construction costs and any extra finance costs as a result any works delay as stipulated under the Agreement.

The Directors expect that the construction will be completed in 2015, taking into account the current progress of the construction and assuming the purchaser will make due payments from the date of this report.

Based on the foregoing circumstances, the Directors are of the view that the revenue recognition criteria set out in HKAS 18 have not been fully satisfied and therefore the disposal of the assets and liabilities of the Tianhe project is not recognised until when substantial part of the revenue can be ascertained reliably. The revenue and associated costs of the Tianhe project are deferred until the construction is completed to a substantial progress where the revenue can be reliably measured. Therefore, the net sale consideration is recorded as consideration from disposal of Tianhe project as a liability item whilst the costs of investment in the Tianhe project are not derecognised, but instead included in properties under Tianhe project in the consolidated statement of financial position.

19. Share Capital

	Number of shares '000	Nominal value of share capital HK\$'000	Equivalent nominal value of share capital RMB'000
Authorised:			
Ordinary shares of HK\$0.01 each	29,000,000	290,000	301,600
Convertible preference shares of HK\$0.01 each	1,000,000	10,000	9,716
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At 31 December 2013 (Audited), at 1 January 2014 and 30 June 2014 (Unaudited)	30,000,000	300,000	311,316
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Issued and fully paid:			
<i>Ordinary shares of HK\$0.01 each</i>			
At 31 December 2013 (Audited), at 1 January 2014 and 30 June 2014 (Unaudited)	2,216,531	22,165	21,068
<i>Convertible preference shares of HK\$0.01 each</i>			
At 31 December 2013 (Audited), at 1 January 2014 and 30 June 2014 (Unaudited)	—	—	—
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	2,216,531	22,165	21,068
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

20. Equity-Settled Share-Based Transactions

During the six months ended 30 June 2014 and 30 June 2013, no share options were granted or exercised under a share option scheme adopted on 4 August 2005 (the “**2005 Scheme**”). During the six months ended 30 June 2014, 9,279,312 share options were lapsed. The movements in the number of share options during the period and the balance outstanding at 30 June 2014 and 31 December 2013 are as follows:

Date of grant	Exercise period	Adjusted exercise price per share	Number of options outstanding at 31 December 2013 and 1 January 2014	During the six months ended 30 June 2014			Number of options outstanding at 30 June 2014
				Options granted	Options exercised	Options lapsed	
12 September 2006	13 March 2007 to 31 July 2015	HK\$1.2565	29,089,079	—	—	—	29,089,079
11 August 2011	11 August 2012 to 10 August 2021	HK\$0.6714	9,036,033	—	—	(3,093,104)	5,942,929
11 August 2011	11 August 2015 to 10 August 2021	HK\$0.6714	9,036,034	—	—	(3,093,104)	5,942,930
11 August 2011	11 August 2018 to 10 August 2021	HK\$0.6714	9,036,036	—	—	(3,093,104)	5,942,932
			27,108,103	—	—	(9,279,312)	17,828,791
			56,197,182	—	—	(9,279,312)	46,917,870
Analysis by category:							
			17,516,004	—	—	(5,213,097)	12,302,907
			33,468,081	—	—	(4,066,215)	29,401,866
			5,213,097	—	—	—	5,213,097
			56,197,182	—	—	(9,279,312)	46,917,870

The Group recognised approximately RMB535,000 (six months ended 30 June 2013: RMB637,000) as equity-settled share-based payment expenses for the six months ended 30 June 2014 in relation to share options granted by the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

21. Net Cash Inflow Arising from the Acquisition of a Subsidiary

The unaudited net assets acquired in the transaction and the unaudited goodwill arising therefrom are as follows:

	RMB'000 (Unaudited)
<hr/>	
Net assets acquired:	
Property, plant and equipment	189
Trade and other receivables	3,826
Cash and cash equivalents	7,541
Trade and other payables	(12,618)
Income tax payable	(35)
	<hr/>
Net assets	(1,097)
Non-controlling interests	(112)
	<hr/>
Attributable to the Group	(1,209)
Goodwill arising on acquisition	1,209
	<hr/>
	—
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Satisfied by :	
Cash consideration at RMB1, paid	—
	<hr/>
Net inflow arising from the acquisition of a subsidiary:	
Cash consideration paid	—
Cash and cash equivalents acquired	(7,541)
	<hr/>
	(7,541)
	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

22. Related Party Transactions

During and up to the end of the period, the Group entered into the following material transactions with related parties:

(a) Material transactions with related parties

Related party relationship	Type of transaction	As at/Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Companies controlled by Mr. YU Pan	(a) Loan to the Company (Note 16)	30,000	—
	(b) Interest received from the Company on short-term loan	512	—
	(c) Rental paid to the Group for office leased	55	—

- (b) Mr. YU Pan and his spouse have provided personal guarantee to a bank in respect of construction loan facilities extended to the sino-foreign co-operative company, 廣州市譽城房地產開發有限公司 (Guangzhou Yucheng Real Estate Development Limited) as set out in note 15(a).

Mr. YU Pan and a company controlled by him have provided personal guarantee and corporate guarantee to a financial institution in respect of a loan facility extended to a Company's subsidiary, which are disclosed in note 15(b).

(c) Compensation of key management personnel

The remuneration of members of key management, including directors' emoluments, incurred during the period is as follows:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Short-term benefits	6,069	4,235
Other long-term benefits	118	95
Equity-settled share-based payment expenses	432	534
	6,619	4,864

Members of key management are those persons who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and executive officers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

23. Commitments

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Expenditure contracted but not provided for in respect of — Property construction and development costs	2,734,767	1,284,323
Expenditure authorised but not contracted for in respect of — Property construction and development costs — Acquisition of land use rights	1,811,027 931,648	1,895,745 931,648
	2,742,675	2,827,393

24. Contingent Liabilities

The Group provides guarantees to the extent of approximately RMB811,849,000 as at 30 June 2014 (31 December 2013: RMB745,642,000) in respect of banking facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks, and in such circumstances, the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates to the purchasers.

25. Comparative Figures

Certain comparative figures have been adjusted or re-classified in conformity with the current period's presentation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

26. Events After the End of the Reporting Period

Significant events happened after the end of the reporting period are as follows:

- (a) On 4 July 2014, Anglo Chinese Securities Limited, as placing agent, and the Company entered into a placing agreement pursuant to which the placing agent has agreed to endeavor to procure third party places to subscribe for the 9% coupon bonds maturing in 2020 in an aggregate principal amount of up to HK\$2 billion (the "**Private Bonds**") during the placing period up to 4 July 2015. On 25 August 2014, the Company established a programme whereas the Company will issue bonds in an aggregate principal of HK\$2.3 billion, maturing on 4 July 2020, to professional investors within twelve months after 25 August 2014 (the "**Bonds**") at terms similar to the Private Bonds. Application for the listing of the Bonds to the Stock Exchange of Hong Kong Limited has been made and such listing is effective on 26 August 2014. The Bonds will be issued in exchange for the Private Bonds and therefore there will be no proceeds to the Company upon the issue of the Bonds.
- (b) On 15 July 2014, 南寧天譽譽浚投資有限公司 (Nanning Tianyu Yujun Investment Company Limited), an indirect wholly owned subsidiary of the Company, entered into an agreement with 廣西世紀巨成項目投資有限公司 (Guangxi Shiji Jucheng Project Investment Company Limited) ("**Guangxi Shiji Jucheng**"), a non-controlling shareholder of the Company's subsidiary holding 5% equity interest in the project company engaged in the development of Nanning Project, 南寧天譽巨成置業有限公司 (Nanning Tianyu Jucheng Realty Company Limited) ("**Nanning Tianyu Jucheng**"), to transfer 15% of the registered capital of Nanning Tianyu Jucheng at a consideration of RMB7,500,000. The transfer was completed on 13 August 2014 upon the completion of the registration of the transfer of equity interests in the Administration for Industry & Commerce. Upon completion of the transaction, interest in Nanning Tianyu Jucheng is 80% held by the Group and 20% held by Guangxi Shiji Jucheng whereby the project company remains a subsidiary of the Company. The directors consider that the transaction does not have a material impact on the profit or loss of the Group for the financial year on the ground that the consideration was determined at a value which was close to the then fair value of the net assets of Nanning Tianyu Jucheng.

OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

Directors' and Chief Executives' Interests in Shares and Underlying Shares

As at 30 June 2014, the interests and short positions of the Directors and chief executives of the Company in the share of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), to be notified to the Company and the Stock Exchange, were as follows:

(a) Interests in the Shares or underlying Shares

Name of Director	Company/ Associated corporation	Capacity	Number of Shares or underlying Shares (Note 1)	Approximate shareholding percentage (Note 2)
Mr. YU Pan	Company	Interest of controlled corporation and/ or beneficial owner	1,587,168,407 (long) 52,176,635 (short)	71.61% 2.35%

Notes:

1. These Shares comprised (i) 141,504,000 existing Shares; and (ii) 1,445,664,407 existing Shares held directly by Grand Cosmos Holdings Limited ("Grand Cosmos"). The entire issued share capital of Grand Cosmos was held by Sharp Bright International Limited ("Sharp Bright"), the entire issued share capital of which was held by Mr. YU Pan. The 1,587,168,407 Shares were charged in favour of Magic Sky Enterprises Holdings Inc. ("Magic Sky") by way of a share charge dated 10 October 2013. In addition, Grand Cosmos has issued warrants to Magic Sky to purchase Shares from Grand Cosmos in aggregate of HK\$30,000,000 at a purchase price of HK\$0.57497 for 52,176,635 Shares.
2. For the purposes of this section, the shareholding percentage in the Company was calculated on the basis of 2,216,531,175 Shares in issue as at 30 June 2014.

OTHER INFORMATION (CONTINUED)

Directors' and Chief Executives' Interests in Shares and Underlying Shares

(Continued)

(b) Interests in underlying Shares arising from share options

As at 30 June 2014, the following Directors had interests as beneficial owners in options to subscribe for Shares granted under the share option scheme adopted by the Company on 4 August 2005 (the "2005 Scheme"):

Name of Director	Adjusted exercise price HK\$ (Note 1)	Exercise period	Number of underlying Shares (Note 1)	Approximate shareholding percentage (Note 2)
Mr. WEN Xiaobing	1.2565	13 March 2007 to 31 July 2015	5,213,097	0.24%
	0.6714	11 August 2012 to 10 August 2021	5,213,097	0.24%
Mr. CHOY Shu Kwan	1.2565	13 March 2007 to 31 July 2015	625,571	0.03%
Mr. CHENG Wing Keung, Raymond	1.2565	13 March 2007 to 31 July 2015	625,571	0.03%
Ms. CHUNG Lai Fong	1.2565	13 March 2007 to 31 July 2015	625,571	0.03%

Notes:

1. As a result of the issue of 738,843,725 Shares by way of rights on the basis of one rights Share for every two Shares in issue and held on 31 May 2012 (the "Rights Issue") and in compliance with Rule 17.03(13) of the Listing Rules, the exercise price and the number of Shares to be issued under the outstanding Share Options were adjusted under the terms of the 2005 Scheme with effect from 28 June 2012 when the Rights Issue was completed.
2. For the purpose of this section, the shareholding percentage in the Company was calculated on the basis of 2,216,531,175 Shares in issue as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange.

OTHER INFORMATION (CONTINUED)

Substantial Shareholders

At 30 June 2014, so far as known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Interests in the Shares or underlying Shares

Name of shareholder	Capacity	Number of Shares and underlying Shares	Approximate shareholding percentage (Note 3)
Sharp Bright	Interest of controlled corporation	1,445,664,407 (long) 52,176,635 (short) (Note 1)	65.22% 1.93%
Grand Cosmos	Beneficial owner	1,445,664,407 (long) 52,176,635 (short) (Note 1)	65.22% 1.93%
China Orient Asset Management Corporation (" COAMC ")	Interest of controlled corporation	1,680,636,437 (long) (Note 2)	75.82%
Magic Sky	Beneficial owner and/or person having a security interest in shares	1,639,345,042 (long) (Note 2)	73.95%

Notes:

- 1 The 1,445,664,407 existing Shares were held directly by Grand Cosmos and Grand Cosmos has issued warrants to Magic Sky to purchase Shares from Grand Cosmos in aggregate of HK\$30,000,000 at a purchase price of HK\$0.57497 for 52,176,635 Shares. As the entire issued share capital of Grand Cosmos was held by Sharp Bright, Sharp Bright was deemed to be interested in the Shares in which Grand Cosmos was interested by virtue of the SFO. As the entire issued share capital of Sharp Bright was held by Mr. YU Pan, Mr. YU Pan was deemed to be interested in the Shares in which Sharp Bright was interested by virtue of SFO. The 1,445,664,407 Shares together with 141,504,000 Shares held by Mr. YU Pan were charged in favour of Magic Sky by way of a share charge dated 10 October 2013.
- 2 These Shares comprised (i) 1,587,168,407 Shares charged in favour of Magic Sky by Grand Cosmos; (ii) 52,176,635 underlying Shares which would be transferred upon exercise of purchase rights attaching to the warrants issued by Grand Cosmos to Magic Sky at a purchase price of HK\$0.57497 and (iii) 41,291,395 warrants issued by the Company to China Orient Asset Management (International) Holding Limited ("**COAMIHL**") at a subscription price of HK\$0.727. COAMIHL is held equally by Dong Yin Development (Holdings) Limited ("**Dong Yin**") and Wise Leader Assets Limited ("**Wise Leader**"). Magic Sky is a wholly owned subsidiary of Taiping Orient Funds SPC ("**Taiping OFSPC**"), which is in turn a wholly owned subsidiary of Taiping Orient Fund Management Limited ("**Taiping OFML**"), which is in turn a wholly-owned subsidiary of Success Link Enterprises Holdings Inc. ("**Success Link**"), which is in turn a wholly-owned subsidiary of Wise Leader, which is in turn a wholly owned subsidiary of Dong Yin, which is in turn a wholly owned subsidiary of COAMC. Accordingly, COAMC was deemed to be interested in the Shares in which Dong Yin, Wise Leader, Success Link, Taiping OFML Taiping OFSPC, COAMIHL and Magic Sky were interested by virtue of the SFO.
- 3 For the purpose of this section, the shareholdings percentage in the Company was calculated on the basis of 2,216,531,175 Shares in issue as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, the Company had not been notified by any other persons or corporations who had any long or short position in the Shares and/or underlying Shares, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

OTHER INFORMATION (CONTINUED)

Share Options Scheme

The Company has adopted the 2005 Scheme for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation and enabling the Group to recruit and retain high-calibre employees. Eligible participants of the 2005 Scheme include the Directors and other employees of the Group. The 2005 Scheme became effective on 5 August 2005 and, unless otherwise cancelled or amended, will remain in force for ten years from that date. Under the 2005 Scheme, the Directors are authorized, at their absolute discretion, to invite any employee (including the executive and non-executive Directors), executive or officer of any member of the Group or of any entity in which the Group holds equity interest, any supplier, consultant, advisor or customer of the Group or of any entity in which the Group holds equity interest who is eligible to participate in the 2005 Scheme, to take up options. Details of the 2005 Scheme are set out in the Company's circular dated 12 July 2005.

During the period ended 30 June 2014, there were 9,279,312 share options lapsed and no share options were granted or exercised under the 2005 Scheme. There were 46,917,870 share options outstanding as at 30 June 2014.

Corporate Governance

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the Interim Financial Statements, in compliance with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules except for the following deviations:

Code Provision A2.1 — Chairman and Chief Executive

The roles of chairman and chief executive officer of the Company is not separated as required but is currently performed by the same individual, Mr. YU Pan, since 2004.

Due to the small size of the team, the Board considers the current simple but efficient management team serves sufficiently enough the need of the Group. The Board will, nonetheless, continue to review the business growth of the Group and, when considered essential, will set out a clear division of responsibilities at the board level and the management team to ensure a proper balance of power and authority within the Company.

Code Provision E.1.2 — Chairman Attending Annual General Meeting

Mr. YU Pan, the Chairman of the Board, was absent from the annual general meeting held on 10 June 2014 (the "AGM") due to a business engagement overseas. Mr. WEN Xiaobing, an executive director of the Company and the Deputy Chief Executive Officer, was elected as chairman of the AGM. At the AGM, the chairman of the meeting and the chairman of the Audit Committee, Mr. CHOY Shu Kwan and the chairman of the Remuneration Committee, Ms. CHUNG Lai Fong, talked with the shareholders of the Company to ensure effective communication between the Company and the investors.

Directors' Securities Transaction

The Company has adopted its own Code of Conduct for Securities Transactions by Directors and Relevant Employees of the Company (the "Code") on terms no less exact than the required standard contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules and the Code is updated from time to time in accordance with the Listing Rules requirements. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Code throughout the period under review.

OTHER INFORMATION (CONTINUED)

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2014.

Audit Committee

The principal duties of the Audit Committee include the review of the Company's financial reporting procedures, internal controls and results of the Group. The Interim Financial Statements have been reviewed by the Audit Committee.

By order of the Board
Skyfame Realty (Holdings) Limited
YU Pan
Chairman

Hong Kong, 29 August 2014