

SUNAC 融創中國

融創中國控股有限公司
SUNAC CHINA HOLDINGS LIMITED

(於開曼群島註冊成立的有限責任公司)
(incorporated in the Cayman Islands with limited liability)

Stock Code 股份代號: 1918



INTERIM REPORT 2014 中期報告

About SUNAC

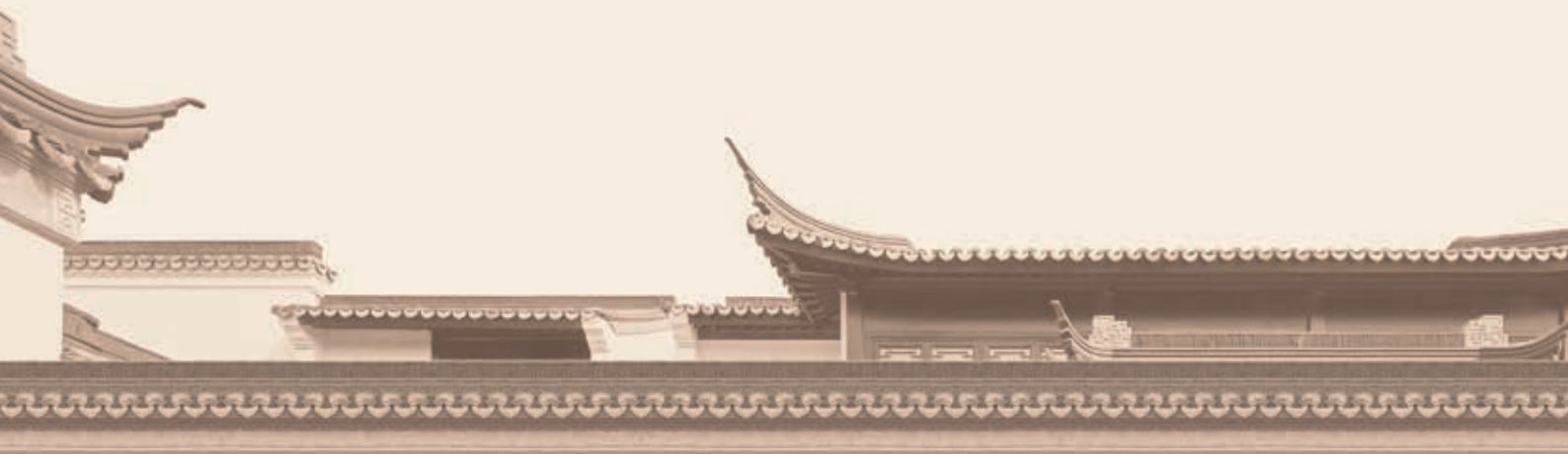
關於融創

SUNAC China Holdings Limited (the “Company”, and together with its subsidiaries collectively referred to as the “Group”) is an integrated residential and commercial property developer. To date, the Company has engaged in project developments in the five main regions of Beijing, Tianjin, Chongqing, Shanghai and Hangzhou which are currently in different phases and has covered a diverse range of property types, such as high-rise and mid-rise residences, detached villas, townhouses, commercial properties, offices and car parks.

The Company focuses on high-end property development and management business. Guided by its brand positioning as “Passion for Perfection”, the Company has long been providing high-end products to customers. With the aim of becoming a leader of the PRC real estate industry, the Company’s pursuit of high-quality products and services never ends. It is always committed to providing a desirable, elegant life experience to its customers through quality products and services. With its accurate judgment of market trends, keen in-sights into consumer demands and emphasis on high product quality, the Company adopts advanced concepts of design and strict management and control systems in order to strive for an ongoing improvement on product positioning, planning and design and the capability on construction and the provision of services, enhancement of the overall quality of projects and building outstanding projects.

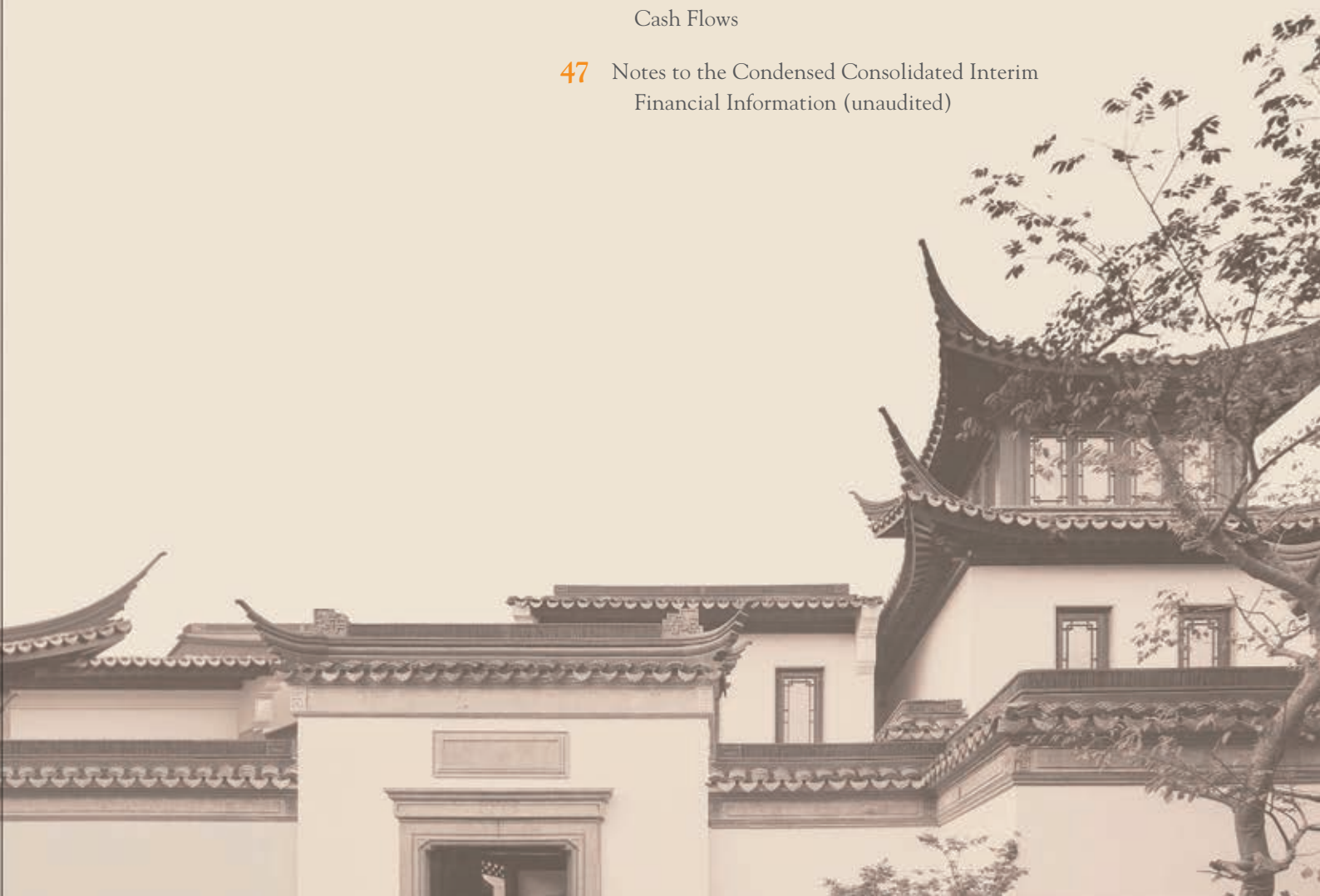
融創中國控股有限公司(簡稱為「本公司」，及連同其附屬公司統稱為「本集團」)是一家專業從事住宅及商業地產綜合開發的企業。迄今，本公司在北京、天津、重慶、上海和杭州五大區域擁有眾多處於不同發展階段的項目，產品涵蓋高層及多層住宅、別墅、聯排別墅、商業、寫字樓及泊車位等多種物業類型。

本公司專注於高端物業的開發和管理，以「至臻，致遠」為品牌方向，持之以恆的為客戶專注打造高端精品物業，立志成為對高端品質不懈追求的中國房地產行業領跑者。本公司用心為客戶提供大氣舒放、貴氣質感、富有品質的高端生活體驗，不懈追求具有恆久價值的優質產品和用心週到的服務。基於對市場發展的精準判斷，對消費者需求的敏銳洞悉，以及對高品質的不懈追求，本公司採用先進的設計理念和嚴格的管理監控體系，致力於不斷提升定位、產品規劃設計、建設和服務能力，提升專案綜合品質，打造精品項目。



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Sun Hongbin (*Chairman and Chief Executive Officer*)
Mr. Wang Mengde
Mr. Li Shaozhong
Mr. Chi Xun
Mr. Shang Yu
Mr. Jing Hong

Non-executive Director

Mr. Zhu Jia

Independent Non-executive Directors

Mr. Poon Chiu Kwok
Mr. Li Qin
Mr. Ma Lishan
Mr. Tse Chi Wai

JOINT COMPANY SECRETARIES

Mr. Huang Shuping
Ms. Mok Ming Wai

AUTHORIZED REPRESENTATIVES

Mr. Wang Mengde
Ms. Mok Ming Wai

AUDIT COMMITTEE

Mr. Poon Chiu Kwok (*Chairman*)
Mr. Li Qin
Mr. Ma Lishan
Mr. Tse Chi Wai

REMUNERATION COMMITTEE

Mr. Poon Chiu Kwok (*Chairman*)
Mr. Sun Hongbin
Mr. Li Qin
Mr. Ma Lishan
Mr. Tse Chi Wai

NOMINATION COMMITTEE

Mr. Sun Hongbin (*Chairman*)
Mr. Poon Chiu Kwok
Mr. Li Qin
Mr. Ma Lishan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

10/F, Building C7, Magnetic Plaza
Binshuixi Road, Nankai District
Tianjin 300381
PRC

REGISTERED OFFICE

Landmark Square
3rd Floor
64 Earth Close
P.O. Box 30592
Grand Cayman KY1-1203
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR

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

LEGAL ADVISERS

As to Hong Kong law:
Sidley Austin

As to Cayman Islands law:
Conyers Dill & Pearman

As to PRC law:
Jincheng Tongda & Neal Law Firm

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of China

STOCK CODE

1918

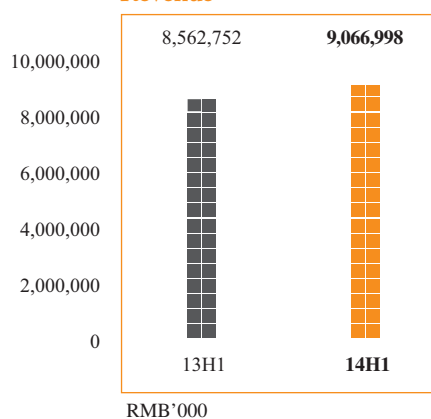
COMPANY'S WEBSITE

www.sunac.com.cn

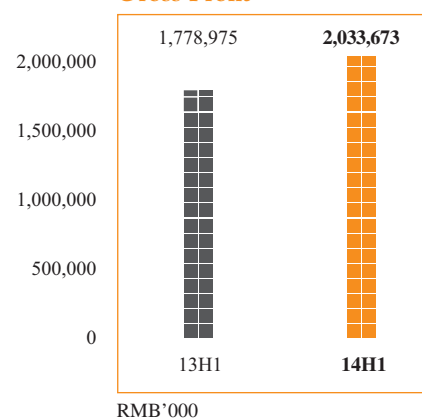
Financial Summary

| | For the six months ended 30 June (Unaudited) | | |
|--|--|-----------------|-----------|
| | 2014 RMB'000 | 2013 RMB'000 | Up/(Down) |
| Revenue | 9,066,998 | 8,562,752 | 6% |
| Gross profit | 2,033,673 | 1,778,975 | 14% |
| Operating profit | 1,502,582 | 1,434,663 | 5% |
| Profit | 697,843 | 883,508 | (21%) |
| Profit attributable to owners of the Company | 812,612 | 752,418 | 8% |
| Earnings per share | | | |
| – Basic (RMB) | 0.244 | 0.230 | 6% |
| – Diluted (RMB) | 0.241 | 0.226 | 7% |

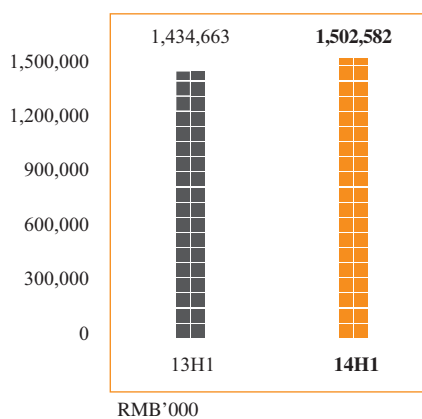
Revenue



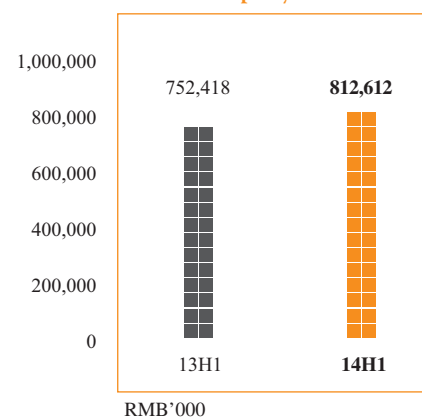
Gross Profit



Operating Profit



Profit attributable to owners of the Company



Management Discussion and Analysis

Financial Review

Revenue

Revenue of the Group for the six months ended 30 June 2014 was substantially generated from sales of residential and commercial properties of the Group. Only a small portion of the Group's revenue was derived from the income from the Group's property management services business and rental of investment properties located in Tianjin.

For the six months ended 30 June 2014, the Group remained focusing on the development of real estate properties in five main regions of the PRC, namely Beijing, Tianjin, Shanghai, Chongqing and Hangzhou, and continued to deliver a solid performance, achieving satisfactory growth in its core businesses.

Revenue of the Group for the six months ended 30 June 2014 amounted to RMB9,067.0 million, representing an increase of 5.9% comparing with the total revenue of RMB8,562.8 million for the six months ended 30 June 2013.

The following table sets forth certain details of the revenues:

| | Six months ended 30 June | | | |
|--|--------------------------|--------------|------------------|--------------|
| | 2014 | | 2013 | |
| | RMB'000 | % | RMB'000 | % |
| Sales of properties | 8,926,521 | 98.5 | 8,463,925 | 98.8 |
| Property management service income | 128,560 | 1.4 | 85,453 | 1.0 |
| Rental income from investment properties | 11,917 | 0.1 | 13,374 | 0.2 |
| Total | 9,066,998 | 100.0 | 8,562,752 | 100.0 |
| Total gross floor area ("GFA") delivered (sq.m.) | 519,921 | | 302,949 | |
| Average selling prices ("ASP") sold (RMB per sq.m.) | 17,169 | | 27,938 | |

The revenue from the sales of properties reached RMB8,926.5 million for the six months ended 30 June 2014, representing an increase of 5.5%, or RMB462.6 million, from RMB8,463.9 million for the six months ended 30 June 2013, which was primarily due to the increase in the GFA delivered for the six months ended 30 June 2014. The total GFA delivered increased by 71.6% to 519,921 sq.m. for the six months ended 30 June 2014 from 302,949 sq.m. for the six months ended 30 June 2013.

Management Discussion and Analysis

The total recognized ASP of properties decreased by 38.5% to RMB17,169 per sq.m. for the six months ended 30 June 2014 from RMB27,938 per sq.m. for the six months ended 30 June 2013, which was mainly due to more deliveries of the properties from Shanghai Bund House, Suzhou Majestic Mansion and Shanghai Yulan Garden for the six months ended 30 June 2013, the ASP of which was as high as RMB44,368 per sq.m., accounting for 41.6% of the total sales revenue of properties for the six months ended 30 June 2013 and thereby pushing up the ASP for the six months ended 30 June 2013. Moreover, 31.2% of the total sales revenue of properties for the six months ended 30 June 2014 was derived from the deliveries of the properties from Sunac Dream of City, Sunac Swan Lake, Sunac Glorious Mansion, Sunac Central Academy and Sunac Top Mansion of the Dongting, the ASP of which was only RMB9,445 per sq.m., and thereby pushing down the ASP for the six months ended 30 June 2014.

Cost of sales

Cost of sales comprises of the costs that the Group incurred in relation to its direct development activities for the properties delivered, as well as costs for property management operations and leasing.

For the six months ended 30 June 2014, cost of sales of the Group amounted to RMB7,033.3 million (including RMB768.1 million related to the valuation surplus of the properties acquired), representing an increase of 3.7% as compared with that of RMB6,783.8 million for the six months ended 30 June 2013, which was basically in line with the increase of the revenue and primarily due to the increase of GFA delivered.

Gross profit

For the six months ended 30 June 2014, gross profit of the Group amounted to RMB2,033.7 million, or an increase of 14.3% as compared with RMB1,779.0 million for the six months ended 30 June 2013.

The Group's gross margin increased to 22.4% for the six months ended 30 June 2014 from 20.8% for the six months ended 30 June 2013. Additionally, excluding the impact of remeasurement of fair value, the Group's gross margin was 30.9% for the six months ended 30 June 2014.

Other income and gains

For the six months ended 30 June 2014, other income and gains of the Group decreased to RMB23.1 million from RMB121.6 million for the six months ended 30 June 2013, which was mainly attributable to the decrease of gain of RMB61.7 million from disposal of investment properties and RMB23.6 million in compensation income.

Management Discussion and Analysis

Selling and marketing costs and administrative expenses

Selling and marketing costs of the Group increased by 4.6% to RMB266.8 million for the six months ended 30 June 2014 from RMB255.0 million for the six months ended 30 June 2013. Administrative expenses of the Group increased by 34.9% to RMB278.4 million for the six months ended 30 June 2014 from RMB206.4 million for the six months ended 30 June 2013. The increases were primarily due to the increase of sales amount and quantity of projects newly acquired and launched during the six months ended 30 June 2014.

Other expenses

The Group's other expenses increased by RMB4.5 million from RMB4.5 million for the six months ended 30 June 2013 to RMB9.0 million for the six months ended 30 June 2014.

Operating profit

As a result of the sectors analyzed above, the Group's operating profit increased by RMB67.9 million from RMB1,434.7 million for the six months ended 30 June 2013 to RMB1,502.6 million for the six months ended 30 June 2014, which was primarily due to:

- (i) an increase of RMB254.7 million in gross profit;
- (ii) a decrease of RMB98.4 million in other income and gains and an increase of RMB4.5 million in other expenses; and
- (iii) an increase of RMB83.9 million in operating expenses.

Finance costs

The Group's finance costs increased by RMB221.8 million to RMB509.6 million for the six months ended 30 June 2014 from RMB287.8 million for the six months ended 30 June 2013. The total interest cost was RMB1,522.6 million for the six months ended 30 June 2014, representing an increase of 13.8%, or RMB184.4 million, from RMB1,338.2 million for the six months ended 30 June 2013, mainly due to the increase of borrowings to finance the Group's expanded property development activities for the six months ended 30 June 2014. The capitalized interest slightly increased to RMB1,074.3 million for the six months ended 30 June 2014 from RMB1,050.4 million for the six months ended 30 June 2013.

On the premise of the control of the refinance costs, the Group realised the continued decline in weighted-average effective interest rate through continued optimization of the debt structure and the replacement of the existing high-cost borrowings. The Group's weighted-average effective interest rate of newly increased borrowings dropped to 7.6% for the six months ended 30 June 2014 from 9.4% for the six months ended 30 June 2013.

Management Discussion and Analysis

Share of post-tax profits of investments accounted for using equity method, net

For the six months ended 30 June 2014, the Group recorded a share of post-tax profits of RMB281.2 million from investments accounted for using equity method, representing an increase of 14.8% from RMB244.9 million for the six months ended 30 June 2013. This change was mainly attributable to the increase of share of post-tax profits from associates which had commenced recording the revenue from the deliveries of newly completed properties.

Profit

Benefited from the rapid growth in the sales results and the balanced development with high quality in operation scale of the Group, the Group's profit attributable to owners of the Company for the six months ended 30 June 2014 amounted to RMB812.6 million, representing an increase of 8.0%, or RMB60.2 million, from RMB752.4 million for the six months ended 30 June 2013.

However, the Group's profit for the six months ended 30 June 2014 decreased by 21.0% to RMB697.8 million as compared with that of RMB883.5 million for the six months ended 30 June 2013, which was mainly due to the decreased number of deliveries of properties from the projects acquired by the Group from Greentown Real Estate Group Co., Ltd. (the "Sunac Greentown Projects") in 2012 and the increase of impairment provision for properties of Suzhou Majestic Mansion based on the Group's prudent consideration.

The following table shows the profit attributable to owners of the Company and non-controlling interests respectively as of the dates indicated:

| | Six months ended 30 June | |
|-------------------------------------|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| Profit/(loss) for the period | 697,843 | 883,508 |
| <i>Attributable to:</i> | | |
| Owners of the Company | 812,612 | 752,418 |
| Non-controlling interests | (114,769) | 131,090 |
| | 697,843 | 883,508 |

As a result of the increase of the Group's profit attributable to owners of the Company, excluding the impact of the gain from acquisition of equity interests, the fair value change of the investment properties and impairment provision for properties, the Group's core profit attributable to owners of the Company for the six months ended 30 June 2014 increased by 21.0% to RMB1,023.0 million as compared with that of RMB845.1 million for the six months ended 30 June 2013.

Management Discussion and Analysis

Cash position

The Group operates in a capital intensive industry and has historically financed, and expects to continue to finance, its working capital, capital expenditures and other capital requirements through proceeds from the pre-sale and sale of properties, borrowings from commercial banks and other parties, capital contributions from shareholders and new share issuances. The Group's short-term liquidity requirements relate to servicing its debt and meeting its working capital requirements, and the Group's sources of short-term liquidity include cash balances, proceeds from pre-sales and sales of properties and new loans. The Group's long-term liquidity requirements relate to funding the development of its new property projects and repaying its long-term debt, and the Group's sources of long-term liquidity include loans, capital contributions from shareholders and share issuances.

The Group's cash and cash equivalents (including restricted cash) increased 43.6% to RMB22,984.7 million as at 30 June 2014 from RMB16,008.7 million as of 31 December 2013.

The increase was principally attributable to:

- (i) the net cash inflow of RMB7,551.1 million in operating activities benefited from the significant increase of the proceeds from the pre-sale and sale of properties;
- (ii) the net cash outflow of RMB6,105.1 million in investing activities which was mainly due to obtaining new projects by the Group in Beijing, Shanghai and Hangzhou respectively and acquiring equity interests; and
- (iii) the net cash inflow of RMB5,789.7 million in financing activities primarily due to the net inflow of RMB5,913.3 million from the borrowings, syndicated loans and the payment of interest costs.

The Group believes that both the working capital and financial resources are sufficient to secure the business growth in foreseeable future.

Borrowing and collateral

The Group had total borrowings of RMB35,626.9 million as at 30 June 2014 and increased by RMB6,920.6 million from RMB28,706.3 million as at 31 December 2013, which was primarily due to the net increase of RMB1,552.5 million from foreign syndicated loans obtained in June 2014 and another net increase of RMB5,368.1 million from banks and other parties.

Management Discussion and Analysis

The Group's borrowings as at 30 June 2014 were repayable as follows:

| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
|-----------------------|----------------------------|--------------------------------|
| Within one year | 13,836,837 | 7,834,721 |
| Between 1 and 2 years | 9,871,713 | 11,211,104 |
| Between 2 and 5 years | 11,918,370 | 9,660,465 |
| | 35,626,920 | 28,706,290 |

The Group's borrowings are denominated in the following currencies:

| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
|-----|----------------------------|--------------------------------|
| RMB | 26,186,297 | 20,915,170 |
| HKD | 1,574,303 | 1,410,497 |
| USD | 7,866,320 | 6,380,623 |
| | 35,626,920 | 28,706,290 |

As at 30 June 2014, RMB33,954.3 million of the Group's total borrowings (as at 31 December 2013: RMB28,587.5 million) were secured or jointly secured by the Group's properties under development and completed properties held for sale totalling RMB33,598.3 million (as at 31 December 2013: RMB43,148.4 million), and certain equity interests of the Group's subsidiaries (including those legally transferred as collateral).

Net debt to total assets ratio, gearing ratio and net gearing ratio

Net debt to total assets ratio is calculated as net debt divided by total assets. Net debt is calculated as total borrowings (including current and long-term borrowings) less cash and cash equivalents (including restricted cash). As at 30 June 2014, the net debt to total assets ratio of the Group is 11.4%, as compared to 13.0% as of 31 December 2013.

Gearing ratio is calculated as net debt divided by total capital. Total capital is calculated as total equity plus net debt. As at 30 June 2014, the gearing ratio of the Group is 40.0%, as compared to 41.1% as at 31 December 2013.

Net gearing ratio is calculated as net debt divided by total equity. As at 30 June 2014, the net gearing ratio decreased to 66.7% from 69.7% as at 31 December 2013. The Group continues to pay attention to and manage its financial structure and potential risks during its course of development.

Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent from changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

Management Discussion and Analysis

The table below sets out the Group's exposure to interest rate risks. Included in the tables are the liabilities at carrying amounts, categorized by maturity dates.

| | 30 June 2014 RMB' million | 31 December 2013 RMB' million |
|---------------------|---------------------------------|-------------------------------------|
| Floating rates | | |
| Less than 12 months | 4,531 | 2,762 |
| 1 to 5 years | 10,517 | 8,225 |
| Sub-total | 15,048 | 10,987 |
| Fixed rates | | |
| Less than 12 months | 9,306 | 5,072 |
| 1 to 5 years | 11,273 | 12,647 |
| Sub-total | 20,579 | 17,719 |
| Total | 35,627 | 28,706 |

As at 30 June 2014, the Group did not use any interest rate swaps to hedge its exposure to interest rate risk. The Group analyzes its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

Foreign exchange risk

The Group conducts its business principally in Renminbi, since all of the operating entities are based in the PRC. As the Group has some bank deposits denominated in foreign currencies and the senior notes and foreign syndicated loans denominated in US dollars or HK dollars, the Group faces foreign exchange risk. However, the Group's operating cash flow and liquidity are not subject to significant effect from fluctuations in exchange rates. No currency hedging arrangements were made as at 30 June 2014. The Group will continue to closely monitor and manage its exposure to fluctuation in foreign exchange rates.

Contingent Liabilities

The Group provided guarantees to banks for mortgage facilities granted to certain purchasers of the Group's properties to secure the obligations of such purchasers for repayment of their mortgage loans. As at 30 June 2014, the amount was RMB4,060.8 million as compared to RMB7,241.9 million as at 31 December 2013. Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which generally takes place within an average period of six months of the properties delivery date; or (ii) the satisfaction of obligations under the mortgage loans by the purchaser. The Group's guarantee period starts from the dates of grant of the mortgage.

Business Review and Outlook

BUSINESS HIGHLIGHTS

Summary of Principal Properties

As at 30 June 2014, the Group engaged in a total of 67 property development projects. The following table sets forth certain details of the Group's projects based on actual data or estimates of the Group and associated project companies as of 30 June 2014.

| Project | Location | Type of property product | Total site area (sq.m.) | Estimated aggregate GFA (sq.m.) | Estimated saleable/rentable GFA (sq.m.) | Interest attributable to the Group | Completion time/estimated completion time |
|--------------------------|----------|--|-------------------------|---------------------------------|---|------------------------------------|---|
| Sunac East Fairyland | Beijing | High-rise apartments, retail properties and car parks | 54,502 | 166,481 | 144,276 | 100% | November 2010 |
| Sunac West Chateau | Beijing | Mid-rise apartments, retail properties and car parks | 190,665 | 447,803 | 334,861 | 100% | June 2013 |
| Sunac Long Beach Mansion | Beijing | Mid-rise apartments, retail properties and car parks | 63,940 | 133,956 | 104,289 | 100% | December 2013 |
| Yaao Jinmao Residence | Beijing | High-rise apartments, retail properties and car parks | 84,684 | 253,074 | 144,696 | 49% | September 2014 |
| Wangjing Jinmao Palace | Beijing | High-rise apartments, retail properties and car parks | 54,485 | 151,361 | 100,251 | 49% | June 2015 |
| Fontainebleau Chateau | Beijing | High-rise apartments, townhouses, retail properties and car parks | 131,629 | 399,378 | 337,728 | 50% | August 2015 |
| Glory Chateau | Beijing | High-rise and mid-rise apartments, townhouses, detached villas and car parks | 183,531 | 479,050 | 281,145 | 51% | December 2017 |
| Nongzhanguan Project | Beijing | Mid-rise apartments and car parks | 25,210 | 100,843 | 58,560 | 51% | January 2016 |
| Chang'an Image | Beijing | High-rise apartments, retail properties, serviced apartments and car parks | 101,831 | 496,739 | 340,712 | 48% | December 2015 |
| Mentougou New Town | Beijing | High-rise apartments, retail properties, serviced apartments and car parks | 33,987 | 160,234 | 110,290 | 51% | December 2015 |

Business Review and Outlook

| Project | Location | Type of property product | Total site area (sq.m.) | Estimated aggregate GFA (sq.m.) | Estimated saleable/rentable GFA (sq.m.) | Interest attributable to the Group | Completion time/estimated completion time |
|-------------------------------|----------|--|-------------------------|---------------------------------|---|------------------------------------|---|
| Sunac Magnetic Capital | Tianjin | High-rise apartments, retail properties, offices, serviced apartments and car parks | 460,840 | 1,247,860 | 1,188,944 | 100% | December 2013 |
| Sunac Mind-Land International | Tianjin | High-rise apartments, detached villas, retail properties and car parks | 497,501 | 809,386 | 749,249 | 100% | December 2012 |
| Sunac Central of Glorious | Tianjin | High-rise and mid-rise apartments, townhouses, retail properties and car parks | 14,608 | 64,738 | 64,150 | 100% | October 2012 |
| Sunac Glorious Mansion | Tianjin | High-rise and mid-rise apartments, retail properties and car parks | 121,412 | 303,037 | 300,687 | 100% | December 2013 |
| Sunac Central Academy | Tianjin | High-rise and mid-rise apartments, retail properties and car parks | 268,425 | 707,151 | 704,199 | 100% | December 2017 |
| Sunac Joy Downtown | Tianjin | Retail properties | 25,234 | 56,615 | 55,960 | 100% | June 2006 |
| Sunac PL Du Pantheon | Tianjin | High-rise apartments, townhouses, retail properties and car parks | 70,600 | 244,491 | 227,187 | 100% | December 2014 |
| Horizon Capital | Tianjin | High-rise and mid-rise apartments, retail properties, offices, serviced apartments and car parks | 111,446 | 391,128 | 389,336 | 49% | June 2018 |
| Dream of Mansion | Tianjin | Mid-rise apartments, townhouses, detached villas, retail properties, offices and car parks | 120,059 | 241,876 | 222,878 | 50% | October 2016 |
| Azure Coast | Tianjin | Retail properties, offices, serviced apartments and car parks | 17,161 | 209,687 | 192,465 | 40% | December 2018 |

Business Review and Outlook

| Project | Location | Type of property product | Total site area (sq.m.) | Estimated aggregate GFA (sq.m.) | Estimated saleable/rentable GFA (sq.m.) | Interest attributable to the Group | Completion time/estimated completion time |
|-----------------------------------|-----------|---|-------------------------|---------------------------------|---|------------------------------------|---|
| Yongji Phase 2 Project | Tianjin | High-rise and mid-rise apartments, retail properties, offices and car parks | 15,742 | 95,697 | 94,242 | 47% | September 2017 |
| R3 Project | Tianjin | Retail properties, offices, serviced apartments and car parks | 121,214 | 537,620 | 535,620 | 47% | September 2020 |
| River and Sea | Tianjin | High-rise apartments, retail properties and car parks | 59,660 | 283,474 | 282,563 | 47% | December 2017 |
| Bay and Island | Tianjin | High-rise and mid-rise apartments, townhouses, detached villas, retail properties, offices and car parks | 248,118 | 658,866 | 603,640 | 54% | April 2018 |
| Sunac Top Mansion of the Dongting | Tianjin | High-rise apartments, retail properties and car parks | 109,537 | 262,991 | 262,967 | 100% | September 2016 |
| Tiantuo Project | Tianjin | High-rise apartments, retail properties, offices, serviced apartments and car parks | 370,698 | 1,436,018 | 1,373,353 | 51% | September 2017 |
| Tiantuo North Project | Tianjin | High-rise apartments, retail properties and car parks | 56,791 | 230,900 | 230,900 | 51% | September 2017 |
| Shoubiaochang Project | Tianjin | High-rise apartments and car parks | 60,088 | 96,446 | 78,512 | 51% | June 2016 |
| Sunac Olympic Garden | Chongqing | High-rise and mid-rise apartments, townhouses, detached villas, retail properties, offices, serviced apartments and car parks | 1,713,640 | 2,643,398 | 2,076,804 | 100% | June 2015 |
| Sunac Eton Manor | Chongqing | High-rise and mid-rise apartments, townhouses, retail properties, serviced apartments and car parks | 179,204 | 404,086 | 303,970 | 100% | December 2014 |

Business Review and Outlook

| Project | Location | Type of property product | Total site area (sq.m.) | Estimated aggregate GFA (sq.m.) | Estimated saleable/rentable GFA (sq.m.) | Interest attributable to the Group | Completion time/estimated completion time |
|--|-----------|---|-------------------------|---------------------------------|---|------------------------------------|---|
| Sunac Guardian Manor | Chongqing | High-rise apartments, townhouses, retail properties, serviced apartments and car parks | 159,793 | 563,089 | 449,747 | 100% | December 2015 |
| Jardins de Versailles | Chongqing | High-rise apartments, townhouses, detached villas, retail properties and car parks | 397,844 | 1,359,518 | 1,165,162 | 80% | December 2017 |
| Sunac Asia Pacific Enterprise Valley | Chongqing | High-rise apartments, serviced apartments, retail properties, offices and car parks | 118,912 | 744,688 | 618,169 | 100% | June 2014 |
| The European Garden for City-West | Chongqing | High-rise apartments, townhouses, serviced apartments, retail properties and car parks | 469,927 | 1,262,966 | 1,101,745 | 100% | December 2018 |
| Powpre Fontainebleau | Chongqing | Townhouses and retailed properties | 147,400 | 147,289 | 124,151 | 90% | December 2015 |
| Kaixuanlu Project | Chongqing | High-rise apartments, retail properties, serviced apartments and car parks | 75,258 | 470,753 | 388,359 | 51% | December 2018 |
| The European Garden for City-East | Chongqing | High-rise apartments, townhouses, detached villas, retail properties, offices and car parks | 813,401 | 2,079,297 | 1,805,658 | 51% | December 2020 |
| Lijia Binjiang Project | Chongqing | Townhouses, detached villas, retail properties and car parks | 135,179 | 147,737 | 138,902 | 90% | December 2015 |
| Shanghai Magnolia Garden | Shanghai | High-rise and mid-rise apartments and car parks | 58,163 | 126,092 | 116,738 | 50% | June 2013 |
| Shanghai Magnolia Garden – Glorious Garden | Shanghai | Mid-rise apartments, retail properties and car parks | 72,803 | 162,914 | 147,225 | 25% | May 2015 |

Business Review and Outlook

| Project | Location | Type of property product | Total site area (sq.m.) | Estimated aggregate GFA (sq.m.) | Estimated saleable/rentable GFA (sq.m.) | Interest attributable to the Group | Completion time/estimated completion time |
|--------------------------|-----------|---|-------------------------|---------------------------------|---|------------------------------------|---|
| Magnolia Mansion | Shanghai | Mid-rise apartments, retail properties and car parks | 60,206 | 111,182 | 97,001 | 25% | December 2015 |
| Shanghai Bund House | Shanghai | High-rise apartments and car parks | 65,758 | 350,271 | 226,001 | 26% | November 2017 |
| Shanghai Rose Garden | Shanghai | Detached villas | 803,353 | 240,040 | 144,965 | 50% | December 2014 |
| Francais Demeure | Shanghai | High-rise and mid-rise apartments, retail properties and car parks | 75,091 | 167,384 | 153,501 | 25% | December 2015 |
| Dynasty on the Bund | Shanghai | High-rise apartments, retail properties, offices, serviced apartments and car parks | 105,045 | 652,232 | 635,818 | 50% | May 2019 |
| Shanghai Hongkou Project | Shanghai | Retail properties, serviced apartments and car parks | 10,239 | 57,547 | 52,460 | 26% | June 2016 |
| Shanghai Central Garden | Shanghai | High-rise apartments, retail properties, serviced apartments, offices and car parks | 211,626 | 590,410 | 480,649 | 50% | October 2016 |
| Shanghai Gucun Project | Shanghai | High-rise apartments, retail properties and car parks | 66,170 | 167,256 | 149,633 | 26% | November 2016 |
| Caobaolu Project | Shanghai | High-rise apartments, retail properties and car parks | 45,710 | 126,100 | 81,980 | 25% | November 2016 |
| Magnolia Square | Changzhou | High-rise apartments, retail properties and car parks | 413,252 | 1,418,020 | 1,318,902 | 49% | February 2019 |
| Fairy Land | Suzhou | Detached villas | 213,852 | 263,090 | 126,539 | 28% | December 2017 |
| Majestic Mansion | Suzhou | Mid-rise apartments and detached villas | 155,664 | 218,340 | 121,172 | 50% | December 2013 |

Business Review and Outlook

| Project | Location | Type of property product | Total site area (sq.m.) | Estimated aggregate GFA (sq.m.) | Estimated saleable/rentable GFA (sq.m.) | Interest attributable to the Group | Completion time/estimated completion time |
|-----------------------|----------|---|-------------------------|---------------------------------|---|------------------------------------|---|
| Magnolia Garden | Wuxi | High-rise apartments, retail properties and car parks | 180,826 | 564,911 | 543,583 | 43% | December 2015 |
| Magnolia West Project | Wuxi | High-rise apartments, retail properties and car parks | 171,572 | 549,607 | 518,065 | 20% | October 2018 |
| Sunac Royal Garden | Yixing | High-rise apartments, townhouses, detached villas, retail properties and car parks | 268,946 | 460,435 | 399,477 | 100% | December 2015 |
| Comphorwood Mansion | Wuxi | High-rise apartments, detached villas, retail properties and car parks | 203,070 | 761,525 | 640,016 | 51% | June 2019 |
| Sunac Swan Lake | Wuxi | High-rise and mid-rise apartments, townhouses, retail properties, serviced apartments and car parks | 706,889 | 1,392,554 | 1,288,172 | 100% | December 2015 |
| Sunac Dream of City | Wuxi | High-rise and mid-rise apartments, townhouses, retail properties and car parks | 555,861 | 1,026,802 | 912,768 | 100% | August 2016 |
| Sunac 81 | Suzhou | Townhouses, detached villas and retail properties | 133,434 | 100,340 | 82,608 | 100% | January 2012 |
| Melodious Manor | Hangzhou | Mid-rise apartments, townhouses and car parks | 59,360 | 124,530 | 101,859 | 75% | December 2014 |
| Above the West Lake | Hangzhou | High-rise apartments, retail properties, offices, serviced apartments and car parks | 58,184 | 277,092 | 212,104 | 49% | June 2016 |
| Wonderful Mansion | Hangzhou | High-rise apartments, retail properties and car parks | 20,480 | 89,188 | 65,441 | 50% | December 2014 |
| First Class | Hangzhou | High-rise apartments, retail properties and car parks | 196,981 | 529,320 | 454,564 | 25% | June 2016 |

Business Review and Outlook

| Project | Location | Type of property product | Total site area (sq.m.) | Estimated aggregate GFA (sq.m.) | Estimated saleable/rentable GFA (sq.m.) | Interest attributable to the Group | Completion time/estimated completion time |
|----------------------|----------|--|-------------------------|---------------------------------|---|------------------------------------|---|
| In Hangzhou | Hangzhou | Retail properties, offices, serviced apartments and car parks | 10,418 | 156,082 | 114,192 | 60% | June 2016 |
| Sunac Fuchun Chateau | Hangzhou | Mid-rise apartments, townhouses, retail properties and car parks | 98,022 | 167,239 | 126,077 | 100% | November 2015 |
| Riverside City I | Hangzhou | High-rise apartments, retail properties and car parks | 62,760 | 220,958 | 148,746 | 49% | December 2015 |
| Riverside City II | Hangzhou | High-rise apartments, retail properties and car parks | 80,587 | 258,398 | 171,612 | 100% | December 2015 |
| Total | | | 13,048,478 | 31,819,583 | 27,318,193 | | |

Business Review and Outlook

| Completed Properties as of 30 June 2014 | | | | | |
|---|-----------|-----------------------------|---|---|--|
| Project | Location | Aggregate GFA (sq.m.) | Saleable/ rentable GFA (sq.m.) | Unsold/held | Saleable/ |
| | | | | for rental aggregate GFA (sq.m.) | rentable GFA unsold/ held for rental (sq.m.) |
| Sunac East Fairyland | Beijing | 166,481 | 144,276 | 0 | 0 |
| Sunac West Chateau | Beijing | 447,803 | 334,861 | 33,974 | 25,405 |
| Sunac Long Beach Mansion | Beijing | 133,956 | 104,289 | 0 | 0 |
| Sunac Magnetic Capital | Tianjin | 1,247,860 | 1,188,944 | 137,521 | 131,029 |
| Sunac Mind-Land International | Tianjin | 809,386 | 749,249 | 25,225 | 23,351 |
| Sunac Central of Glorious | Tianjin | 64,738 | 64,150 | 136 | 135 |
| Sunac Glorious Mansion | Tianjin | 303,037 | 300,687 | 168,249 | 166,944 |
| Sunac Central Academy | Tianjin | 209,031 | 209,031 | 26,380 | 26,380 |
| Sunac Joy Downtown | Tianjin | 56,615 | 55,960 | 180 | 178 |
| Sunac PL Du Pantheon | Tianjin | 151,721 | 140,373 | 44,617 | 41,280 |
| Horizon Capital | Tianjin | 130,207 | 130,207 | 38,466 | 38,446 |
| Dream of Mansion | Tianjin | 26,014 | 22,579 | 14,556 | 12,633 |
| River and Sea | Tianjin | 93,738 | 93,738 | 10,516 | 10,516 |
| Sunac Top Mansion of the Dongting | Tianjin | 138,887 | 138,867 | 58,086 | 58,078 |
| Sunac Olympic Garden | Chongqing | 2,216,154 | 1,747,273 | 99,485 | 78,436 |
| Sunac Eton Manor | Chongqing | 251,805 | 202,852 | 12,294 | 9,904 |
| Sunac Asia Pacific Enterprise Valley | Chongqing | 744,688 | 618,169 | 176,766 | 146,734 |
| Shanghai Magnolia Garden | Shanghai | 126,092 | 116,738 | 17,862 | 16,537 |
| Shanghai Bund House | Shanghai | 83,849 | 57,250 | 3,807 | 2,599 |
| Shanghai Rose Garden | Shanghai | 225,266 | 135,823 | 37,569 | 22,652 |
| Dynasty on the Bund | Shanghai | 203,826 | 187,895 | 154,038 | 141,998 |
| Shanghai Central Garden | Shanghai | 336,553 | 300,580 | 95,873 | 85,625 |
| Majestic Mansion | Suzhou | 218,340 | 121,172 | 118,084 | 65,533 |
| Magnolia Garden | Wuxi | 443,671 | 429,823 | 79,829 | 77,338 |
| Sunac Royal Garden | Yixing | 298,303 | 253,017 | 83,677 | 70,974 |
| Comphorwood Mansion | Wuxi | 325,513 | 244,884 | 181,832 | 136,792 |
| Sunac Swan Lake | Wuxi | 1,241,252 | 1,147,208 | 174,458 | 161,240 |
| Sunac Dream of City | Wuxi | 866,809 | 788,147 | 95,599 | 86,923 |
| Sunac 81 | Suzhou | 100,340 | 82,608 | 3,121 | 2,569 |
| First Class | Hangzhou | 242,670 | 184,101 | 110,394 | 83,750 |
| Total | | 11,904,607 | 10,294,749 | 2,002,593 | 1,723,998 |

Business Review and Outlook

Properties under Development as of 30 June 2014

| Project | Location | Estimated Aggregate GFA (sq.m.) | Estimated Saleable/ rentable GFA (sq.m.) | Estimated Saleable/ rentable GFA un-presold/ held for rental (sq.m.) |
|---|-----------|--|---|---|
| Yao Jinmao Residence | Beijing | 253,074 | 144,696 | 21,121 |
| Wangjing Jinmao Palace | Beijing | 151,361 | 100,251 | 38,711 |
| Fontainebleau Chateau | Beijing | 399,378 | 337,728 | 157,977 |
| Glory Chateau | Beijing | 254,806 | 139,462 | 139,462 |
| Nongzhanguan Project | Beijing | 100,843 | 58,560 | 58,560 |
| Chang'an Image | Beijing | 496,739 | 340,712 | 340,712 |
| Sunac Central Academy | Tianjin | 330,134 | 329,760 | 167,692 |
| Sunac PL Du Pantheon | Tianjin | 92,770 | 86,814 | 66,745 |
| Horizon Capital | Tianjin | 260,921 | 259,129 | 210,061 |
| Dream of Mansion | Tianjin | 91,354 | 83,648 | 59,630 |
| Azure Coast | Tianjin | 106,486 | 94,679 | 94,679 |
| River and Sea | Tianjin | 136,115 | 135,914 | 135,914 |
| Bay and Island | Tianjin | 224,512 | 204,989 | 174,169 |
| Sunac Top Mansion of the Dongting | Tianjin | 124,104 | 124,101 | 122,653 |
| Sunac Olympic Garden | Chongqing | 427,243 | 329,530 | 171,503 |
| Sunac Eton Manor | Chongqing | 152,281 | 101,118 | 16,456 |
| Sunac Guardian Manor | Chongqing | 563,089 | 449,747 | 219,250 |
| Jardins de Versailles | Chongqing | 677,300 | 591,816 | 381,761 |
| The European Garden for City-West | Chongqing | 389,309 | 340,762 | 294,797 |
| Powpre Fontainebleau | Chongqing | 147,289 | 124,151 | 119,295 |
| The European Garden for City-East | Chongqing | 417,158 | 359,377 | 357,724 |
| Lijia Binjiang Project | Chongqing | 147,737 | 138,902 | 138,902 |
| Shanghai Magnolia Garden – Glorious Garden | Shanghai | 162,914 | 147,225 | 50,345 |
| Magnolia Mansion | Shanghai | 111,182 | 97,001 | 87,983 |
| Shanghai Bund House | Shanghai | 186,416 | 105,751 | 105,751 |
| Shanghai Rose Garden | Shanghai | 14,774 | 9,142 | 3,633 |
| Francais Demeure | Shanghai | 167,384 | 153,501 | 73,686 |
| Dynasty on the Bund | Shanghai | 97,724 | 97,724 | 97,724 |
| Shanghai Hongkou Project | Shanghai | 57,547 | 52,460 | 52,460 |
| Magnolia Square | Changzhou | 575,939 | 511,224 | 270,434 |

Business Review and Outlook

Properties under Development as of 30 June 2014

| Project | Location | Estimated Aggregate GFA (sq.m.) | Estimated Saleable/ rentable GFA (sq.m.) | Estimated Saleable/ rentable GFA un-presold/ held for rental (sq.m.) |
|-----------------------|----------|--|---|---|
| Fairy Land | Suzhou | 191,897 | 90,574 | 65,987 |
| Magnolia Garden | Wuxi | 121,240 | 113,760 | 106,620 |
| Magnolia West Project | Wuxi | 360,393 | 349,796 | 243,320 |
| Sunac Royal Garden | Yixing | 162,132 | 146,460 | 80,139 |
| Comphorwood Mansion | Wuxi | 209,639 | 189,566 | 180,271 |
| Sunac Swan Lake | Wuxi | 151,303 | 140,964 | 91,646 |
| Melodious Manor | Hangzhou | 124,530 | 101,859 | 66,149 |
| Above the West Lake | Hangzhou | 164,759 | 128,272 | 84,322 |
| Wonderful Mansion | Hangzhou | 89,188 | 65,441 | 29,886 |
| First Class | Hangzhou | 190,793 | 174,607 | 174,607 |
| In Hangzhou | Hangzhou | 156,082 | 114,192 | 114,192 |
| Sunac Fuchun Chateau | Hangzhou | 167,239 | 126,077 | 126,077 |
| Riverside, City I | Hangzhou | 220,958 | 148,746 | 148,746 |
| Riverside, City II | Hangzhou | 258,398 | 171,612 | 171,612 |
| Total | | 9,886,434 | 8,111,799 | 5,913,363 |

Business Review and Outlook

Properties to be Constructed as of 30 June 2014

| Project | Location | Estimated Aggregate GFA (sq.m.) | Estimated Saleable/ rentable GFA (sq.m.) |
|-----------------------------------|-----------|---------------------------------------|---|
| Glory Chateau | Beijing | 224,245 | 141,683 |
| Mentougou New Town | Beijing | 160,234 | 110,290 |
| Sunac Central Academy | Tianjin | 167,986 | 165,409 |
| Dream of Mansion | Tianjin | 124,509 | 116,651 |
| Azure Coast | Tianjin | 103,201 | 97,786 |
| Yongji phase 2 project | Tianjin | 95,697 | 94,242 |
| R3 project | Tianjin | 537,620 | 535,620 |
| River and Sea | Tianjin | 53,621 | 52,911 |
| Bay and Island | Tianjin | 434,354 | 398,651 |
| Tiantuo Project | Tianjin | 1,436,018 | 1,373,353 |
| Tiantuo North Project | Tianjin | 230,900 | 230,900 |
| Shoubiaochang Project | Tianjin | 96,446 | 78,512 |
| Jardins de Versailles | Chongqing | 682,218 | 573,346 |
| The European Garden for City-West | Chongqing | 873,657 | 760,982 |
| Kaixuanlu Project | Chongqing | 470,753 | 388,359 |
| The European Garden for City-East | Chongqing | 1,662,139 | 1,446,281 |
| Shanghai Bund House | Shanghai | 80,006 | 63,000 |
| Dynasty on the Bund | Shanghai | 350,681 | 350,199 |
| Shanghai Central Garden | Shanghai | 253,857 | 180,069 |
| Shanghai Gucun Project | Shanghai | 167,256 | 149,633 |
| Caobaolu Project | Shanghai | 126,100 | 81,980 |
| Magnolia Square | Changzhou | 842,081 | 807,678 |
| Fairy Land | Suzhou | 71,192 | 35,965 |
| Magnolia West Project | Wuxi | 189,214 | 168,269 |
| Comphorwood Mansion | Wuxi | 226,373 | 205,566 |
| Sunac Dream of City | Wuxi | 159,993 | 124,621 |
| Above the West Lake | Hangzhou | 112,334 | 83,832 |
| First Class | Hangzhou | 95,857 | 95,857 |
| Total | | 10,028,541 | 8,911,645 |

Business Review and Outlook

Review of the first half of 2014

In the first half of 2014, the PRC economy continued to slow down. The government launched a series of targeted economic stimulus plans which led to a relatively stable macroeconomic environment. However, due to the relatively robust housing market in 2013, the government tightened monetary policy at the same time home purchaser's attitude and expectations towards the housing market and its prices turned pessimistic. This led to an industry adjustment and strong downward pressure. Under these circumstances, the central and local governments began to reexamine and adjust regulatory policy by gradually relaxing home purchase restrictions on a relatively small scale. However, these policy changes have yet to show any particularly obvious effects on the present market.

Despite the overall pressure on the real estate industry, the Company continued to maintain stable and sustainable growth by virtue of its regional focus and high-end and high-quality strategy. In the first half of the year, the Company's revenue reached RMB9.067 billion, representing a year-over-year increase of 5.9%. The profits attributable to the Company reached RMB813 million, representing a year-over-year increase of 8.0%. In the first half of the year, sales contracts amounted to RMB29.802 billion, representing a growth rate of 26.2% on a year-over-year basis. According to independent third party research, the Company's industry ranking in terms of sales climbed to No. 9 in the first half of 2014. Furthermore, the Company established a market leadership in its focused cities as its sales amount ranked among the top two in Beijing, Tianjin, Shanghai, Chongqing, Wuxi and Suzhou. In newly entered Hangzhou, the Company rapidly rose to fifth place. At the same time, the Company continued to improve its capital structure. As of 30 June 2014, the Company had a carrying value of RMB22.985 billion in cash while its net gearing ratio dropped to 66.7%.

In the first half of 2014, despite the overall cooling trend in the land market, prices for prime land in tier-one and tier-two cities remained high. In this environment, the Company has continued to take a prudent approach in regards to land acquisition. In the first half, under the prerequisite of ensuring safe cash flow and controllable gearing ratio, the Company acquired 8 parcels of prime land in its targeted cities, adding approximately 1.48 million sq.m. to its attributable land bank. As of 30 June 2014, the Company's total land bank and total attributable land bank were 21.92 million sq. m. and 13.50 million sq.m. respectively. The breakdown of the land bank by region is at follows:

| Region | Total GFA (sq.m.) | Proportion | Attributable GFA (sq.m.) | Proportion |
|--|-------------------------|-------------|--------------------------------|-------------|
| Beijing | 2,074,653 | 9% | 1,045,739 | 8% |
| Tianjin | 5,170,680 | 24% | 3,168,053 | 23% |
| Shanghai Region (including Suzhou, Wuxi, Changzhou) | 6,082,985 | 28% | 2,936,912 | 22% |
| Chongqing | 6,898,718 | 31% | 5,347,787 | 40% |
| Hangzhou | 1,690,531 | 8% | 1,000,583 | 7% |
| Total | 21,917,568 | 100% | 13,499,074 | 100% |

Business Review and Outlook

In May 2014, the Company signed an agreement with the vendor to acquire 24.313% shareholding of Greentown China Holdings Limited (“Greentown China”). This acquisition, upon completion, will expand the market share of the Company as well as to consolidate its market position and further upgrade its high-end property brand image. It is believed that the Company’s strengths in operation management and project execution, in combination with Greentown China’s strong product development capabilities, brand value, and sound financial structure will further increase the value of Greentown China and in return enhance the investment returns of the Company.

Outlook for the second half of 2014

The Company expects that in view of the government’s efforts to stabilize growth, the overall macroeconomic conditions in the PRC will not have too much further downside pressure in the second half of 2014, but at the same time is unlikely to restore rapid economic growth. However, it is believed that the government will focus its attention to reform in order to bring long-term, healthy, and sustainable development of China’s economy and will therefore continue to launch reform measures favorable to long-term economic benefits. This long-term economic health is the foundation for the real estate industry’s capability to develop in a healthy and sustainable manner.

In terms of the current real estate industry, with the exception of the tier-one cities, home purchase restrictions have been relaxed in a majority of cities. At the same time, financing cost is also trending downwards providing a stabilizing effect on the real estate market. However, the Company is of the view that market polarization will continue and that the relaxation of policy will not improve the fundamental oversupply issue that exists in some cities. On the other hand, the Company is positive on tier-one and tier-two cities with healthy supply and demand relationships and favorable population demographics and believes these cities will be more favorable for long-term, sustainable development.

In the second half of the year, the Company expects to launch a total of twelve new real estate projects for sales. These projects are located in the Company’s core five cities of Beijing, Tianjin, Shanghai, Chongqing, and Hangzhou. Having such an abundant supply of quality salable resources will ensure the fulfillment of the Company’s annual sales target, which the Company is fully confident of achieving. In the second half, the Company will, prudently and cautiously, continue to closely monitor the public land market while also look to seize any suitable opportunities that may arise as a result of the industry’s adjustment. In the absence of opportunities that meet the Company’s criteria, the Company would rather stockpile cash rather than buying a questionable parcel of land. In addition, the Company remains focused on completing the acquisition of 24.313% equity of Greentown China and then implementing adjustments in Greentown China’s strategic layout and operations.

The Company will continue to insist on strict cash flow management to guarantee the safety of its cash flow, upgrade the Company’s capacity to resist risk, and further improve the Company’s financing structure and decrease of overall financing cost. Following the on-going expansion of the Company’s scale, the Company will place greater emphasis on enhancing its management and operational capabilities as well as focus on expanding its talent pool to support the Company’s healthy and sustainable long-term development.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “SEHK”) (the “Listing Rules”) as its own code on corporate governance and has, throughout the six months ended 30 June 2014, complied with all applicable code provisions under the Corporate Governance Code, save and except for the deviations from code provisions A.2.1 and E.1.2.

Code provision A.2.1 provided that, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of the chairman and chief executive officer of the Company are performed by Mr. Sun Hongbin. Although Mr. Sun Hongbin assumes both the roles of chairman and chief executive officer, the divisions of responsibilities between the two roles are clearly defined. The role of the chairman is to monitor the duties and performance of the board of directors (the “Directors”) of the Company (the “Board”), whereas the role of chief executive officer is to manage the Group’s business. The Board believes that at the current stage of development of the Group, vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

Code provision E.1.2 provided that, the chairman of the Board should attend the annual general meeting and be available to answer questions at the meeting. Mr. Sun Hongbin (chairman of the Board) was unable to attend the Company’s annual general meeting held on 19 May 2014 as he had to attend certain business matters in the PRC on the same day. Accordingly, the Company was unable to fully comply with code provision E.1.2 of the Corporate Governance Code.

The Board recognizes and appreciates the importance and benefits of good corporate governance practices and has adopted certain corporate governance and disclosure practices for achieving a higher standard of transparency and accountability. The Board members have regular discussions about the performance and business strategies of the Group. They, together with the relevant senior executives of the Company, have also attended regular trainings on Listing Rules and regulatory requirements. The Company has established an internal reporting practice in monitoring the operation and business development of the Company.

CHANGE OF DIRECTOR AND DIRECTOR’S INFORMATION

Ms. Hu Xiaoling resigned as the non-executive director of the Company with effect from 12 August 2014.

An independent non-executive Director, Mr. Poon Chiu Kwok, retired from the position of an independent non-executive director of Guangzhou Shipyard International Company Limited, whose shares are listed on the SEHK (stock code: 317) since 8 May 2014.

Save as mentioned above, there is no change of information of the Directors that is required to be disclosed under Rules 13.51(2) and 13.51(B)(1) of the Listing Rules since the publication of the annual report of the Company for the year ended 31 December 2013.

Corporate Governance and Other Information

SHARE OPTION SCHEMES

The Company adopted the Pre-IPO Share Option Scheme (the “Pre-IPO Share Option Scheme”) on 9 September 2010, the Post-IPO Share Option Scheme (the “Post-IPO Share Option Scheme”) on 29 April 2011. Certain amendments were proposed to the Post-IPO Share Option Scheme. Such amendments were approved and adopted on 17 March 2014. Further, the Company also adopted the New Share Option Scheme (the “New Share Option Scheme”) on 19 May 2014.

Pre-IPO Share Option Scheme

As disclosed in the Company’s prospectus dated 24 September 2010, the Company adopted the Pre-IPO Share Option Scheme on 9 September 2010 (“Pre-IPO Share Option Scheme Adoption Date”) and granted a total of 51,080,000 share options in total, representing approximately 1.53% of the total issued shares of the Company as at 30 June 2014. The purpose of the Pre-IPO Share Option Scheme is to provide an incentive for the employees of the Company, its subsidiaries and associated project companies to work with commitment towards enhancing the value of the Company and its shares for the benefit of shareholders of the Company. The principal terms and conditions of the Pre-IPO Share Option Scheme are set out as below:

- (i) the exercise price per share is HK\$2.784, equivalent to 80% of the final offer price per share upon initial public offering of the Company;
- (ii) no option granted under the Pre-IPO Share Option Scheme will be exercisable within twelve months from the listing date;
- (iii) no further option will be granted under the Pre-IPO Share Option Scheme after the listing of the Company; and
- (iv) the Pre-IPO Share Options granted to each grantee shall vest in accordance with the following schedule:

| Vesting period | Percentage of the options |
|---|-------------------------------------|
| Upon the first anniversary date of the Pre-IPO Share Option Scheme Adoption Date | 30% |
| Upon the second anniversary date of the Pre-IPO Share Option Scheme Adoption Date | an additional 30% (i.e. up to 60%) |
| Upon the third anniversary date of the Pre-IPO Share Option Scheme Adoption Date | an additional 40% (i.e. up to 100%) |

The Pre-IPO Share Options, once vested, shall be exercisable within a period of three years from the first anniversary of the Pre-IPO Share Option Scheme Adoption Date.

As of the date of this report, options to subscribe for an aggregate of 51,080,000 shares, representing approximately 1.67% of the shares in issue immediately following the completion of the capitalization issue and the global offering (assuming that the options under the Pre-IPO Share Option Scheme of the Company have been exercised in full), have been conditionally granted to 121 grantees, for nominal consideration of HK\$1.00 paid by each grantee, under the Pre-IPO Share Option Scheme. The exercise price per share is HK\$2.784, being 80% of the offer price of the Company’s shares in the initial public offering.

During the six months ended 30 June 2014, a director and several senior management and employees of the Company exercised an aggregate of 4,383,000 share options under the Pre-IPO Share Option Scheme, at an exercise price of HK\$2.784 per share. The weighted average closing price of the shares immediately before the date of exercise was HK\$4.58 per share.

Corporate Governance and Other Information

Movements of the options under the Pre-IPO Share Option Scheme as at 30 June 2014 are set forth below:

| Name of grantee | Number of options granted on 9 September 2010 | Approximate percentage of total issued shares of the Company upon exercise of all options | Number of outstanding options as at 1 January 2014 | Number of exercised options during the six months ended 30 June 2014 | Number of cancelled options during the six months ended 30 June 2014 | Number of lapsed options during the six months ended 30 June 2014 | Number of outstanding options as at 30 June 2014 |
|--|---|---|--|--|--|---|--|
| Directors | | | | | | | |
| Mr. Sun Hongbin* | 3,600,000 | 0.11% | 3,600,000 | 3,600,000 | – | – | – |
| Mr. Wang Mengde | 3,300,000 | 0.10% | 3,300,000 | – | – | – | 3,300,000 |
| Mr. Li Shaozhong | 3,600,000 | 0.11% | 3,600,000 | – | – | – | 3,600,000 |
| Mr. Chi Xun | 3,600,000 | 0.11% | 3,600,000 | – | – | – | 3,600,000 |
| Mr. Shang Yu | 3,300,000 | 0.10% | 3,300,000 | – | – | – | 3,300,000 |
| Mr. Jing Hong | 3,600,000 | 0.11% | 2,200,000 | – | – | – | 2,200,000 |
| Senior management and employees | | | | | | | |
| | 30,080,000 | 0.90% | 22,605,875 | 783,000 | – | – | 21,822,875 |
| Total | 51,080,000 | 1.53% | 42,205,875 | 4,383,000 | – | – | 37,822,875 |

* Mr. Sun Hongbin is also the chief executive officer and a substantial shareholder of the Company.

Except for the Directors listed in the table above, none of the grantees under the Pre-IPO Share Option Scheme is a connected person of the Group.

Corporate Governance and Other Information

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved and adopted by the shareholders of the Company at the annual general meeting held on 29 April 2011 (the “Post-IPO Share Option Scheme Adoption Date”). The purpose of which is to motivate the employees of the Company and its subsidiaries to diligently enhance the value of the Company and its shares for the benefit of all its shareholders, and to attract and retain the valuable employees who would make a contribution and be or may be beneficial to the growth and development of the Company. All the shareholders of the Company approved and adopted the amended Post-IPO Share Option Scheme at the extraordinary general meeting held in 17 March 2014. The principal terms and conditions of the amended Post-IPO Share Option Scheme are set out as follows:

- (a) the maximum number of shares in respect of the share options that may be granted (the “Share Options”) shall not exceed 99,900,000 shares, or 3.33% of the total issued shares as at the Post-IPO Share Option Scheme Adoption Date;
- (b) the total number of shares issued or to be issued upon exercise of the Share Options granted and to be granted to each eligible participant in any 12-month period must not exceed 1% of the total shares in issue, except subject to shareholders’ approval;
- (c) the Post-IPO Share Option Scheme has been effective and valid for six years since the Post-IPO Share Option Scheme Adoption Date, unless it may be early terminated subject to the resolution of the Board;
- (d) the Share Options shall be granted in accordance with the following schedule:

| Grant Period | Percentage of the total issued shares as at the Post-IPO Share Option Scheme Adoption Date (i.e. 3,000,000,000 shares, the “Total Issued Shares”) |
|--|---|
| The year commencing from the Post-IPO Share Option Scheme Adoption Date | (the “1st Grant Period”) 1.33%; |
| The year commencing from the 1st anniversary of the Post-IPO Share Option Scheme Adoption Date | (the “2nd Grant Period”) 1% of the Total Issued Shares plus the Share Options not granted during the 1st Grant Period; |
| The year commencing from the 2nd anniversary of the Post-IPO Share Option Scheme Adoption Date | (the “3rd Grant Period”) 1% of the Total Issued Shares plus the Share Options not granted during the 1st Grant Period and the 2nd Grant Period; |

- (e) the subscription prices are subject to the absolute discretion of the Board which, however, shall not be lower than the highest of (i) the closing price of the shares as stated in the daily quotation sheet issued by the SEHK on the date of the offer of the Share Options (“Offer Date”); (ii) the average closing price of the shares as stated in the daily quotation sheet issued by the SEHK for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the shares;

Corporate Governance and Other Information

(f) the Share Options granted to each grantee shall vest in accordance with the following schedule:

| <u>Vesting Date</u> | <u>Percentage of the Share Options vested/to be vested on the Vesting Date</u> |
|---|--|
| (1) The Share Options granted during the 1st Grant Period | |
| Grant date | 30% |
| Upon the first anniversary date of the commencement date of the 1st Grant Period | An additional 30% (i.e. up to 60% in total) |
| Upon the second anniversary date of the commencement date of the 1st Grant Period | An additional 40% (i.e. up to 100% in total) |
| (2) The Share Options granted during the 2nd Grant Period | |
| Grant date | 30% |
| Upon the first anniversary date of the commencement date of the 2nd Grant Period | An additional 30% (i.e. up to 60% in total) |
| Upon the second anniversary date of the commencement date of the 2nd Grant Period | An additional 40% (i.e. up to 100% in total) |
| (3) The Share Options granted during the 3rd Grant Period | |
| Grant date | 30% |
| Upon the first anniversary date of the commencement date of the 3rd Grant Period | An additional 30% (i.e. up to 60% in total) |
| Upon the second anniversary date of the commencement date of the 3rd Grant Period | An additional 40% (i.e. up to 100% in total) |

The Post-IPO Share Options, once vested, shall be exercisable within a period of six years from the Post-IPO Share Option Scheme Adoption Date or the most recent anniversary of the Post-IPO Share Option Scheme Adoption Date.

A Post-IPO Share Option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any Share Option (except that the grantee may nominate a nominee, of which the grantee is the sole beneficial owner, in whose name the shares issued pursuant to the Post-IPO Share Option Scheme may be registered). Any breach of the foregoing by the grantee shall entitle the Company to cancel any outstanding Share Option or any part thereof to the extent not already exercised.

On 30 September 2011, the Company granted an aggregate of 39,900,000 Share Options under the Post-IPO Share Option Scheme, at an exercise price of HK\$1.484 per share. The closing price of the shares immediately before the date of grant was HK\$1.44 per share.

On 21 May 2012, the Company granted an aggregate of 29,100,000 Share Options under the Post-IPO Share Option Scheme, at an exercise price of HK\$2.33 per share. The closing price of the shares immediately before the date of grant was HK\$2.22 per share.

On 2 May 2013, the Company granted an aggregate of 30,900,000 Share Options under the Post-IPO Share Option Scheme, at an exercise price of HK\$6.32 per share. The closing price of the shares immediately before the date of grant was HK\$6.26 per share.

Corporate Governance and Other Information

Movement of the Share Options under the Post-IPO Share Option Scheme during the six months ended 30 June 2014 is as follows:

| Name of Grantee | Number of Share Options granted on 30 September 2011 (Note1) | Number of Share Options granted on 21 May 2012 (Note2) | Number of Share Options granted on 2 May 2013 (Note3) | Number of outstanding Share Options as at 1 January 2014 | Number of exercised Share Options during the six months ended 30 June 2014 | Number of cancelled options during the six months ended 30 June 2014 | Number of lapsed options during the six months ended 30 June 2014 | Number of outstanding options as at 30 June 2014 |
|--|---|---|--|--|--|--|---|--|
| Directors | | | | | | | | |
| Mr. Sun Hongbin* | 2,600,000 | 400,000 | – | 3,000,000 | 2,840,000 | 160,000 | – | – |
| Mr. Wang Mengde | 2,300,000 | 1,300,000 | 1,600,000 | 5,200,000 | – | – | – | 5,200,000 |
| Mr. Li Shaozhong | 2,300,000 | 1,200,000 | 1,300,000 | 4,800,000 | – | – | – | 4,800,000 |
| Mr. Chi Xun | 2,600,000 | 1,200,000 | 1,300,000 | 4,900,000 | – | – | – | 4,900,000 |
| Mr. Shang Yu | 2,300,000 | 1,200,000 | 1,300,000 | 4,800,000 | – | – | – | 4,800,000 |
| Mr. Jing Hong | 2,600,000 | 1,200,000 | 1,300,000 | 4,650,000 | – | – | – | 4,650,000 |
| Senior management and employees | | | | | | | | |
| | 25,200,000 | 22,600,000 | 24,100,000 | 57,993,400 | 866,400 | 179,000 | 105,000 | 56,843,000 |
| Total | 39,900,000 | 29,100,000 | 30,900,000 | 85,343,400 | 3,706,400 | 339,000 | 105,000 | 81,193,000 |

* Mr. Sun Hongbin is also the chief executive officer and a substantial shareholder of the Company.

Notes:

- Upon the amendment of the terms of the share options granted, the exercise period is from 30 September 2011 to 28 April 2017 and the share options have vested in accordance with the following vesting dates: (i) 30% of the Share Options shall be vested on the date of grant (i.e. 30 September 2011); (ii) the remaining 30% of the Share Options shall be vested on 29 April 2012; and (iii) the remaining 40% of the Share Options shall be vested on 29 April 2013. The closing price of the Company's shares listed on the SEHK immediately before the date on which the Share Options were granted was HK\$1.44 per share.
- Upon the amendment of the terms of the share options granted, the exercise period is from 21 May 2012 to 28 April 2018 and the share options shall vest in accordance with the following vesting dates: (i) 30% of the Share Options shall be vested on the date of grant (i.e. 21 May 2012); (ii) the remaining 30% of the Share Options shall be vested on 29 April 2013; and (iii) the remaining 40% of the Share Options shall be vested on 29 April 2014. The closing price of the Company's shares listed on the SEHK immediately before the date on which the Share Options were granted was HK\$2.22 per share.
- Upon the amendment of the terms of the share options granted, the exercise period is from 2 May 2013 to 28 April 2019 and the share options shall vest in accordance with the following vesting dates: (i) 30% of the Share Options shall be vested on the date of grant (i.e. 2 May 2013); (ii) the remaining 30% of the Share Options shall be vested on 29 April 2014; and (iii) the remaining 40% of the Share Options shall be vested on 29 April 2015. The closing price of the Company's shares listed on the SEHK immediately before the date on which the Share Options were granted was HK\$6.26 per share.

During the six months ended 30 June 2014, directors, certain senior management and employees of the Company exercised an aggregate of 2,998,400 Share Options granted on 30 September 2011 under the Post-IPO Share Option Scheme, at an exercise price of HK\$1.484 per share. The weighted average closing price of the shares immediately before the date of exercise was HK\$4.60 per share.

Corporate Governance and Other Information

During the six months ended 30 June 2014, directors, certain senior management and employees of the Company exercised an aggregate of 708,000 Share Options granted on 21 May 2012 under the Post-IPO Share Option Scheme, at an exercise price of HK\$2.33 per share. The weighted average closing price of the shares immediately before the date of exercise was HK\$4.38 per share.

During the six months ended 30 June 2014, no director, senior management and employee of the Company exercised the Share Options granted on 2 May 2013.

Except for the Directors listed in the table above, none of the grantees under the Post-IPO Share Option Scheme is a connected person of the Group.

New Share Option Scheme

The New Share Option Scheme was approved and adopted by the shareholders of the Company at the annual general meeting held on 19 May 2014 (the “Adoption Date of the New Share Option Scheme”). The purpose of which is to motivate the directors, the management and the employees of the Group to work with commitment towards enhancing the value of the Company and its shares for the benefit of the shareholders of the Company, and to attract and retain the valuable employees who would be or may be beneficial to the growth and development of the Group. The principal terms and conditions of the New Share Option Scheme are set out as follows:

- (a) the maximum number of shares in respect of the share options that may be granted (the “Share Options”) shall not exceed 166,374,246 shares, or 5% of the total issued shares as at the Adoption Date of the New Share Option Scheme;
- (b) The total number of shares issued or to be issued upon exercise of the options granted and to be granted to each eligible participant in any 12-month period must not exceed 1% of the total shares in issue, except subject to shareholders’ approval;
- (c) the New Share Option Scheme has been effective and valid for five years since the Adoption Date of the New Share Option Scheme, unless it may be early terminated subject to the resolution of the Board;
- (d) the Share Options granted to each grantee shall vest in accordance with the following schedule:
 - 30% of such options shall be exercisable from the date specified as in the Offer Letter as being the offer date (“Offer Date”);
 - an additional 30% (i.e. up to 60% in total) of such options shall be exercisable from the 1st anniversary date of the Offer Date; and
 - an additional 40% (i.e. up to 100% in total) of such options shall be exercisable from the 2nd anniversary date of the Offer Date.

The New Share Options, once vested, shall be exercisable within a period of five years from the Offer Date.

A New Share Option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option (except that the grantee may nominate a nominee, of which the grantee is the sole beneficial owner, in whose name the Shares issued pursuant to the New Share Option Scheme may be registered). Any breach of the foregoing by the grantee shall entitle the Company to cancel any outstanding option or any part thereof to the extent not already exercised.

Corporate Governance and Other Information

On 5 June 2014, the Company granted an aggregate of 33,267,000 Share Options under the New Share Option Scheme, at an exercise price of HK\$4.07 per Share. The closing price of the Share immediately before the date of grant is HK\$3.96 per Share.

Movement of the Share Options under the New Share Option Scheme during the six months ended 30 June 2014 is as follows:

| Name of Grantee | Number of Share Options granted on 5 June 2014 (Note 1) | Number of Share Options exercised during 6 months ended 30 June 2014 | Number of Share Options cancelled during 6 months ended 30 June 2014 | Number of Share Options lapsed during 6 months ended 30 June 2014 | Number of Share Options outstanding as at 30 June 2014 |
|--|---|--|--|---|--|
| Directors | | | | | |
| Mr. Sun Hongbin* | 1,300,000 | – | – | – | 1,300,000 |
| Mr. Wang Mengde | 1,200,000 | – | – | – | 1,200,000 |
| Mr. Li Shaozhong | 1,100,000 | – | – | – | 1,100,000 |
| Mr. Chi Xun | 1,100,000 | – | – | – | 1,100,000 |
| Mr. Shang Yu | 1,100,000 | – | – | – | 1,100,000 |
| Mr. Jing Hong | 1,100,000 | – | – | – | 1,100,000 |
| Senior management and employees | 26,367,000 | – | – | – | 26,367,000 |
| Total | 33,267,000 | – | – | – | 33,267,000 |

* Mr. Sun Hongbin is also the chief executive officer and a substantial shareholder of the Company.

Note:

- The exercise period is from 5 June 2014 to 4 June 2019 and the Share Options have vested in accordance with the following vesting dates: (i) 30% of the Share Options shall be vested on the date of grant (i.e. 5 June 2014); (ii) the remaining 30% of the Share Options shall be vested on 5 June 2015; and (iii) the remaining 40% of the Share Options shall be vested on 5 June 2016. The closing price of the Company's shares listed on the SEHK immediately before the date on which the Share Options were granted was HK\$3.96 per share.

During the six months ended 30 June 2014, no director, senior management and employee of the Company exercised the Share Options granted on 5 June 2014.

Except for the Directors listed in the table above, none of the grantees under the New Share Option Scheme is a connected person of the Group.

Corporate Governance and Other Information

The weighted average fair value of options granted during the six months ended 30 June 2014 determined using the Binomial valuation model was HK\$4.07 per option. The significant input into the model were weighted average share price of HK\$4.07 at the grant date, exercise price of HK\$4.07, volatility of 44.53%, dividend yield of 1.66%, an expected option life of 5 years and an annual risk rate of 1.272%. The expected volatility is determined by calculating the historical volatility of the price of listed companies with similar business to the Group. The expected dividend yield is determined by the Directors based on the expected future performance and dividend policy of the Group. The amortization of share option of RMB12,317,000 was recognised as staff costs in the consolidated income statements.

Save as disclosed herein, during the six months ended 30 June 2014, the Company had not adopted any share option schemes. Save as disclosed in this report, there are no other share options that were granted, exercised, cancelled and lapsed during the six months ended 30 June 2014.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 30 June 2014, 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 its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required, to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, are set out below:

(i) Interest in shares of the Company and/or associated corporation

| Name of Director | Nature of Interest | Relevant company (including associated corporations) | Number of shares of the relevant company | Approximate percentage of interest in the relevant company |
|------------------|---|--|--|---|
| Mr. Sun Hongbin | Interest in a controlled corporation ⁽²⁾ | The Company | 1,589,549,451(L) ⁽¹⁾ | 47.76% |
| | Beneficial interest | The Company | 6,440,000(L) ⁽¹⁾ | 0.19% |
| | Beneficial interest | Sunac International Investment Holding Ltd ("Sunac International") ⁽³⁾ | 1(L) ⁽¹⁾ | 100% |
| Mr. Jing Hong | Beneficial interest | The Company | 650,000(L) ⁽¹⁾ | 0.02% |

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Mr. Sun is the beneficial owner of 100% of the issued share capital of Sunac International and is deemed to be interested in the shares held by Sunac International.
- (3) Sunac International is the holding company of the Company and therefore an "associated corporation" of our Company within the meaning of Part XV of the SFO.

Corporate Governance and Other Information

(ii) Interest in the underlying shares of the Company

| <u>Name of Director</u> | <u>Nature of Interest</u> | <u>Number of Underlying Shares (Note)</u> | <u>Approximate percentage of interest in the Company</u> |
|-------------------------|---------------------------|---|--|
| Mr. Sun Hongbin | Beneficial interest | 1,300,000 | 0.04% |
| Mr. Wang Mengde | Beneficial interest | 9,700,000 | 0.29% |
| Mr. Li Shaozhong | Beneficial interest | 9,500,000 | 0.29% |
| Mr. Chi Xun | Beneficial interest | 9,600,000 | 0.29% |
| Mr. Shang Yu | Beneficial interest | 9,200,000 | 0.28% |
| Mr. Jing Hong | Beneficial interest | 7,950,000 | 0.24% |

Note: The interests in the underlying shares are related to the Share Options granted under the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the New Share Option Scheme (as the case may be).

Save as disclosed herein, as at 30 June 2014, none of the Directors and chief executives of the Company, or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the SEHK pursuant to the Model Code.

INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 30 June 2014, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the shares or underlying shares of the Company:

Corporate Governance and Other Information

| <u>Name of Shareholder</u> | <u>Nature of Interest/Capacity</u> | <u>Number of Shares or underlying Shares⁽¹⁾</u> | <u>Approximate percentage of shareholding</u> |
|---|--------------------------------------|--|---|
| Sunac International | Beneficial interest | 1,589,549,451 (L) | 47.76% |
| Bain Capital Sunac Limited | Beneficial interest | 180,336,637 (L) | 5.42% |
| Bain Capital Asia Integral Investors, L.P. ⁽²⁾ | Interest in a controlled corporation | 180,336,637 (L) | 5.42% |
| Bain Capital Asia Fund, L.P. ⁽³⁾ | Interest in a controlled corporation | 180,336,637 (L) | 5.42% |
| Bain Capital Partners Asia, L.P. ⁽⁴⁾ | Interest in a controlled corporation | 180,336,637 (L) | 5.42% |
| Bain Capital Investors, LLC ⁽⁵⁾ | Interest in a controlled corporation | 180,336,637 (L) | 5.42% |
| JPMorgan Chase & Co. | Beneficial interest | 8,748,000 (L) | 0.26% |
| | Beneficial interest | 2,051,000 (S) | 0.06% |
| | Investment manager | 112,742,000 (L) | 3.39% |
| | Custodian/Approved lending agent | 78,574,376 (L) | 2.36% |

Notes:

- (1) The letter “L” denotes the person’s long position in such shares. The letter “S” denotes the person’s short position in such shares.
- (2) Bain Capital Asia Integral Investors, L.P. owns 99.48% of the shares in Bain Capital Sunac Limited.
- (3) Bain Capital Asia Fund, L.P. owns 94.45% of the partnership interests in Bain Capital Asia Integral Investors, L.P.
- (4) Bain Capital Partners Asia, L.P. is the general partner and owns 0.10% of the partnership interest in Bain Capital Asia Fund, L.P.
- (5) Bain Capital Investors, LLC is the general partner of, and owns 0.10% of the partnership interest in, Bain Capital Partners Asia, L.P. and Bain Capital Asia Integral Investors, L.P.

Save as disclosed herein, as at 30 June 2014, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

Corporate Governance and Other Information

SHARE CAPITAL STRUCTURE

Save as disclosed below, there was no change in the share capital structure of the Group at 30 June 2014 as compared with that at 30 June 2013.

On 21 January 2013, the Company, Sunac International Investment Holdings Ltd. (the controlling shareholder of the Company) as vendor (the “Vendor”) and Citigroup Global Markets Asia Limited as placing agent (the “Placing Agent”) had entered into a placing and subscription agreement (the “Placing and Subscription Agreement”) pursuant to which the Placing Agent had agreed to place, on a fully underwritten basis, the 300,000,000 shares of the Company of HK\$0.1 each (the “Placing Shares”) at a price of HK\$6.70 per share on behalf of the Vendor (the “Placing”). Pursuant to the Placing and Subscription Agreement, the Vendor had also conditionally agreed to subscribe for the Placing Shares at the Placing Price (the “Subscription”).

Further details of the Placing and Subscription are set forth below:

| | |
|---|---|
| Number of Shares being placed: | 300,000,000 existing Shares, representing approximately 9.94% of the issued share capital of the Company at the date of Placing and about 9.04% of the issued share capital of the Company as enlarged by the Subscription. |
| Allotees: | The Placing Shares was placed by the Placing Agent to not less than six independent professional, institutional and/or individual investors who are or will be third parties independent of and not connected with the Company or any of its connected persons. |
| Placing Price: | The Placing Price of HK\$6.70 per Share represents (i) a discount of approximately 6.82% to the closing price of HK\$7.19 per Share as quoted on the SEHK on 21 January 2013, being the date of the Placing and Subscription Agreement; (ii) a discount of approximately 4.96% to the closing price of HK\$7.05 per Share as quoted on the SEHK on 18 January 2013; and (iii) a discount of approximately 4.01% to the average closing price of HK\$6.98 per Share as quoted on the SEHK for the last 5 trading days up to and including 21 January 2013. |
| Net proceeds and utilization of the proceeds: | The gross proceeds and net proceeds (after deducting relevant commissions, taxes and other expenses) from the Subscription were HK\$2,010,000,000 and approximately HK\$1,998,705,090, respectively. All of the proceed from the Subscription has been utilized by the Company in acquisition of new land as at the date of this report. |
| Reason for the Placing: | The Placing was undertaken to optimize the Company’s capital structure. The Directors considered the Placing would provide additional funding to the Company’s development whilst broadening the shareholder base and the capital base of the Company. |

Corporate Governance and Other Information

INTERIM DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CONDITION OF SPECIFIC OBLIGATION TO BE PERFORMED BY THE CONTROLLING SHAREHOLDER UNDER A FACILITY AGREEMENT

Pursuant to Rule 13.18 of the Listing Rules, on 23 July 2013, the Company as one of the parent guarantors, Sunac Greentown Investment Holdings Limited, as the borrower, a company which is a non wholly owned subsidiary of the Company, entered into the Facility Agreement with, among others, Industrial and Commercial Bank of China (Asia) Limited, Deutsche Bank AG, London Branch, China CITIC Bank International Limited, Bank of China Limited Macau Branch and ICBC International Capital Limited, as the Original Lenders in relation to certain three-year term loan facilities in an aggregate amount of approximately US\$400,000,000, which subject to the accession by any bank(s) to the Facility Agreement pursuant to the terms thereunder will be increased to an amount not exceeding an aggregate amount of approximately US\$450,000,000. The Facility Agreement includes a term which requires the controlling shareholder of the Company to maintain a minimum percentage of shareholding in the Company. Pursuant to the terms of the Facility Agreement, a mandatory prepayment obligation will arise if, among other conditions, Mr. Sun Hongbin and his affiliated companies cease to beneficially own not less than 30% of the entire beneficial shareholding interest in the Company. It will be an Event of Default (as defined in the Facility Agreement) under the Facility Agreement if a mandatory prepayment obligation under the Facility Agreement is not fulfilled within 2 business days of the due date pursuant to the Facility Agreement.

Pursuant to Rule 13.18 of the Listing Rules, on 9 June 2014, the Company as the borrower and its subsidiaries as the guarantors entered into the facility agreement with, among others, Bank of China Limited Macau Branch, China CITIC Bank International Limited, Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited as the lenders in relation to an aggregate amount of approximately US\$260,000,000, which subject to the accession by any other bank(s) to the facility agreement pursuant to the terms thereunder, will be increased to an aggregate amount not exceeding US\$350,000,000, for a period of 3 years from the date of the facility agreement. Pursuant to the Facility Agreement, among other things, upon the occurrence of any event that Mr. Sun Hongbin ceases to, among others, (i) hold, whether directly or indirectly through any person, beneficially 30 per cent. or more of the issued ordinary share capital of the Company; (ii) be the single largest shareholder of the Company; (iii) have the management control over the Borrower; or (iv) be the chairman of the board of directors of the Company, following the instructions given by the majority lenders, the Facility Agent will declare the relevant commitment under the Facility Agreement to be cancelled and/or declare all outstanding loans under the Facility Agreement, together with accrued interest, and all other amounts accrued under the Finance Documents (as defined in the Facility Agreement) to become due and immediately payable by giving prior notice to the Company. If the prepayment for the relevant Loan is not made within the prescribed period, an event of default will occur in accordance with the Facility Agreement.

Corporate Governance and Other Information

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2014, the Group had a total of 6,854 employees in Hong Kong and the PRC. For the six months ended 30 June 2014, the staff cost of the Group was approximately RMB246.5 million.

The employees' remuneration policy is determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal once every year for its employees, the results of which are taken account of in annual salary review and promotion assessment. The Group's employees are considered for the entitlement of annual bonus according to certain performance conditions and appraisal results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff.

To attract and maintain talented people, eligible participants (including employees of the Group) may be granted Share Options to subscribe for shares of the Company pursuant to the Pre-IPO Share Option Scheme adopted by the Board on 9 September 2010, the Post-IPO Share Option Scheme adopted on the annual general meeting held on 29 April 2011 and the New Share Option Scheme adopted on the annual general meeting held on 19 May 2014, details of which are disclosed from page 26 to page 33 of this interim report. In addition, the Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain their competitiveness. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the six months ended 30 June 2014.

The emoluments of the Directors are firstly reviewed by the remuneration committee of the Board and then approved by the Board, having regard to the Director's skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealings in the securities of the Company. Upon specific enquiries being made with all Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2014 in relation to their securities dealings, if any.

Corporate Governance and Other Information

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3 of the Corporate Governance Code. The Audit Committee consists of four independent non-executive Directors, namely, Mr. Poon Chiu Kwok, Mr. Li Qin, Mr. Ma Lishan and Mr. Tse Chi Wai, and is chaired by Mr. Poon Chiu Kwok who has possessed appropriate accounting and related financial management expertise. The primary duties of the Audit Committee are to assist the Board to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee and the auditor of the Company, PricewaterhouseCoopers, reviewed the accounting principles and practices adopted by the Company and discussed matters related to auditing, internal control and financial reporting matters, including the review of the unaudited interim financial results of the Group for the six months ended 30 June 2014.

By the order of the Board
Sunac China Holdings Limited
SUN Hongbin
Chairman

Hong Kong, 25 August 2014

Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of Sunac China Holdings Limited
(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 42 to 70, which comprises the interim condensed consolidated balance sheet of Sunac China Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2014 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of 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 Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Report on Review of Interim Financial Information



羅兵咸永道

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 Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2014

Interim Condensed Consolidated Balance Sheet

As at 30 June 2014

| | Note | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|---|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 60,208 | 65,381 |
| Investment properties | 7 | 252,000 | 252,000 |
| Intangible assets | 7 | 234,639 | 234,234 |
| Investments accounted for using the equity method | 8 | 9,273,561 | 7,908,864 |
| Prepayments for equity investments | | 1,042,500 | – |
| Deferred income tax assets | | 1,423,227 | 1,304,554 |
| | | 12,286,135 | 9,765,033 |
| Current assets | | | |
| Properties under development | 9 | 38,942,994 | 40,694,597 |
| Completed properties held for sale | 10 | 15,354,428 | 17,411,712 |
| Trade and other receivables | 11 | 1,709,703 | 1,213,763 |
| Amounts due from related companies | 26 | 16,363,255 | 9,755,363 |
| Prepayments | 12 | 2,934,567 | 2,505,811 |
| Available-for-sale financial assets | 13 | 226,000 | – |
| Restricted cash | 14 | 2,318,265 | 2,594,666 |
| Cash and cash equivalents | | 20,666,397 | 13,414,017 |
| | | 98,515,609 | 87,589,929 |
| Total assets | | 110,801,744 | 97,354,962 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 15 | 285,691 | 285,055 |
| Reserves | 16 | | |
| – Proposed final dividend | | – | 635,681 |
| – Others | | 14,158,910 | 12,684,567 |
| | | 14,444,601 | 13,605,303 |
| Non-controlling interests | | 4,504,368 | 4,606,015 |
| Total equity | | 18,948,969 | 18,211,318 |

Interim Condensed Consolidated Balance Sheet

As at 30 June 2014

| | Note | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|--|------|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 18 | 21,790,083 | 20,871,569 |
| Deferred income tax liabilities | | 6,230,167 | 6,483,025 |
| | | 28,020,250 | 27,354,594 |
| Current liabilities | | | |
| Trade and other payables | 17 | 7,862,584 | 12,402,014 |
| Advanced proceeds from customers | | 13,872,591 | 13,647,124 |
| Amounts due to related companies | 26 | 17,828,468 | 6,894,723 |
| Amounts due to non-controlling interests | | 3,860,915 | 4,498,333 |
| Current income tax liabilities | | 6,571,130 | 6,512,135 |
| Borrowings | 18 | 13,836,837 | 7,834,721 |
| | | 63,832,525 | 51,789,050 |
| Total liabilities | | 91,852,775 | 79,143,644 |
| Total equity and liabilities | | 110,801,744 | 97,354,962 |
| Net current assets | | 34,683,084 | 35,800,879 |
| Total assets less current liabilities | | 46,969,219 | 45,565,912 |

The notes on pages 47 to 70 form an integral part of this interim condensed consolidated financial information.

The interim condensed consolidated financial information on pages 42 to 70 were approved by the Board of Directors on 25 August 2014 and were signed on its behalf.

Sun Hongbin
Director

Wang Mengde
Director

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

| | Note | Six months ended 30 June | |
|---|------|--------------------------------|--------------------------------|
| | | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
| Revenue | 6 | 9,066,998 | 8,562,752 |
| Cost of sales | | (7,033,325) | (6,783,777) |
| Gross profit | | 2,033,673 | 1,778,975 |
| Other income and gains | 20 | 23,117 | 121,555 |
| Selling and marketing costs | | (266,819) | (254,965) |
| Administrative expenses | | (278,407) | (206,412) |
| Other expenses | | (8,982) | (4,490) |
| Operating profit | | 1,502,582 | 1,434,663 |
| Finance income | 21 | 213,211 | 37,234 |
| Finance costs | 21 | (509,586) | (287,836) |
| Share of post-tax profits of investments accounted for using equity method, net | 8 | 281,238 | 244,909 |
| Profit before income tax | | 1,487,445 | 1,428,970 |
| Income tax expense | 22 | (789,602) | (545,462) |
| Profit for the period | | 697,843 | 883,508 |
| Other comprehensive income for the period | | – | – |
| Total comprehensive income for the period | | 697,843 | 883,508 |
| Attributable to: | | | |
| – Owners of the Company | | 812,612 | 752,418 |
| – Non-controlling interests | | (114,769) | 131,090 |
| | | 697,843 | 883,508 |
| Earnings per share attributable to owners of the Company (expressed in RMB per share): | 23 | | |
| – Basic earnings per share | | 0.244 | 0.230 |
| – Diluted earnings per share | | 0.241 | 0.226 |
| Dividends | 27 | – | – |

The notes on pages 47 to 70 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

| | Unaudited | | | | | |
|--|---------------------------------------|--|----------------------------------|------------------|---|----------------------------|
| | Attributable to owners of the Company | | | | | |
| | Note | Ordinary shares RMB'000 (Note 15) | Reserves RMB'000 (Note 16) | Total RMB'000 | Non- controlling interests RMB'000 | Total equity RMB'000 |
| Balance at 1 January 2014 | | 285,055 | 13,320,248 | 13,605,303 | 4,606,015 | 18,211,318 |
| Total comprehensive income for the period ended 30 June 2014 | | – | 812,612 | 812,612 | (114,769) | 697,843 |
| Transactions with owners, recognised directly in equity | | | | | | |
| Employees share option schemes: | | | | | | |
| – Value of employee services | 16 | – | 12,317 | 12,317 | – | 12,317 |
| – Proceeds from shares issued | 15, 16 | 636 | 13,733 | 14,369 | – | 14,369 |
| Disposal of a subsidiary | | – | – | – | 13,122 | 13,122 |
| | | 636 | 26,050 | 26,686 | 13,122 | 39,808 |
| Balance at 30 June 2014 | | 285,691 | 14,158,910 | 14,444,601 | 4,504,368 | 18,948,969 |
| Balance at 1 January 2013 | | 260,341 | 9,228,671 | 9,489,012 | 2,505,164 | 11,994,176 |
| Total comprehensive income for the period ended 30 June 2013 | | – | 752,418 | 752,418 | 131,090 | 883,508 |
| Transactions with owners, recognised directly in equity | | | | | | |
| Employees share option schemes: | | | | | | |
| – Value of employee services | 16 | – | 13,963 | 13,963 | – | 13,963 |
| – Proceeds from shares issued | 16 | 274 | 6,316 | 6,590 | – | 6,590 |
| Placing ordinary shares | 16 | 24,294 | 1,594,257 | 1,618,551 | – | 1,618,551 |
| Transactions with non-controlling interests | | – | (64,249) | (64,249) | (55,369) | (119,618) |
| Others | | – | 2,641 | 2,641 | – | 2,641 |
| | | 24,568 | 1,552,928 | 1,577,496 | (55,369) | 1,522,127 |
| Balance at 30 June 2013 | | 284,909 | 11,534,017 | 11,818,926 | 2,580,885 | 14,399,811 |

The notes on pages 47 to 70 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

| | Note | Six months ended 30 June | |
|---|------|--------------------------------|--------------------------------|
| | | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
| Cash flows from operating activities | | 9,390,601 | 3,661,248 |
| Income tax paid | | (1,839,551) | (2,037,866) |
| Net cash generated from operating activities | | 7,551,050 | 1,623,382 |
| Cash flows from investing activities | | | |
| Investments in joint ventures and associates | | (2,161,496) | (882,663) |
| Prepayments for equity investments | | (1,042,500) | (2,080,862) |
| Purchase of financial assets | | (226,000) | – |
| Other investing cash flows | | (2,675,153) | (487,561) |
| Net cash used in investing activities | | (6,105,149) | (3,451,086) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 9,869,972 | 10,132,356 |
| Proceeds from issuance of ordinary shares | | 14,369 | 1,625,141 |
| Proceeds from bonds offering, net | | – | 3,093,841 |
| Repayments of borrowings | | (2,492,154) | (10,527,983) |
| Interest paid | | (1,464,517) | (1,136,633) |
| Restricted cash guaranteed for bank borrowings | | (138,010) | 199,012 |
| Proceeds from non-controlling interests' investments, net | | – | 955,401 |
| Other financing cash flows | | – | 30,714 |
| Net cash generated from financing activities | | 5,789,660 | 4,371,849 |
| Net increase in cash and cash equivalents | | 7,235,561 | 2,544,145 |
| Cash and cash equivalents at beginning of period | | 13,414,017 | 8,394,026 |
| Effect of exchange difference | | 16,819 | (77,445) |
| Cash and cash equivalents at end of period | | 20,666,397 | 10,860,726 |

The notes on pages 47 to 70 form an integral part of this interim condensed consolidated financial information.

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

1 General information

Sunac China Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in property development, property investment and property management in the People’s Republic of China (the “PRC”).

The Company is a limited company incorporated in the Cayman Islands. The address of its registered office is Landmark Square, 3rd Floor, 64 Earth Close, P.O. Box 30592, Grand Cayman KY1-1203, Cayman Islands.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 7 October 2010.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information had been approved for issue by the board of directors of the Company (the “Board”) on 25 August 2014.

This condensed consolidated interim financial information has been reviewed, not audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its pre-sale proceeds, bank facilities and other borrowings from third parties. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group’s property products; and (b) the availability of bank finance for the foreseeable future. The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group had adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

The following amendments and interpretation have been adopted by the Group for the first time for the accounting period beginning on 1 January 2014:

Amendment to HKAS 32 “Financial instruments: Presentation” on asset and liability offsetting clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

3 Accounting policies (continued)

(a) New and amended standards adopted by the Group (continued)

Amendments to HKFRS 10, 12 and HKAS 27 “Consolidation for investment entities” mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an ‘investment entity’ definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make.

Amendment to HKAS 36 “Impairment of assets” on recoverable amount disclosures addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to HKAS 39 “Financial Instruments: Recognition and Measurement” – Novation of derivatives provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HK(IFRIC) 21 “Levies” is an interpretation of HKAS 37 “Provisions, contingent liabilities and contingent assets”. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The adoption of these amendments and interpretation to HKFRS has no material impact to the Group.

(b) New and amended standards not early adopted by the Group

The following new standards, amendments and interpretations which have been issued but are not yet effective have not been early adopted by the Group.

(I) *Changes effective for annual periods beginning on or after 1 July 2014*

Amendment to HKAS 19 regarding defined benefit plans

Annual improvements 2012

Annual improvements 2013

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

3 Accounting policies (continued)

(b) New and amended standards not early adopted by the Group (continued)

(II) Changes effective for annual periods beginning on or after 1 January 2016

HKFRS 14 “Regulatory Deferral Accounts”

Amendment to HKFRS 11 on accounting for acquisitions of interests in joint operation

Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation

(III) Mandatory effective date not yet determined

HKFRS 9 “Financial Instruments”

According to the Group’s assessment, adoption of these new standards, amendments and interpretations will not have material impact to the Group.

4 Estimates

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5 Financial risk management and financial instruments

5.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2013.

There have been no significant changes in the risk or in any risk management policies since 31 December 2013.

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

6 Segment information

The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports.

The executive directors assess the performance of property development business and property management service business respectively. The performance of the operating segments is assessed based on a measure of profit/(loss) before income tax.

The analysis of the Group's profit before income tax by segment is as follows:

| | Six months ended 30 June 2014 | | |
|--|--|---|------------------|
| | Property development and investment RMB'000 | Property management and others RMB'000 | Total RMB'000 |
| Total segment revenue | 8,938,438 | 136,713 | 9,075,151 |
| Inter-segment revenue | – | (8,153) | (8,153) |
| Revenue from external customers | 8,938,438 | 128,560 | 9,066,998 |
| Profit/(loss) before income tax | 1,533,095 | (45,650) | 1,487,445 |

| | As at 30 June 2014 | | |
|---------------------------|--|---|------------------|
| | Property development and investment RMB'000 | Property management and others RMB'000 | Total RMB'000 |
| Total segment assets | 109,275,720 | 102,797 | 109,378,517 |
| Total segment liabilities | 78,808,849 | 242,629 | 79,051,478 |

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

6 Segment information (continued)

| | Six months ended 30 June 2013 | | |
|--|--|---|------------------|
| | Property development and investment RMB'000 | Property management and others RMB'000 | Total RMB'000 |
| Total segment revenue | 8,477,299 | 104,263 | 8,581,562 |
| Inter-segment revenue | – | (18,810) | (18,810) |
| Revenue from external customers | 8,477,299 | 85,453 | 8,562,752 |
| Profit/(loss) before income tax | 1,471,168 | (42,198) | 1,428,970 |

| | As at 31 December 2013 | | |
|---------------------------|--|---|------------------|
| | Property development and investment RMB'000 | Property management and others RMB'000 | Total RMB'000 |
| Total segment assets | 95,909,375 | 141,033 | 96,050,408 |
| Total segment liabilities | 65,905,140 | 243,344 | 66,148,484 |

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

7 Property, plant and equipment, investment properties and intangible assets

| | Property, plant and equipment RMB'000 | Investment properties RMB'000 | Intangible assets | | Total RMB'000 |
|--------------------------------------|--|-------------------------------------|---------------------|--|------------------|
| | | | Goodwill RMB'000 | Other intangible assets RMB'000 | |
| Six months ended 30 June 2014 | | | | | |
| Net book value or valuation | | | | | |
| Opening amount as at | | | | | |
| 1 January 2014 | 65,381 | 252,000 | 233,694 | 540 | 234,234 |
| Additions | 9,374 | – | – | 648 | 648 |
| Disposal of subsidiaries | (1,718) | – | – | – | – |
| Disposals | (1,063) | – | – | – | – |
| Depreciation and amortization | (11,766) | – | – | (243) | (243) |
| Closing amount as at 30 June 2014 | 60,208 | 252,000 | 233,694 | 945 | 234,639 |
| Six months ended 30 June 2013 | | | | | |
| Net book value or valuation | | | | | |
| Opening amount as at | | | | | |
| 1 January 2013 | 48,947 | 570,500 | 301,805 | 6,695 | 308,500 |
| Additions | 11,136 | – | – | – | – |
| Acquisition of a subsidiary | 3,036 | – | 35,070 | – | 35,070 |
| Disposals | (1,510) | (322,500) | – | – | – |
| Depreciation and amortization | (8,837) | – | – | (3,094) | (3,094) |
| Impairment provision | – | – | (20,892) | – | (20,892) |
| Closing amount as at 30 June 2013 | 52,772 | 248,000 | 315,983 | 3,601 | 319,584 |

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

8 Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

| | As at | |
|----------------|-------------------------|-----------------------------|
| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
| Joint ventures | 5,933,100 | 4,925,337 |
| Associates | 3,340,461 | 2,983,527 |
| | 9,273,561 | 7,908,864 |

The amounts recognised in the profit or loss are as follows:

| | Six months ended 30 June | |
|----------------|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| Joint ventures | (75,696) | (31,624) |
| Associates | 356,934 | 276,533 |
| | 281,238 | 244,909 |

8.1 Investments in joint ventures

The Group has interests in a number of joint ventures. The following table analyses, in aggregate, the movement of the carrying amount of the Group's investments in these joint ventures, and its share of results of these joint ventures.

An analysis of the movement of equity investments in joint ventures is as follows:

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| At beginning of period | 4,925,337 | 1,081,184 |
| Subsidiaries becoming joint ventures | 104,708 | – |
| Investments in joint ventures | 978,751 | 330,000 |
| Share of losses of joint ventures, net | (75,696) | (31,624) |
| Increase investment in an existing joint venture | – | 181,300 |
| An associate becoming a joint venture | – | 706,482 |
| A joint venture becoming a subsidiary | – | (205,490) |
| Dividend from a joint venture | – | (26,667) |
| At end of period | 5,933,100 | 2,035,185 |

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

8 Investments accounted for using the equity method (continued)

8.2 Investments in associates

The Group has interests in a number of associates. The following table analyses, in aggregate, the movement of the carrying amount of the Group's investments in these associates, and its share of results of these associates.

An analysis of the movement of equity investments in associates is as follows:

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| At beginning of period | 2,983,527 | 3,123,480 |
| Share of post-tax profits of associates, net | 356,934 | 276,533 |
| Investments in associates | – | 22,500 |
| An associate becoming a joint venture | – | (353,242) |
| At end of period | 3,340,461 | 3,069,271 |

9 Properties under development (“PUD”)

| | As at | |
|---|----------------------------|--------------------------------|
| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
| Land use rights | 25,163,935 | 29,024,905 |
| Construction costs and capitalized expenditures | 10,315,058 | 8,901,818 |
| Capitalized finance costs | 3,499,882 | 2,794,874 |
| Less: Provision for loss on realisable value | (35,881) | (27,000) |
| | 38,942,994 | 40,694,597 |
| To be completed within 12 months | 10,063,005 | 11,269,582 |
| To be completed after 12 months | 28,879,989 | 29,425,015 |
| | 38,942,994 | 40,694,597 |

The PUD are all located in the PRC.

As at 30 June 2014, certain PUD amounting to RMB22,952 million were pledged as collateral for the Group's borrowings (31 December 2013: RMB32,189 million) (Note 18).

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

10 Completed properties held for sale

| | As at | |
|---|----------------------------|--------------------------------|
| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
| Completed properties held for sale, gross | 15,913,734 | 17,708,198 |
| Less: Provision for loss on realisable value (Note (i)) | (559,306) | (296,486) |
| | 15,354,428 | 17,411,712 |

The completed properties held for sale are all located in the PRC.

As at 30 June 2014, certain completed properties held for sale amounting to RMB10,646 million (31 December 2013: RMB10,959 million) were pledged as collateral for the Group's borrowing (Note 18).

- (i) The Group made the assessment on the realisable value of properties based on the latest market status and the estimated average selling prices.

11 Trade and other receivables

| | As at | |
|------------------------------------|----------------------------|--------------------------------|
| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
| Trade receivables | 475,136 | 50,876 |
| Notes receivables | 150 | 2,400 |
| Receivables from a disposal of PUD | 800,000 | 840,788 |
| Other receivables | | |
| – Deposits | 228,925 | 200,367 |
| – Others | 205,492 | 119,332 |
| | 1,709,703 | 1,213,763 |

As at 30 June 2014 and 31 December 2013, the carrying amounts of the Group's trade and other receivables were all denominated in RMB and the carrying amounts of trade and other receivables approximated their fair value.

During the six month period ended 30 June 2014, the Group allows a credit period of 90-180 days to certain customers with good credit standing.

The ageing of the Group's trade and notes receivables was all within 90 days as at 30 June 2014.

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

12 Prepayments

| | As at | |
|---|----------------------------|--------------------------------|
| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
| Prepaid taxes | | |
| – Business tax and surcharge | 825,381 | 736,866 |
| – Land appreciation tax | 922,881 | 754,616 |
| – Corporate income tax | 981,045 | 482,034 |
| Prepayments for land use rights acquisition | 182,962 | 480,165 |
| Prepayments for project development costs | 22,298 | 52,130 |
| | 2,934,567 | 2,505,811 |

The carrying amounts of the Group's prepayments were all denominated in RMB.

13 Available-for-sale financial assets

The Group's available-for-sale financial assets represented an investment portfolio managed by a financial institution. The maturity dates of the respective investments are within the year ending 31 December 2014.

14 Restricted cash

| | As at | |
|--|----------------------------|--------------------------------|
| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
| Restricted cash from presales of properties (Note (a)) | 831,002 | 1,279,891 |
| Guarantee deposits for bank loans | 1,294,010 | 1,156,000 |
| Others | 193,253 | 158,775 |
| | 2,318,265 | 2,594,666 |

Note:

- (a) Restricted cash from pre-sale of properties is certain portion of the proceeds from pre-sale of properties in certain subsidiaries of the Company saved in restricted bank accounts according to related regulations issued by the PRC local governments for the purpose of ensuring the property pre-sale proceeds are used in properties development.

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

15 Share capital

| | Number of shares (thousands) | Ordinary shares | |
|---|--|------------------|--------------------------|
| | | HK\$'000 | Equivalent to RMB'000 |
| Authorised: | | | |
| Ordinary shares of HK\$0.1 each | | | |
| As at 31 December 2013 and 30 June 2014 | 10,000,000 | 1,000,000 | |
| Issued: | | | |
| Ordinary shares of HK\$0.1 each | | | |
| As at 31 December 2013 | 3,320,311 | 332,031 | 285,055 |
| Shares issued upon exercise of employees' share options (Note (a)) | 8,089 | 809 | 636 |
| As at 30 June 2014 | 3,328,400 | 332,840 | 285,691 |

Note (a):

The Company has adopted a Pre-IPO Share Option Scheme on 9 September 2010 and a Post-IPO Share Option Scheme on 29 April 2011 respectively. On 17 March 2014, the extraordinary general meeting of the Company has approved the change of option period from three years to six years for the Post-IPO Share Option Scheme. On 5 June 2014, the Company granted 33,267,000 share options within the Post-IPO Share Option Scheme.

For the six months ended 30 June 2014, 4,383,000 shares in Pre-IPO Share Option Scheme and 3,706,400 in Post-IPO Share Option Scheme were exercised by the employees, resulting in an increase of RMB0.6 million in the share capital and RMB13.7 million in share premium (Note 16).

As at 30 June 2014, 39,930,875 shares in Pre-IPO Share Option Scheme and 80,108,300 shares in Post-IPO Share Option Scheme were exercisable (31 December 2013: 44,313,875 shares in Pre-IPO Share Option Scheme and 53,084,600 shares in Post-IPO Share Option Scheme).

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

16 Reserves

| | Note | Share premium RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 |
|--|-------|-----------------------------|------------------------------|---------------------------------|------------------|
| Six months ended 30 June 2014 | | | | | |
| At 1 January 2014 | | 3,070,058 | 43,859 | 10,206,331 | 13,320,248 |
| Profit for the period | | – | – | 812,612 | 812,612 |
| Employees share option schemes: | | | | | |
| – Value of employee services | | – | 12,317 | – | 12,317 |
| – Exercise of employees' share options | 15(a) | 13,733 | – | – | 13,733 |
| Statutory reserve | | – | 339,143 | (339,143) | – |
| At 30 June 2014 | | 3,083,791 | 395,319 | 10,679,800 | 14,158,910 |
| Six months ended 30 June 2013 | | | | | |
| At 1 January 2013 | | 1,727,298 | 483,445 | 7,017,928 | 9,228,671 |
| Profit for the period | | – | – | 752,418 | 752,418 |
| Transaction with non-controlling interests | | – | (64,249) | – | (64,249) |
| Placing ordinary shares | | 1,594,257 | – | – | 1,594,257 |
| Employees share option schemes: | | | | | |
| – Value of employee services | | – | 13,963 | – | 13,963 |
| – Exercise of employees' share options | | 6,316 | – | – | 6,316 |
| Others | | – | 2,641 | – | 2,641 |
| At 30 June 2013 | | 3,327,871 | 435,800 | 7,770,346 | 11,534,017 |

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

17 Trade and other payables

| | As at | |
|--|----------------------------|--------------------------------|
| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
| Trade payables | 6,346,374 | 9,498,028 |
| Other payables and accrued expenses | 1,223,494 | 1,200,004 |
| Payables for acquisition consideration | 10,000 | 1,234,867 |
| Payables for taxes other than income tax | 282,716 | 469,115 |
| | 7,862,584 | 12,402,014 |

The ageing analysis of the Group's trade payables is as follows:

| | As at | |
|----------------|----------------------------|--------------------------------|
| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
| Within 90 days | 4,461,150 | 5,863,430 |
| 90-180 days | 557,172 | 648,115 |
| 180-365 days | 413,139 | 1,957,057 |
| Over 365 days | 914,913 | 1,029,426 |
| | 6,346,374 | 9,498,028 |

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

18 Borrowings

| | As at | |
|--|----------------------------|--------------------------------|
| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
| Non-current | | |
| Secured, borrowed from: | | |
| – Banks | 16,168,860 | 14,397,410 |
| – Other borrowings | 8,926,083 | 7,736,084 |
| Senior notes (Note (a)) | 5,469,030 | 5,408,889 |
| | 30,563,973 | 27,542,383 |
| Unsecured, borrowed from: | | |
| – Banks | 1,553,840 | – |
| | 32,117,813 | 27,542,383 |
| Less: Current portion of long-term borrowings (Note (b)) | (10,327,730) | (6,670,814) |
| | 21,790,083 | 20,871,569 |
| Current | | |
| Secured, borrowed from: | | |
| – Banks | 95,000 | 45,000 |
| – Other borrowings | 3,295,300 | 1,000,100 |
| Unsecured, borrowed from: | | |
| – Other borrowings | 118,807 | 118,807 |
| Current portion of long-term borrowings (Note(b)) | 10,327,730 | 6,670,814 |
| | 13,836,837 | 7,834,721 |
| Total borrowings | 35,626,920 | 28,706,290 |

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

18 Borrowings (continued)

(a) Senior notes

The Company issued senior notes (“Senior Notes”) with principal of USD400 million and USD500 million in October 2012 and April 2013 respectively. The Senior Notes are listed on the Singapore Exchange Securities Trading Limited. The Senior Notes carry interest at the rates of 12.5% and 9.375% per annum respectively, payable semi-annually in arrears. The redemption prices are shown as below:

| <u>Redemption time</u> | <u>Redemption prices</u> |
|--|--------------------------|
| <i>USD400 million:</i> | |
| Prior to 16 October 2015 | 112.5% |
| 16 October 2015 to 15 October 2016 | 106.3% |
| 16 October 2016 and thereafter | 103.1% |
| <i>USD500 million:</i> | |
| Prior to 5 April 2016 | |
| – Redemption up to 35% | 109.4% |
| – Redemption in whole but not in part (Note (i)) | 100%+applicable premium |
| 5 April 2016 to 31 December 2016 | 104.7% |
| 2017 and thereafter | 102.3% |

Note(i): The applicable premium is the greater of (1) 1% of the principal amount and (2) the excess of the present value of 104.7% of the principal plus the scheduled interest cost amount for the period from the redemption date to 5 April 2016 over the principal amount at the redemption date. These early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors are of the view that the Group has no plan of early redemption and the fair value of the above early redemption option is not material on initial recognition and as at 30 June 2014.

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

18 Borrowings (continued)

- (b) As at 30 June 2014, RMB6,697 million (as at 31 December 2013: RMB4,459 million) of borrowings for property development projects will be due for full repayment upon an aggregated 65%~80% pre-sale status in term of gross floor area of the respective projects were achieved. Based on the management's sales forecast, RMB2,633 million (as at 31 December 2013: RMB1,616 million) of borrowings will be due for repayment in the twelve months ended 30 June 2015 and are included in current liabilities.

Movements in borrowings are analysed as follows:

| | RMB'000 |
|--------------------------------------|--------------|
| Six months ended 30 June 2014 | |
| Opening amount as at 1 January 2014 | 28,706,290 |
| Additions in borrowings | 9,893,677 |
| Disposal of a subsidiary | (556,000) |
| Repayments of borrowings | (2,492,154) |
| Exchange loss | 75,107 |
| Closing amount as at 30 June 2014 | 35,626,920 |
| Six months ended 30 June 2013 | |
| Opening amount as at 1 January 2013 | 21,725,027 |
| Acquisition of subsidiaries | 485,000 |
| Additions in borrowings | 10,132,356 |
| Senior Notes | 3,093,841 |
| Repayments of borrowings | (10,527,983) |
| Exchange gains | (80,553) |
| Closing amount as at 30 June 2013 | 24,827,688 |

As at 30 June 2014, the Group's borrowings totalling RMB33,954 million (31 December 2013: RMB28,587 million) were secured or jointly secured using the Group's properties under development, completed properties held for sale totalling RMB33,598 million (31 December 2013: RMB43,148 million), and certain equity interests of the Group's subsidiaries.

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

19 Expenses by nature

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| Costs of completed properties delivered | 6,366,667 | 6,314,356 |
| Business tax and other levies | 521,960 | 469,421 |
| Impairment of properties | 271,701 | (31,525) |
| Staff costs | 246,517 | 174,530 |
| Advertisement and promotion costs | 120,589 | 137,114 |
| Depreciation and amortisation | 10,585 | 11,931 |
| Impairment provision for goodwill | – | 20,892 |

20 Other income and gains

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| Government grants | 18,870 | 20,602 |
| Gain from disposal of investment properties | – | 61,730 |
| Others | 4,247 | 39,223 |
| | 23,117 | 121,555 |

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

21 Finance income and finance costs

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| Finance income | | |
| – Interest income | (213,211) | (37,234) |
| Finance costs | | |
| Interest costs on | | |
| – borrowings from banks | 622,161 | 627,786 |
| – borrowings from non-bank financial institutions | 589,791 | 408,150 |
| – borrowings from third parties | – | 53,756 |
| – Senior notes | 310,660 | 226,470 |
| | 1,522,612 | 1,316,162 |
| Exchange loss | 61,313 | 16,542 |
| Other finance costs | – | 5,526 |
| | 1,583,925 | 1,338,230 |
| Less: capitalised interests | (1,074,339) | (1,050,394) |
| | 509,586 | 287,836 |

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

22 Income tax expense

No Hong Kong profits tax has been provided as the Group has no profit derived in Hong Kong.

| | Six months ended 30 June | |
|-------------------------------------|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| Corporate income tax ("CIT") charge | | |
| – Current income tax | 471,054 | 547,293 |
| – Deferred income tax | (161,743) | (234,733) |
| | 309,311 | 312,560 |
| Land appreciation tax ("LAT") | 480,291 | 232,902 |
| | 789,602 | 545,462 |

Income tax expense is recognised based on management's estimate of the weighted-average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ending 31 December 2014 is 25% (the estimated tax rate for the six months ended 30 June 2013 was 25%).

(a) CIT

Pursuant to the applicable rules and regulations of Cayman Islands and British Virgin Islands ("BVI"), the Company and the BVI subsidiaries of the Group are not subject to any income tax in those jurisdictions.

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the six months ended 30 June 2014 based on existing legislations, interpretations and practices.

In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on dividends declared to foreign investors from the enterprises with foreign investments established in the Mainland China. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in Mainland China in respect of their earnings generated from 1 January 2008.

(b) LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures. LAT is included in the profit or loss as income tax expense.

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

23 Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the period.

| | Six months ended 30 June | |
|---|--------------------------|-----------|
| | 2014 | 2013 |
| Profit attributable to owners of the Company (RMB'000) | 812,612 | 752,418 |
| Weighted-average number of ordinary shares in issue (thousand) | 3,327,321 | 3,267,450 |

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | Six months ended 30 June | |
|---|--------------------------|-----------|
| | 2014 | 2013 |
| Profit attributable to owners of the Company (RMB'000) | 812,612 | 752,418 |
| Weighted-average number of ordinary shares in issue (thousand) | 3,327,321 | 3,267,450 |
| Adjusted for share options (thousand) | 43,477 | 62,143 |
| | 3,370,798 | 3,329,593 |

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

24 Commitments

(a) Property development expenditures for existing property projects

| | As at | |
|-------------------------------------|----------------------------|--------------------------------|
| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
| – Contracted but not provided for | 6,787,096 | 3,169,223 |
| – Authorised but not contracted for | 36,333,895 | 42,331,899 |
| | 43,120,991 | 45,501,122 |

(b) Commitments on equity investments and new land use rights acquisition

| | As at | |
|--|----------------------------|--------------------------------|
| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
| – Contracted but not provided for (Note (i)) | 4,866,216 | – |
| – Authorised but not contracted | – | 3,177,830 |
| | 4,866,216 | 3,177,830 |

Note:

- (i) On 22 May 2014, a wholly owned subsidiary of the Group, Lead Sunny Investments Limited, entered into the Sale and Purchase Agreement with certain shareholders of Greentown China Holdings Limited, who are independent third parties of the Group. Pursuant to the agreement the Group will acquire approximately 24.313% of the total issued shares of Greentown China Holdings Limited. The total consideration agreed is HK\$6,298 million (equivalent to RMB4,999 million). As at 30 June 2014, the Group had paid RMB705 million as a prepayment for the transaction and RMB4,294 million was included in the commitments. As at the date of this report, this transaction has yet to be completed.

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

24 Commitments (continued)

(c) Operating lease commitments

The future aggregate minimum lease rental expense in respect of certain office buildings under non-cancellable operating leases contracts are payable in the following periods:

| | As at | |
|--|----------------------------|--------------------------------|
| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
| No later than 1 year | 8,762 | 10,407 |
| Later than 1 year and no later than 10 years | 37,752 | 40,153 |
| | 46,514 | 50,560 |

25 Financial guarantee

Guarantee on mortgage facilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities:

| | As at | |
|---|----------------------------|--------------------------------|
| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
| Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units | 4,060,846 | 7,241,924 |

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months of properties delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the mortgage. The directors consider that the likelihood of default of payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

26 Related party disclosures

(a) Name and relationship with related parties

| Name | Relationship |
|---------------------|--|
| Sunac International | Largest shareholder of the Company |
| Mr. Sun Hongbin | The controlling shareholder of Sunac International and the chairman of the Board of Directors of the Company |

(b) Transactions with related parties

In addition to the related party information disclosed elsewhere in the condensed consolidated interim financial information, the Group had the following significant transactions entered into the ordinary course of business between the Group and the related parties:

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| – Cash paid to joint ventures and associates | (10,738,327) | (2,651,105) |
| – Cash received from joint ventures and associates | 15,064,180 | 2,691,827 |
| | 4,325,853 | 40,722 |

(c) Compensation of key management personnel

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| Salaries and other short-term benefits | 5,405 | 5,021 |
| Share-based payments | 4,640 | 6,330 |
| | 10,045 | 11,351 |

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

For the six months ended 30 June 2014

26 Related party disclosures (continued)

(d) Related parties balances

| | As at | |
|---------------------------------|----------------------------|--------------------------------|
| | 30 June 2014 RMB'000 | 31 December 2013 RMB'000 |
| Amounts due from joint ventures | 14,852,701 | 8,269,897 |
| Amounts due from associates | 1,510,554 | 1,485,466 |
| | 16,363,255 | 9,755,363 |
| Amounts due to joint ventures | 11,011,655 | 3,087,794 |
| Amounts due to associates | 6,816,813 | 3,806,929 |
| | 17,828,468 | 6,894,723 |

The amounts due from joint ventures and associates have no fixed repayment date. As at 30 June 2014, RMB4,750 million (as at 31 December 2013: RMB2,579 million) were interest bearing at 6.35% to 12% per annum and the remaining balance was interest-free. During the period, interests charged from joint ventures and associates amounted to RMB157 million (for the period ended 30 June 2013: RMB29 million).

The amounts due to joint ventures and associates are unsecured, interest-free and repayable on demand.

27 Dividends

A final dividend of HK\$799 million relating to the year ended 31 December 2013 was paid in July 2014 (HK\$326 million relating to 2012 final dividend paid in 2013).

No interim dividend for the six months ended 30 June 2014 was proposed by the Board (six months ended 30 June 2013: nil).

28 Events after the balance sheet date

The Group has no significant events subsequent to 30 June 2014.

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