

中國宏泰產業市鎮發展有限公司

China VAST Industrial Urban Development Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock code : 6166



Interim Report **2014**



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Corporate Information

EXECUTIVE DIRECTORS

Mr. Wang Jianjun (*Chairman*)
Mr. Yang Yun (*Vice President*)
Mr. Wang Yagang (*Vice President*)
Mr. Huang Peikun (*Chief Financial Officer*)

NON-EXECUTIVE DIRECTOR

Ms. Zhao Ying

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhang Xiaomei
Mr. Wei Yu
Dr. Wong Wing Kuen, Albert

AUDIT COMMITTEE

Dr. Wong Wing Kuen, Albert (*Chairman*)
Ms. Zhang Xiaomei
Mr. Wei Yu

REMUNERATION COMMITTEE

Mr. Wei Yu (*Chairman*)
Ms. Zhao Ying
Ms. Zhang Xiaomei

NOMINATION COMMITTEE

Mr. Wang Jianjun (*Chairman*)
Mr. Wei Yu
Ms. Zhang Xiaomei

COMPANY SECRETARY

Ms. To Yee Man

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Paul Hastings (as to Hong Kong law)
Commerce & Finance Law Offices (as to PRC law)
Conyers Dill & Pearman (Cayman) Limited
(as to Cayman Islands law)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Unit 20703, Level 6
Galaxy SOHO (銀河 SOHO)
No. 47 Xiaopaifang Hutong
Dongcheng District
Beijing
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1902, China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISOR

Emperor Capital Limited

PRINCIPAL BANKERS

Industrial Bank Co., Ltd. Langfang Branch
Bank of Hebei Langfang Branch
Industrial Commercial Bank of
China Heping Road Branch
Agriculture Bank of China Jiefang Road Branch
China Development Bank

COMPANY'S WEBSITE

www.vastiud.com

STOCK CODE

6166

Chairman's Statement

Dear Shareholders,

This is our first interim report following our listing on 25 August 2014.

It is our pleasure to have experienced a period with very outstanding results of operations of China VAST for the first half of 2014. We achieved a revenue of RMB1,353.4 million, or an increase of 88.6% from the corresponding period of last year, and a gross profit of RMB684.8 million, or an increase of 27.4% from the corresponding period of last year, both of which represented record-high levels in the Company's history. Our competitive strengths in the industry were solid, as we were ranked among the top with our revenue exceeding RMB1 billion among major listed PRC business park developers and we were ranked as one of the TOP 10 Valued Industrial Park Brand in China in 2014 (中國產業園區品牌價值 TOP 10) announced in the press conference on research findings on the brand value of real estate industry in China in 2014 organized by authoritative bodies in China. Our revenue for the first half of the year was primarily attributable to the government-granted land with total site area of approximately 410,000 sq.m. under our industrial park projects, and our delivery of commercial and residential properties with total site area of approximately 130,000 sq.m. Such attainments were the results of the joint efforts of the board of directors of the Company as well as all of its staff members, and also attributable to the strong support of all shareholders, investors and the general public.

The full integration of internal and external resources, replication of new business models, strengthening of operational control, and the shift from purely scale expansion to dual attainments of growth and efficiency will be the focus of the next phase of development of China VAST. Since the second half of 2014, the Company has been actively seeking to extend the number of industrial town projects on an ongoing basis. Emphasis will be placed on potential cities in the periphery of municipalities or provincial capital cities under the "Two Horizontal and Three Vertical Urbanization Plan". Based in Langfang, and seizing historic opportunities including those presented by the Beijing-Tianjin-Hebei Integration and Development Plan and the Second Beijing Capital International Airport, we will further participate in the Greater Beijing Integration initiative and proactively expand our presence in Chengdu-Chongqing Economic Area, Guantian Economic Area, Wanjiang City Belt and Yangtze River Delta, thereby expanding the scale of our industrial towns. Apart from pushing ahead the four industrial town projects located in Langfang and Chuzhou in a timely manner, the Company will also expedite the negotiations with two prefecture-level cities namely Zhangjiakou which is a key town to the northwest of Beijing, and Ezhou which is a member of Wuhan City Circle, to finalize the new industrial town projects as soon as possible, which in turn will provide new momentum for the growth of the Company's operating revenue.

Today, with the continual healthy and sustainable economic development of China, we are in the best of times. While fitting into the two national strategies of New Urbanization Model and Beijing-Tianjin-Hebei Integration and Development Plan, it is foreseeable that China VAST will be able to finely integrate industries, population, cities, resources and environmental development and deliver harmony among different aspects by leveraging upon its platform of industrial towns.

Once again, may we express our sincere gratitude to all shareholders for their care and support!

Wang Jianjun
Chairman

29 August 2014

Financial Highlights

Six months ended
30 June 2014
(RMB'000)

| | |
|--|-----------|
| Revenue | 1,353,428 |
| Gross profit | 684,768 |
| Profit before tax | 604,596 |
| Profit attributable to owners of the Company | 449,947 |
| Earnings per share (basic) (RMB) | 22,497 |
| Earnings per share taking into consideration of the Capitalization Issue (basic) (RMB cents) | 35.6 |
| Dividend per share – Interim (RMB) | nil |

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF
CHINA VAST INDUSTRIAL URBAN DEVELOPMENT COMPANY LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China VAST Industrial Urban Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim financial reporting" ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Hong Kong

13 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2014 RMB'000 (unaudited) | 2013 RMB'000 (unaudited) |
| Revenue | 5 | 1,353,428 | 717,506 |
| Cost of sales and services | | (668,660) | (180,108) |
| Gross profit | | 684,768 | 537,398 |
| Other income | 6 | 25,050 | 57,959 |
| Other expenses | 6 | (21,522) | – |
| Other gains and losses | 7 | 18,383 | 5,131 |
| Selling and marketing expenses | | (13,210) | (12,792) |
| Administrative expenses | | (31,935) | (31,358) |
| Finance costs | | (64,938) | (20,340) |
| Gain in relation to warrants | | – | 17,248 |
| Gain on fair value change of investment properties | 11 | 10,700 | 15,400 |
| Share of losses of associates | | (2,700) | (1,218) |
| Share of losses of a joint venture | | – | (1,211) |
| Profit before tax | | 604,596 | 566,217 |
| Income tax expenses | 8 | (154,649) | (19,329) |
| Profit and total comprehensive income attributable to the owners of the Company for the period | | 449,947 | 546,888 |
| Earnings per share | | | |
| – Basic (RMB) | 9 | 22,497 | 27,344 |
| – Diluted (RMB) | | N/A | 22,664 |

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

| | Notes | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|---------------------------------------|-------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | | 29,273 | 30,722 |
| Investment properties | 11 | 740,700 | 730,000 |
| Prepaid lease payments | | 2,165 | 2,203 |
| Interests in associates | | 91,333 | 119,033 |
| Interest in a joint venture | | – | 93,069 |
| Deferred tax assets | | 18,985 | 21,278 |
| | | 882,456 | 996,305 |
| Current assets | | | |
| Land development for sale | 12 | 1,073,961 | 1,024,089 |
| Properties under development for sale | 13 | 2,564,255 | 2,753,204 |
| Completed properties for sale | | 505,369 | 403,856 |
| Prepaid lease payments | | 75 | 75 |
| Trade receivables | 14 | 688,998 | 277,578 |
| Prepayments and other receivables | 15 | 78,250 | 177,643 |
| Amounts due from related parties | 24(a) | 140 | 7,793 |
| Income tax recoverable | | 42,065 | 25,794 |
| Restricted bank deposits | 16 | 173,813 | 667,010 |
| Bank balances and cash | 16 | 696,590 | 420,586 |
| | | 5,823,516 | 5,757,628 |
| Total assets | | 6,705,972 | 6,753,933 |

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

| | | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| Current liabilities | | | |
| Trade and other payables | 17 | 1,362,616 | 1,499,428 |
| Advance from customers for properties developed for sale | | 504,086 | 844,377 |
| Amounts due to related parties | 24(a) | 3,144 | 86,010 |
| Deposit received from a joint venture | 24(a) | – | 93,949 |
| Current tax liabilities | | 179,312 | 113,938 |
| Bank and other borrowings | 18 | 2,230,189 | 1,965,630 |
| | | 4,279,347 | 4,603,332 |
| Net current assets | | 1,544,169 | 1,154,296 |
| Total assets less current liabilities | | 2,426,625 | 2,150,601 |
| Non-current liabilities | | | |
| Bank and other borrowings | 18 | 1,208,201 | 1,427,486 |
| Deferred tax liabilities | | 39,657 | 25,113 |
| | | 1,247,858 | 1,452,599 |
| Net assets | | 1,178,767 | 698,002 |
| Capital and reserves | | | |
| Share capital | | – | – |
| Reserves | | 1,178,767 | 698,002 |
| Equity attributable to owners of the Company | | 1,178,767 | 698,002 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

| | Attributable to owners of the Company | | | | | total RMB'000 |
|--|--|---|-------------------------------|--|--|------------------|
| | Share capital RMB'000 <i>(note a)</i> | Merger reserve RMB'000 <i>(note b)</i> | Capital reserve RMB'000 | Statutory reserve RMB'000 <i>(note c)</i> | (Accumulate losses) retained profits RMB'000 | |

For the six months end
30 June 2014

| | | | | | | |
|--|---|----|----------|---------|-----------|-----------|
| At 1 January 2014 (audited) | – | 48 | (2,756) | 137,183 | 563,527 | 698,002 |
| Profit and total comprehensive income for the period | – | – | – | – | 449,947 | 449,947 |
| Appropriations to statutory reserve | – | – | – | 8,673 | (8,673) | – |
| Waiver of debt owed to Mr. Wang Jianjun <i>(note d)</i> | – | – | 41,091 | – | – | 41,091 |
| Tax charge on the waiver <i>(note d)</i> | – | – | (10,273) | – | – | (10,273) |
| At 30 June 2014 (unaudited) | – | 48 | 28,062 | 145,856 | 1,004,801 | 1,178,767 |

For the six months end
30 June 2013

| | | | | | | |
|--|---|----|---------|--------|-----------|----------|
| At 1 January 2013 (audited) | – | 48 | (2,111) | 63,675 | (126,425) | (64,813) |
| Profit and total comprehensive income for the period | – | – | – | – | 546,888 | 546,888 |
| Fair value adjustment on interest-free cash advances to Mr. Wang Jianjun | – | – | (932) | – | – | (932) |
| Appropriations to statutory reserve | – | – | – | 35,635 | (35,635) | – |
| At 30 June 2013 (unaudited) | – | 48 | (3,043) | 99,310 | 384,828 | 481,143 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

Notes:

(a) Share Capital

On 13 February 2014, China VAST Industrial Urban Development Company Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability with an authorized share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each. One share was allotted and issued to the initial subscriber, an independent third party, and then transferred to Profit East Limited ("Profit East", a company wholly-owned by Ms. Zhao Ying). On the same day, the Company allotted and issued an additional 9,999 shares, credited as fully paid, to Profit East at par value. On 21 February 2014, the Company acquired all the issued share capital in Shing Cheong Holdings Limited ("Shing Cheong Holdings") from Profit East, in consideration of which the Company allotted and issued 10,000 shares, credited as fully paid, to Profit East. As a result of the acquisition, the total issued share capital of the Company was HK\$200 divided into 20,000 shares with a par value of HK\$0.01 each and Shing Cheong Holdings became a wholly-owned subsidiary of the Company whereas Profit East became the immediate holding company of the Company.

(b) Merger Reserve

The Company was incorporated on 13 February 2014 and the group reorganization was not yet completed as at 31 December 2013. For the purpose of the financial information presented in these condensed consolidated financial statements of the Company and its subsidiaries (the "Group"), the merger reserve in the condensed consolidated statement of financial position as at 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014 represented the share capital of Shing Cheong Holdings.

(c) Statutory Reserve

Pursuant to the relevant rules and regulations in the People's Republic of China (the "PRC"), those subsidiaries of the Group established in the PRC are required to transfer no less than 10% of their profits after taxation, after offsetting any prior years' losses as determined in accordance with relevant accounting policies and financial regulations applicable to entities in the PRC, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners of these PRC subsidiaries. Statutory reserve is non-distributable other than in liquidation and can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

(d) During the period ended 30 June 2014, Mr. Wang Jianjun agreed to waive an amount of RMB41,091,000 payable to him by the Group which was accounted for as a deemed contribution to the Group. This deemed contribution is subject to a tax charge of approximately RMB10,273,000.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2014 | 2013 |
| | Notes | |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| OPERATING ACTIVITIES | | |
| Profit before tax | 604,596 | 566,217 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 1,820 | 1,955 |
| Prepaid lease payments released to profit or loss | 38 | 38 |
| Changes in fair value of investment properties | (10,700) | (15,400) |
| Gain in relation to warrants | – | (17,248) |
| Share of losses of associates | 2,700 | 1,218 |
| Share of losses of a joint venture | – | 1,211 |
| Loss on dissolution of an associate | 236 | – |
| Exchange gains and losses | (7,635) | (6,354) |
| Gains on disposal of property, plant and equipment | (47) | (56) |
| Interest income | (23,550) | (57,959) |
| Fair value adjustment loss on interest-free advances to a related party | – | 1,644 |
| Finance costs | 64,938 | 20,340 |
| Gain of acquisition of the remaining equity interest in the joint venture | (1,515) | – |
| Operating cash flows before movements in working capital | 630,881 | 495,606 |
| (Increase) decrease in land development for sale | (23,164) | 119,457 |
| Decrease (increase) in properties under development for sale | 256,445 | (113,556) |
| (Increase) decrease in completed properties for sale | (101,513) | 2,243 |
| Increase in trade receivables | (410,687) | (165,303) |
| Decrease (increase) in prepayments and other receivables | 27,381 | (23,789) |
| (Decrease) increase in refundable deposits on land development activities | (40,704) | 8,748 |
| (Decrease) increase in trade and other payables | (310,487) | 201,734 |
| (Decrease) increase in amounts due to related parties | (858) | 6,122 |
| Cash generated from operations | 27,294 | 531,262 |
| Income tax and land appreciation tax paid | (98,982) | (15,436) |
| Net cash (used in) from operating activities | (71,688) | 515,826 |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------------|--------------------------------|
| | | 2014 RMB'000 (unaudited) | 2013 RMB'000 (unaudited) |
| INVESTING ACTIVITIES | | | |
| Interest income received | | 22,536 | 19,763 |
| Payments for acquisition of property, plant and equipment | | (415) | (1,512) |
| Payment for construction costs of investment properties | | (126,036) | (78,410) |
| Loan receivables made | | (10,000) | (5,831) |
| Repayment of loan receivables | | 78,568 | – |
| Proceeds from dissolution of an associate | 23 | 24,764 | – |
| Proceeds from disposal of property, plant and equipment | | 91 | 2,211 |
| Cash inflow on disposal of a subsidiary in prior period | | 10,000 | – |
| Cash inflow on acquisition of the remaining equity interest in the joint venture | 22 | 86,037 | – |
| Payment on acquisition of the remaining equity interest in the joint venture | 22 | (91,553) | – |
| Restricted bank deposits withdrawn | | 937,401 | 431,073 |
| Restricted bank deposits placed | | (444,204) | (711,670) |
| Repayment of advance to related parties | | 8,951 | 730 |
| Advance to related parties | | (1,298) | (41,690) |
| Net cash from (used in) investing activities | | 494,842 | (385,336) |
| FINANCING ACTIVITIES | | | |
| New bank loans raised | | 624,000 | 1,305,729 |
| New other loans raised | | 1,178,723 | 943,899 |
| Repayment of bank loans | | (1,377,426) | (1,235,955) |
| Repayment of other loans | | (362,027) | (528,841) |
| Repayment of advance from related parties | | (40,957) | (224,360) |
| Advance from related parties | | 40 | 48,632 |
| Interest paid | | (169,644) | (213,510) |
| Net cash (used in) from financing activities | | (147,291) | 95,594 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 275,863 | 226,084 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | | 420,586 | 115,953 |
| Effect of foreign exchange rate changes | | 141 | 4,582 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD represented by bank balances and cash | | 696,590 | 346,619 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 13 February 2014. The addresses of the registered office and principal place of business of the Company are Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Island. The principal activity of the Company is investment holding. Its subsidiaries are primarily engaged in the land development, property development and property leasing.

The ultimate holding company and immediate holding company of the Company is Profit East, a company which was incorporated in the British Virgin Islands and is ultimately controlled by Ms. Zhao Ying.

The condensed consolidated financial statements is presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand ('000) unless otherwise indicated.

2. BASIS OF PRESENTATION

The Reorganization

Prior to the reorganization, all the land development, property development and property leasing business operations of the Group were carried out by the companies either controlled by King Billion Corporation Limited ("King Billion"), or Sheng Shi International (HK) Development Limited ("Sheng Shi International"), both of which were wholly owned by Shing Cheong Holdings, a company incorporated in BVI which was wholly owned by Profit East and is ultimately controlled by Ms. Zhao Ying. Ms. Zhao Ying together with her husband, Mr. Wang Jianjun, are collectively referred to as the "Ultimate Controlling Shareholders" of the Group. On 25 June 2013, the entire issued share capital of King Billion and Sheng Shi International were transferred to China Vast International Holdings Limited ("China Vast International"), a company wholly owned by Shing Cheong Holdings, for nil consideration. To rationalize the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company was incorporated in the Cayman Islands on 13 February 2014. One share was allotted and issued to the initial subscriber, an independent third party, and then transferred to Profit East on 13 February 2014. On the same day, the Company issued and allotted an additional 9,999 shares, credited as fully paid, to Profit East at par value. On 21 February 2014, the Company acquired all the issued share capital in Shing Cheong Holdings from Profit East, in consideration of which the Company allotted and issued 10,000 ordinary shares of par value of HK\$0.01, credited as fully paid, to Profit East. Upon completion of the share transfer, the Company became the holding company of the Group as at 21 February 2014. The companies that took part in the reorganization were controlled by the Ultimate Controlling Shareholders during the six months ended 30 June 2013 and 30 June 2014 or since their respective date of incorporation or establishment up to 30 June 2014 where this is a shorter period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

2. BASIS OF PRESENTATION (CONTINUED)

The Reorganization (Continued)

The Group resulting from the reorganization, which involves interspersing the Company between Shing Cheong Holdings and Profit East, is regarded as a continuing entity. As there was no change in the Ultimate Controlling Shareholders before and after the reorganization, the condensed consolidated statements of profit or loss and other comprehensive income, the condensed consolidated statements of changes in equity and the condensed consolidated statements of cash flows of the Group for the six months ended 30 June 2013 and 30 June 2014 include the results of operations and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the six months ended 30 June 2013 and 30 June 2014 or since their respective dates of incorporation or establishment where this is a shorter period except for the disposal and acquisition during the periods. The condensed consolidated statement of financial position of the Group as at 31 December 2013 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at 31 December 2013, taking into account the respective dates of incorporation and establishment except for the disposal during prior period. All material intra-group transactions and balances have been eliminated on consolidation.

3. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

4. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's consolidated financial information for the three years ended 31 December 2013 and the three months ended 31 March 2014 set out in the accountants' report which has been incorporated in the prospectus of the Company dated 13 August 2014 in connection with the initial public offering and listing of the Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

5. REVENUE AND SEGMENT INFORMATION

The management of the Group is identified as the chief operating decision maker (the "CODM") of the Group for the purposes of resources allocation and performance assessment. The information reported to the CODM for the purposes of resources allocation and performance assessment focuses specifically on respective businesses of the Group. The Group's operating and reportable segments are as follows:

- Land development – Land infrastructure development
- Property development – Development and sale of properties
- Property leasing – Lease of properties

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment Revenue and Results

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

| | Land development RMB'000 | Property development RMB'000 | Property leasing RMB'000 | Segment total RMB'000 | Eliminations RMB'000 | Total RMB'000 |
|---|--------------------------------|------------------------------------|--------------------------------|-----------------------------|-------------------------|------------------|
| Six months ended 30 June 2014 (unaudited) | | | | | | |
| Segment revenue | | | | | | |
| – External segment revenue | 657,129 | 689,794 | 6,505 | 1,353,428 | – | 1,353,428 |
| Consolidated revenue | 657,129 | 689,794 | 6,505 | 1,353,428 | – | 1,353,428 |
| Segment results | 515,981 | 113,385 | 16,995 | 646,361 | – | 646,361 |
| Unallocated profit or loss items: | | | | | | |
| Other income | | | | | | 905 |
| Other expenses | | | | | | (21,240) |
| Other gains and losses | | | | | | 4,494 |
| Selling and marketing expenses | | | | | | (4,913) |
| Administrative expenses | | | | | | (20,283) |
| Finance costs | | | | | | (728) |
| Profit before tax | | | | | | 604,596 |
| Six months ended 30 June 2013 (unaudited) | | | | | | |
| Segment revenue | | | | | | |
| – External segment revenue | 710,006 | 2,631 | 4,869 | 717,506 | – | 717,506 |
| Consolidated revenue | 710,006 | 2,631 | 4,869 | 717,506 | – | 717,506 |
| Segment results | 553,139 | (6,566) | 20,263 | 566,836 | – | 566,836 |
| Unallocated profit or loss items: | | | | | | |
| Other income | | | | | | 12,344 |
| Other gains and losses | | | | | | 6,353 |
| Selling and marketing expenses | | | | | | (4,850) |
| Administrative expenses | | | | | | (21,921) |
| Finance costs | | | | | | (9,793) |
| Gain in relation to warrants | | | | | | 17,248 |
| Profit before tax | | | | | | 566,217 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment Assets and Liabilities

| | Land development RMB'000 | Property development RMB'000 | Property leasing RMB'000 | Total RMB'000 |
|---------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------|
| As at 30 June 2014 (unaudited) | | | | |
| Segment assets | 2,232,077 | 3,987,511 | 740,700 | 6,960,288 |
| Inter-segment elimination | | | | (419,841) |
| Unallocated assets: | | | | |
| Property, plant and equipment | | | | 26,847 |
| Deferred tax assets | | | | 18,985 |
| Prepayments and other receivables | | | | 41,110 |
| Income tax recoverable | | | | 42,065 |
| Bank balances and cash | | | | 36,518 |
| Total assets | | | | <u>6,705,972</u> |
| Segment liabilities | 3,166,160 | 2,539,994 | – | 5,706,154 |
| Inter-segment elimination | | | | (419,841) |
| Unallocated liabilities: | | | | |
| Other payables | | | | 21,923 |
| Current tax liabilities | | | | 179,312 |
| Deferred tax liabilities | | | | 39,657 |
| Total liabilities | | | | <u>5,527,205</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment Assets and Liabilities (Continued)

| | Land development RMB'000 | Property development RMB'000 | Property leasing RMB'000 | Total RMB'000 |
|---|--------------------------------|------------------------------------|--------------------------------|------------------|
| As at 31 December 2013 (audited) | | | | |
| Segment assets | 2,808,155 | 3,402,561 | 730,000 | 6,940,716 |
| Inter-segment elimination | | | | (396,928) |
| Unallocated assets: | | | | |
| Property, plant and equipment | | | | 27,688 |
| Deferred tax assets | | | | 21,278 |
| Prepayments and other receivables | | | | 63,007 |
| Income tax recoverable | | | | 25,794 |
| Amounts due from related parties | | | | 5,530 |
| Bank balances and cash | | | | 66,848 |
| Total assets | | | | 6,753,933 |
| Segment liabilities | 2,048,388 | 4,237,166 | – | 6,285,554 |
| Inter-segment elimination | | | | (396,928) |
| Unallocated liabilities: | | | | |
| Other payables | | | | 19,318 |
| Amounts due to related parties | | | | 8,936 |
| Current tax liabilities | | | | 113,938 |
| Deferred tax liabilities | | | | 25,113 |
| Total liabilities | | | | 6,055,931 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Revenue

The following is an analysis of the Group's revenue:

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Fee income from the sales of land development for sale | 657,129 | 710,006 |
| Revenue from the sales of properties | 689,794 | 2,631 |
| Revenue from property leasing | 6,505 | 4,869 |
| | 1,353,428 | 717,506 |

6. OTHER INCOME AND EXPENSES

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Other income: | | |
| Imputed interest income on interest-free advances to related parties | – | 38,197 |
| Interest income on trade and other receivables | 1,014 | 5,007 |
| Interest income on bank deposits | 22,536 | 14,755 |
| Others | 1,500 | – |
| | 25,050 | 57,959 |
| Other expenses: | | |
| Listing expenses | (21,240) | – |
| Others | (282) | – |
| | (21,522) | – |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

7. OTHER GAINS AND LOSSES

| | Six months ended 30 June | |
|---|--------------------------|--------------|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Net gains and losses: | | |
| Exchange gains, net | 15,584 | 6,353 |
| Gain on acquisition of the remaining equity interest in the joint venture (note 22) | 1,515 | – |
| Gains on disposal of property, plant and equipment, net | 47 | 56 |
| Loss on dissolution of an associate (note 23) | (236) | – |
| Fair value adjustment loss on interest-free advances to a related party | – | (1,644) |
| Others | 1,473 | 366 |
| | 18,383 | 5,131 |

8. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|-----------------------------|--------------------------|-----------------|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Current tax: | | |
| – PRC enterprise income tax | (119,006) | (32,871) |
| – Land appreciation tax | (18,806) | (56) |
| Deferred tax | (16,837) | 13,598 |
| | (154,649) | (19,329) |

No provision for Hong Kong Profits Tax has been made for the six-month periods ended 30 June 2013 and 2014 as the Group's subsidiaries in Hong Kong had no assessable profit.

Certain subsidiaries of the Group, Langfang Sheng Shi Construction & Investment Co., Ltd. ("Langfang Sheng Shi Construction"), Langfang Hongsheng Property Development Co., Ltd. ("Hongsheng") and Langfang Yonglun Property Development Co., Ltd. ("Langfang Yonglun"), were subject to the PRC enterprise income tax at a tax rate of 25% on a verification collection basis at deemed profit which represents 10% or 15% of its revenue after adjusting the non-deductible subsidies paid to customers (enterprises establishing their businesses in Longhe Park) for the six-month period ended 30 June 2013 in accordance with authorized tax valuation method (核定徵收) approved by local tax bureau pursuant to the applicable PRC tax regulations (the "Deemed Profit Basis"). From 1 January 2014, the three subsidiaries of the Group above no longer enjoyed the tax benefit of the authorized tax valuation method (核定徵收).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

8. INCOME TAX EXPENSES (CONTINUED)

Other than the preferential tax treatment of Langfang Sheng Shi Construction, Hongsheng and Langfang Yonglun mentioned above, the PRC enterprise income tax rate for the PRC subsidiaries of the Group is 25% during both the current and prior periods.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax ("LAT") (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights and buildings in the PRC (being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures) is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation of land value with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

During the six-month periods ended 30 June 2014 and 2013, deferred tax charge and deferred tax credit mainly represented temporary differences on property sale and cost of sales and fair value change on investment properties.

No deferred tax liabilities for undistributed earnings of the PRC subsidiaries have been recognized as there is no plan of the dividends distribution out of the PRC in the foreseeable future by these PRC subsidiaries. As at 30 June 2014 and 31 December 2013, the aggregate undistributed profits of the PRC subsidiaries were RMB1,530,196,000 and RMB1,150,787,000, respectively. The corresponding unrecognized deferred tax liabilities as at 30 June 2014 and 31 December 2013 were RMB153,019,600 and RMB115,078,700, respectively.

9. EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Earnings | | |
| Profit for the period attributable to owners of the Company for the purpose of basic earnings per share | 449,947 | 546,888 |
| Adjustment to the share of profit of a subsidiary based on dilution of its earnings per share – impact of warrants issued by Shing Cheong Holdings | N/A | (93,618) |
| Profit for the period attributable to owners of the Company for the purpose of diluted earnings per share | N/A | 453,270 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

9. EARNINGS PER SHARE (CONTINUED)

| | Six months ended 30 June | |
|---|--------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Numbers of shares | | |
| Number of ordinary shares for the purpose of basic earnings per share | 20,000 | 20,000 |
| Number of ordinary shares for the purpose of diluted earnings per share | N/A | 20,000 |

The number of ordinary shares for the purposes of calculating basic earnings per share and diluted earnings per share for the six months ended 30 June 2013 and 30 June 2014 has been adjusted for the effect of the reorganization (set out in note 2).

No diluted earnings per share is presented for the six months ended 30 June 2014 as there was no potential ordinary shares in issue for the current interim period.

10. DIVIDEND

During the six-month periods ended 30 June 2014 and 30 June 2013, no dividend was paid or proposed, nor has any dividend been proposed subsequent to 30 June 2014.

11. INVESTMENT PROPERTIES

During the six months period ended 30 June 2014, no additional cost of investment properties was made (six months ended 30 June 2013: nil). Gain on fair value change of investment properties amounted to approximately RMB10,700,000 for the six-month period ended 30 June 2014 (six months ended 30 June 2013: RMB15,400,000). All of the investment properties as at 30 June 2014, 31 December 2013 and 30 June 2013 were completed except for a piece of land yet to be developed. The fair values of the Group's investment properties are arrived at on the basis of a valuation carried out as at 30 June 2014, 31 December 2013 and 30 June 2013 by Savills Valuation and Professional Services Limited, an independent qualified professional valuer not connected with the Group.

The fair value of completed investment properties are determined based on the income capitalization method whereby the rental income of contractual tenancies are capitalized for the unexpired term of tenancies. The reversionary market rent after the expiry of tenancies is also taken into account. The fair value of investment property under construction relating to a piece of land yet to be developed and is determined based on direct comparison method by reference to market comparable and adjusted to reflect the conditions and locations of the subject property.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

11. INVESTMENT PROPERTIES (CONTINUED)

As at 30 June 2014, the Group's investment properties with carrying amounts of approximately RMB121,600,000 (31 December 2013: RMB193,764,000) were pledged to banks to secure certain banking facilities granted to the Group, details of which are set out in note 18(a).

As at 30 June 2014, the Group's investment properties with a carrying amount of approximately RMB532,000,000 and (31 December 2013: RMB523,700,000) were pledged to a trust fund company to secure a loan of RMB300,000,000 obtained from this trust fund company, details of which are set out in note 18(b)(i).

12. LAND DEVELOPMENT FOR SALE

Land development for sale represents cost of land development within the districts of the development project in which the Group runs its land development businesses. Although the Group does not have ownership title or land use right of such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure in those land development project under land development agreements with local government. When the land plots are sold by the local government, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales.

Land development for sale is expected to be realized in the normal operating cycle, which is longer than twelve months.

13. PROPERTIES UNDER DEVELOPMENT FOR SALE

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|---|--|--|
| At beginning of period/year | 2,753,204 | 2,461,987 |
| Additions | 528,756 | 821,235 |
| Transfer to completed properties for sale | (717,705) | (530,018) |
| At end of period/year | 2,564,255 | 2,753,204 |

As at 30 June 2014, certain of the Group's properties under development for sale with carrying amount of approximately RMB1,163,190,000 (31 December 2013: RMB1,344,881,000) were pledged to banks to secure certain banking facilities granted to the Group, details of which are set out in note 18(a). Certain of the Group's properties under development for sale with an aggregate carrying amount of approximately RMB360,256,000 as at 30 June 2014 (31 December 2013: RMB360,256,000) was pledged to certain trust fund companies to secure certain trust loans to the Group, details of which is set out in note 18(b)(i). Also, certain loans from related parties were secured by certain of the Group's properties under development for sale with carrying amounts of approximately RMB88,035,000 as at 30 June 2014 (31 December 2013: RMB88,035,000), details of which are set out in note 18(b)(iii).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

14. TRADE RECEIVABLES

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|--|--|--|
| Receivables from land development for sale | 649,075 | 202,364 |
| Receivables from properties for sale | 41,332 | 76,623 |
| | 690,407 | 278,987 |
| Less: allowance for doubtful receivables | (1,409) | (1,409) |
| | <u>688,998</u> | <u>277,578</u> |

In respect of fee income arising from sale of land development for sale, the successful land buyers would enter into land acquisition agreements with the local government authorities after public auction, tender or listing procedures. According to these land acquisition agreements, the respective land buyers are usually granted a credit period ranging from 1 to 3 months to settle the full amount of land acquisition consideration with the local government authorities. The Group would normally be able to recover the full amount of trade receivables from the government authorities shortly after the local government authorities have received the full amount of land acquisition consideration from the land buyers.

In respect of revenue arising from sales of properties and property leasing, the Group normally does not grant any credit term to its customers.

The aging analysis of the Group's trade receivables, net of allowance for doubtful debts, presented based on revenue recognition date, at 30 June 2014 and 31 December 2013 are as follows:

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|-----------------|--|--|
| 0 to 90 days | 486,825 | 930 |
| 91 to 180 days | 1,950 | 201,067 |
| 181 to 365 days | 164,890 | 366 |
| 1 to 2 years | – | 73,701 |
| 2 to 3 years | 35,333 | 1,514 |
| | <u>688,998</u> | <u>277,578</u> |

Trade receivables as at 30 June 2014 with the aggregate carrying amount of RMB682,313,000 were settled prior to the date of issuance of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

15. PREPAYMENTS AND OTHER RECEIVABLES

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|---|--|--|
| Prepayments: | | |
| – Prepayments for construction activities | 12,233 | 9,773 |
| – Prepayments for taxes | 31,436 | 59,093 |
| – Others | 2,933 | – |
| Other receivables: | | |
| – Loan receivables (note a) | – | 68,568 |
| – Staff advances | 6,354 | 4,268 |
| – Deposit receivables | 12,443 | 11,688 |
| – Receivable from disposal of a subsidiary (note b) | – | 10,000 |
| – Others (note c) | 26,474 | 27,876 |
| | 91,873 | 191,266 |
| Less: allowance for other receivables | (13,623) | (13,623) |
| | 78,250 | 177,643 |

Notes:

- a. Loan receivables at 31 December 2013 were interest-free, unsecured and did not have fixed repayment term. These loan receivables were fully settled on 21 March 2014.
- b. Amount represents receivable from disposal of a subsidiary. This receivable was fully settled on 13 March 2014.
- c. Included therein are receivables from parties controlled by the local government authority of RMB9,074,000 and RMB8,793,000 as at 30 June 2014 and 31 December 2013, respectively, which are unsecured and will be settled together with trade receivable from sale of a whole block of building to an entity controlled by a local government authority. In the opinion of the Directors, these receivables will be settled before the end of 2014. They were charged at interest rate of 6.4% per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

16. BANK BALANCES AND RESTRICTED BANK DEPOSITS

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|---|--|--|
| Bank deposits, bank balances and cash in hand | 830,403 | 773,356 |
| Less: Deposits pledged for banking facilities (note a) | (150,000) | (647,923) |
| Deposits pledged for guarantees granted to customers (note b) | (23,813) | (19,087) |
| | 656,590 | 106,346 |
| Short-term deposits (note c) | 40,000 | 314,240 |
| Total cash and cash equivalents | 696,590 | 420,586 |
| Bank deposits, bank balances and cash in hand denominated in: | | |
| – RMB(functional currency of the relevant entities) | 669,901 | 769,042 |
| – United States dollars ("US\$") | 160,094 | 4,136 |
| – Hong Kong dollars ("HK\$") | 408 | 178 |
| | 830,403 | 773,356 |

Notes:

- a. The amounts represented bank deposits in RMB pledged to banks as security for certain short-term banking facilities granted to the Group, details of which are set out in note 18(a).
- b. The amounts represented bank deposits in RMB pledged to banks as security for certain mortgage loans granted by the banks to the Group's customers. The restricted bank deposits will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.
- c. Short-term deposit at 31 December 2013 represented a three-day term deposit which was matured on 2 January 2014. Short-term deposit at 30 June 2014 represented a twenty-one day term deposit which was matured on 8 July 2014.

The restricted bank deposits and bank balances carry prevailing market interest rates as follows:

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|----------------------------------|--|--|
| Range of interest rate per annum | 0.35%–5.00% | 0.35%–7.00% |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

17. TRADE AND OTHER PAYABLES

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|---|--|--|
| Trade payables | 1,173,513 | 1,117,814 |
| Investment properties construction cost payable | 21,737 | 147,773 |
| Refundable deposits (note a) | 74,075 | 114,779 |
| Advance from government (note b) | 39,732 | 39,732 |
| Other tax payables | 9,535 | 44,199 |
| Other payables | 26,743 | 17,991 |
| Accrued expenses | 528 | 4,526 |
| Other deposit received | 15,175 | 12,614 |
| Accrued listing expense | 1,578 | – |
| | 1,362,616 | 1,499,428 |

The following is an aging analysis of trade payables based on services/materials received date at 30 June 2014 and 31 December 2013:

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|------------------|--|--|
| Less than 1 year | 767,283 | 742,056 |
| 1–2 years | 304,838 | 284,239 |
| 2–3 years | 48,036 | 50,242 |
| Over 3 years | 53,356 | 41,277 |
| | 1,173,513 | 1,117,814 |

Notes:

- a. The amounts represent refundable deposits received from interested parties for potential investments in the land developed by the Group.
- b. The amount represents interest-free refundable cash advance received from the local government authority to assist the Group's operations in the construction and preparation works in respect of land infrastructure of land development projects. Such cash advance is repayable to the local government authority on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

18. BANK AND OTHER BORROWINGS

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|---|--|--|
| Bank loans | | |
| Secured/guaranteed (note (a)) | 1,154,727 | 1,908,153 |
| Other loans | | |
| Secured/guaranteed (note (b)) | 1,912,909 | 1,126,004 |
| Unsecured (note(c)) | 370,754 | 358,959 |
| | <u>3,438,390</u> | <u>3,393,116</u> |
| Total borrowings are repayable as follows: | | |
| – Repayable on demand or within one year | 2,230,189 | 1,965,630 |
| – Repayable over 1 year and within 2 years | 621,221 | 391,452 |
| – Repayable over 2 years and within 5 years | 466,980 | 812,632 |
| – Repayable over 5 years | 120,000 | 223,402 |
| | <u>3,438,390</u> | <u>3,393,116</u> |
| Less: Amounts due within one year shown under current liabilities | <u>(2,230,189)</u> | <u>(1,965,630)</u> |
| Amounts shown under non-current liabilities | <u>1,208,201</u> | <u>1,427,486</u> |
| Floating rate borrowings | 1,160,342 | 2,186,568 |
| Fixed rate borrowings | 2,042,580 | 1,206,548 |
| Interest-free borrowings | 235,468 | – |
| | <u>3,438,390</u> | <u>3,393,116</u> |
| Bank and other borrowings denominated in: | | |
| – RMB | 2,625,625 | 2,762,875 |
| – US\$ | 812,765 | 630,241 |
| | <u>3,438,390</u> | <u>3,393,116</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

18. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

- a. The secured bank loans of the Group were secured by certain assets of the Group and their carrying amounts are as follows:

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|---|--|--|
| Properties under development for sale (note 13) | 1,163,190 | 1,344,881 |
| Investment properties (note 11) | 121,600 | 193,764 |
| Restricted bank deposits (note 16) | 150,000 | 647,923 |
| | 1,434,790 | 2,186,568 |

In addition, among the total secured bank loans, some of which are guaranteed by related parties as follows:

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|---|--|--|
| Ultimate Controlling Shareholders (as defined in note 24) | - | 763,000 |

- b. The details of secured/guaranteed other loans of the Group are as follows:

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|--|--|--|
| Loans from trust fund companies (note i) | 1,201,712 | 937,604 |
| Loans from other third parties (note ii) | 660,197 | 137,400 |
| Loans from a related party (note iii) | 51,000 | 51,000 |
| | 1,912,909 | 1,126,004 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

18. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

b. The details of secured/guaranteed other loans of the Group are as follows: (Continued)

- (i) In February 2013, the Group entered into an agreement with a trust fund company in the PRC, pursuant to which the trust fund company agreed to contribute RMB300,000,000 to a subsidiary of the Company, Langfang Honghao Investment Co., Ltd. ("Langfang Honghao Investment"), as capital injection. Subsequent to this capital injection, the registered capital of Langfang Honghao Investment increased from RMB320,000,000 to RMB620,000,000 and 48.4% equity interest of Langfang Honghao Investment was held by the trust fund company accordingly. Per the agreement, the Group agreed to repurchase and the trust fund company agreed to sell the 48.4% equity interest in Langfang Honghao Investment either at a cash consideration of RMB390,000,000 at the end of the term of 24 months or at a cash consideration of RMB439,500,000 at the end of the term of 36 months, the final date of repurchase of which is at the full discretion of the Group. Langfang Honghao Investment is accounted for as a wholly owned subsidiary, taking into account that the Group can still exercise control over Langfang Honghao Investment, the compulsory repurchase arrangement and the trust fund company does not entitle to any profit distributions from Langfang Honghao Investment but receives fixed interest income, the transaction as a whole has been treated in these condensed consolidated financial statements as a loan granted to the Group. The amount of RMB300,000,000, which had been fully received on 12 April 2013, carries an effective interest rate at 17.20% per annum after taking into consideration of initial transaction costs of RMB16,067,000, and is also secured by the remaining 51.6% equity interest held by the Group in Langfang Honghao Investment. As at 30 June 2014, this trust loan was also secured by certain properties under development for sale of the Group with an aggregate carrying amount of RMB216,709,000 (31 December 2013: RMB216,709,000). This trust loan was jointly guaranteed by the Ultimate Controlling Shareholders as at 31 December 2013 and the guarantee was released during the six months ended 30 June 2014.

In June 2013, the Group entered into a loan agreement with another trust fund company in the PRC, pursuant to which a loan amounting to RMB300,000,000 was granted by this trust fund company to the Group with a two-year term at an effective interest rate of 9.04% per annum after taking into consideration of initial transaction costs of RMB9,000,000. As at 30 June 2014, this trust loan was secured by certain investment properties of the Group with the aggregate carrying amount of RMB532,000,000 (31 December 2013: RMB523,700,000). In December 2013, the Group entered into another loan agreement with this trust fund company, pursuant to which a loan amounting to RMB328,280,000 was granted by this trust fund company to the Group with a three-year term at an effective interest rate of 5.535% per annum. As at 30 June 2014, this trust loan was secured by certain properties under development for sale of the Group with an aggregate carrying amount of RMB143,547,000 (31 December 2013: RMB143,547,000).

In June 2014, the Group entered into an agreement with another trust fund company in the PRC, pursuant to which the trust fund company agreed to contribute RMB300,000,000 to a subsidiary of the Company, Langfang Shoukai Sheng Shi Investment Co., Ltd. ("Langfang Shoukai Sheng Shi Investment"), among which RMB60,000,000 and RMB240,000,000 were recorded as registered capital and capital reserve of Langfang ShouKai Sheng Shi Investment, respectively. Subsequent to this capital injection, the registered capital of Langfang Shoukai Sheng Shi Investment increased from RMB102,000,000 to RMB162,000,000 and 37.04% equity interest of Langfang Shoukai Sheng Shi Investment was held by the trust fund company accordingly. Per the agreement, the Group agreed to repurchase and the trust fund company agreed to sell the 37.04% equity interest in Langfang Shoukai Sheng Shi Investment at the end of 24 months of capital injection at a pre-determined price if the Group can provide certain additional pledged assets to the trust fund company within half year from the date of the capital injection completed. Otherwise, the Group agreed to repurchase the 37.04% equity interest in Langfang Shoukai Sheng Shi Investment at the end of 12 months of capital injection at a pre-determined price. Langfang Shoukai Sheng Shi Investment is accounted for as a wholly owned subsidiary of the Company, taking into account that the Group can still exercise control over Langfang Shoukai Sheng Shi Investment, the compulsory repurchase arrangement and the trust fund company does not entitle to any profit distributions from Langfang Shoukai Sheng Shi Investment but receives fixed interest income, the transaction as a whole has been treated in these condensed consolidated financial statements as a loan granted to the Group with a one-year term. The fair value of the option to extend this loan from the term of one year to two years was insignificant as of 30 June 2014. The amount of RMB300,000,000, which had been fully received on 27 June 2014, carries an effective interest rate at 24.61% per annum after taking into consideration of initial transaction costs of RMB37,930,000, and is also secured by the remaining 62.96% equity interest held by the Group in Langfang Shoukai Sheng Shi Investment and guaranteed by Langfang City Property Development Co., Ltd., a wholly owned subsidiary of the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

18. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

b. The details of secured/guaranteed other loans of the Group are as follows: (Continued)

- (ii) Loans from other third parties were borrowed from non-financial institutions in the PRC. Loans with a carrying amount of RMB81,648,000 with terms ranging from 1 to 5 years bearing interest at rates ranging from 5.94% to 7.20% per annum and were secured by total assets of Langfang Sheng Shi Construction, and the Group's beneficial interests to be generated during the execution of the land development agreements for developing Longhe Park.

In addition to the loans from non-financial institutions mentioned in the preceding paragraph, on 2 April 2014, the Company entered into a facility agreement with Fine Process Limited (the "Facility Agreement"), an independent third party and a wholly-owned subsidiary of ICBC International Investment Management Limited, pursuant to which a loan facility of up to US\$100,000,000 (equivalent to approximately RMB615 million) was granted by Fine Process Limited to the Company. The effective interest rate of the loan is 15.76% per annum after taking into consideration of initial transaction costs of approximately RMB13.1 million. The Group shall repay an amount which reduces the outstanding loans by US\$10,000,000 (or such higher amount with Fine Process Limited's prior written consent) on the date falling 12 months after the first drawdown date and the aggregate loan in full on the date falling 24 months after the first drawdown date (or the date falling 36 months after the first drawdown date if the terms is extended with the written consent for such extension of the settlement term from Fine Process Limited in accordance with the Facility Agreement) in the case that the loan has not been prepaid. This loan facility is jointly guaranteed by the Ultimate Controlling Shareholders. The Facility Agreement is currently secured by the pledge of 75% equity interest of Shing Cheong Holdings, 75% equity interest of China Vast International Holdings Limited ("China Vast International") and 100% equity interest of King Billion Corporation Limited ("King Billion"). During April 2014, US\$100,000,000 was drawn down by the Company under the Facility Agreement.

- (iii) Details of secured loans from a related party are set out in note 24(a)(i). The loans from a related party were jointly guaranteed by Mr. Wang Jianjun and his brother, Mr. Wang Jianhai. These guarantees were released during the period ended 30 June 2014. The carrying amounts of the assets of the Group being pledged are as follows:

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|---------------------------------------|--|--|
| Properties under development for sale | 88,035 | 88,035 |

c. The details of unsecured other loans of the Group are as follows:

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|---|--|--|
| Loans from third parties (note(i)) | 121,286 | 315,859 |
| Loans from related parties (note 24(a)(ii)) | 249,468 | 43,100 |
| | 370,754 | 358,959 |

- (i) The above loans from third parties are interest bearing at rates ranging from 6.50% to 7.20% per annum as at 30 June 2014 (31 December 2013: 7.20% to 11.80% per annum) and are repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

18. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

- d. The ranges of effective interest rates on the Group's borrowings are as follows:

| | At 30 June 2014 % | At 31 December 2013 % |
|------------------------------------|-------------------------|-----------------------------|
| | (unaudited) | (audited) |
| Effective interest rate per annum: | | |
| Floating rate borrowings | 6.30–8.61 | 2.90–11.68 |
| Fixed rate borrowings | 5.54–24.61 | 6.60–17.20 |

- e. Interest on borrowings denominated in RMB at floating rates are based on the borrowing rates announced by the People's Bank of China. Interest on borrowings denominated in US\$ at floating rates are based on the London Interbank Offered Rate and repriced monthly.

19. CAPITAL COMMITMENTS

As at 30 June 2014 and 31 December 2013, the Group had the following commitment:

| | At 30 June 2014 RMB'000 | At 31 December 2013 RMB'000 |
|---|-------------------------------|-----------------------------------|
| | (unaudited) | (audited) |
| Contracted but not provided for in these condensed consolidated financial statements: | | |
| Expenditure in respect of land development for sale | 43,920 | 57,456 |
| Expenditure in respect of properties under development for sale | 667,455 | 783,565 |
| | 711,375 | 841,021 |

The capital commitments above as at 30 June 2014 and 31 December 2013 are to be settled according to the progress of the future development of the underlying projects which might not be necessarily incurred within twelve months from those dates.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

20. OPERATING LEASE COMMITMENTS

The Group as Lessor

As at 30 June 2014 and 31 December 2013, the Group had contracted with tenants for the following future minimum lease payments.

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|--|--|--|
| Within one year | 13,793 | 12,808 |
| In the second to the fifth year, inclusive | 17,120 | 18,502 |
| After the fifth year | 607 | 1,069 |
| | 31,520 | 32,379 |

Operating lease related to the investment properties owned by the Group with lease terms of between 1 and 7 years. None of the leases includes any contingent rentals and renewal options.

The Group as Lessee

As at 30 June 2014 and 31 December 2013, the Group had commitments for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|--|--|--|
| Within one year | 5,647 | 5,647 |
| In the second to the fifth year, inclusive | 14,924 | 17,583 |
| | 20,571 | 23,230 |

Operating lease payments with terms of between 1 and 5 years, represent rentals payable by the Group for certain of its office premises. None of the leases includes any contingent rentals and renewal options.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

21. CONTINGENT LIABILITIES

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|--|--|--|
| Mortgage loan guarantees provided by the Group to banks and a non-financial institution in favour of its customers (<i>note a</i>) | 451,192 | 412,201 |
| Guarantee provided to a bank in respect of a banking facility granted to an associate (<i>note b</i>) | 235,000 | 235,000 |
| | 686,192 | 647,201 |

Notes:

- a. In the opinion of the directors of the Company (the "Directors"), the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition, and the Directors consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in these condensed consolidated financial statements for these guarantees.
- b. The fair value of this financial guarantee contract is insignificant at the date of issue of the financial guarantee and at the end of each reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

22. ACQUISITION OF THE REMAINING EQUITY INTEREST IN THE JOINT VENTURE

On 27 January 2014, the Group entered into a share purchase agreement with Goodman China Limited, the other joint venture partner of Langfang Goodman Vast Park Service Company, the joint venture of the Group, pursuant to which, Goodman China Limited has agreed to transfer its 50% shareholding interest in Langfang Goodman Vast Park Service Company to the Group at a cash consideration of US\$15 million (equivalent to approximately RMB91,553,000). As the joint venture has not yet commenced its business, the acquisition of the remaining equity interest in the joint venture by the Group is considered as acquisition of assets and liabilities.

| | RMB'000 (unaudited) |
|---|------------------------|
| Bank balances and cash | 86,037 |
| Deposit paid to the Group | 93,949 |
| Other receivables | 6,275 |
| Other payables | (124) |
| | <hr/> |
| Total net assets acquired | 186,137 |
| Less: Fair value of the investment in the joint venture held by the Group on acquisition date | 93,069 |
| Other payable arising from the acquisition (<i>note</i>) | 91,553 |
| | <hr/> |
| Gain on acquisition (<i>note 6</i>) | 1,515 |
| | <hr/> |

Cash inflow arising from the acquisition:

| | RMB'000 |
|------------------------------------|---------|
| Cash and cash equivalents acquired | 86,037 |
| | <hr/> |

Note: The other payable arising from the acquisition is unsecured and non-interest bearing and was settled in full in May 2014.

23. DISSOLUTION OF AN ASSOCIATE

Langfang Shengshi Credit & Warrant Co., Ltd. ("Shengshi Credit"), one of the Group's associates, was dissolved during the current interim period. Before this dissolution, the Group owned 41.67% equity interest in Shengshi Credit and the investment was accounted for as an investment in an associate using the equity method of accounting. The transaction has resulted in a loss on dissolution of RMB236,000 in profit or loss.

| | RMB'000 (unaudited) |
|--|------------------------|
| Cash received from dissolution | 24,764 |
| Less: carrying amount of the 41.67% interest in Shengshi Credit on the date of dissolution | 25,000 |
| | <hr/> |
| Loss on dissolution of an associate (<i>note 7</i>) | 236 |
| | <hr/> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

24. RELATED PARTY BALANCES AND TRANSACTIONS

Mr. Wang Jianjun and his spouse, Ms. Zhao Ying, are collectively referred to as the Ultimate Controlling Shareholders. In addition to the transactions and balances detailed elsewhere in these condensed consolidated financial statements, the following is a summary of significant transactions carried out between the Group and (i) Mr. Wang Jianjun; (ii) Profit East, the immediate holding company of the Company; (iii) fellow subsidiaries and a company under significant influence of Mr. Wang Jianjun; (iv) Ms. Wang Wei, a daughter of the Ultimate Controlling Shareholders, and companies controlled by her; (v) Mr. Wang Jianhai, a brother of Mr. Wang Jianjun, and a company controlled by him; (vi) associates of the Group; (vii) a joint venture of the Group; and (viii) a director of the Company. The transactions with these related parties were made on terms agreed among the parties.

(a) Related Party Balances

Balances as at 30 June 2014 and 31 December 2013 with related parties:

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|---|--|--|
| Amounts due from: | | |
| – Immediate holding company: Profit East | 47 | 37 |
| – Ms. ZhaoYing | 93 | – |
| | 140 | 37 |
| Mr. Wang Jianhai | – | 64 |
| The companies controlled by Ms. Wang Wei: | | |
| – Langfang Hongtai Commercial Co., Ltd. ("Hongtai Commercial") | – | 1,283 |
| – Langfang Wantong Cemetery Co., Ltd. ("Wantong") | – | 3,500 |
| | – | 4,847 |
| Associates: | | |
| – Shengshi Credit [#] | – | 1,500 |
| – Langfang Huayuan Shengshi Heating Co., Ltd. ("Huayuan") | – | 832 |
| – Langfang Kaichuang Jiahua Investment Co., Ltd. ("Kaichuang") | – | 77 |
| | – | 2,409 |
| A director of the Company: | | |
| – Mr. Yang Yun | – | 500 |
| Total non-trade balances | 140 | 7,793 |

[#] Shengshi Credit was dissolved during the current interim period.

The above receivables from related parties are all of non-trade nature, denominated in RMB, unsecured and interest-free.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

24. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(a) Related Party Balances (Continued)

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|---------------------------------------|--|--|
| Amounts due to: | | |
| Mr. Wang Jianjun | – | 41,091 |
| A company controlled by Ms. Wang Wei: | | |
| – Hongtai Commercial | 40 | – |
| An Associate: | | |
| – Shengshi Credit [#] | – | 40,957 |
| Total non-trade balances | 40 | 82,048 |

[#] Shengshi Credit was dissolved during the current interim period.

The above outstanding balances payables to related parties are of non-trade nature, denominated in RMB, unsecured, interest-free and repayable on demand.

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|---|--|--|
| Amount due to: | | |
| An associate: | | |
| – Huayuan | 3,104 | 3,962 |
| Total trade balance | 3,104 | 3,962 |
| Total amounts due to related parties | 3,144 | 86,010 |

The above outstanding payables to an associate is of trade nature, denominated in RMB, unsecured, interest-free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

24. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(a) Related Party Balances (Continued)

The following is an aged analysis of the above outstanding payables of trade nature, presented based on service received date, at 30 June 2014 and 31 December 2013:

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|------------------|--|--|
| Less than 1 year | 3,104 | 3,962 |
| | <u>3,104</u> | <u>3,962</u> |

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|--|--|--|
|--|--|--|

Deposit received from a joint venture

| | | |
|--|---|---------------|
| – Deposit received from Langfang Goodman Vast Park Service Company | – | 93,949 |
| | | <u>93,949</u> |

Amount represents deposit received from Langfang Goodman Vast Park Service Company for land development service to be provided to Langfang Goodman Vast Park Service Company by the Group.

(i) Loans from a Related Party-Secured

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|-------------------------------------|--|--|
| Company controlled by Ms. Wang Wei: | | |
| – Hongtai Commercial | 51,000 | 51,000 |
| Loans from a related party | <u>51,000</u> | <u>51,000</u> |

The above outstanding loans from a related party, which form part of the total borrowings of the Group in note 18, are secured (see note 18(b)(iii) for details of assets pledged), interest bearing at rates ranging from 7.80% to 8.70% per annum as at 30 June 2014 (31 December 2013: 6.60% to 11.64% per annum), and are repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

24. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(a) Related Party Balances (Continued)

(ii) Loans from Related Parties-Unsecured

| | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|-------------------------------------|--|--|
| Company controlled by Ms. Wang Wei: | | |
| – Hongtai Commercial | 14,000 | 43,100 |
| Immediate holding company: | | |
| – Profit East (note) | 235,468 | – |
| Loans from related parties | <u>249,468</u> | <u>43,100</u> |

Note: Profit East, the immediate holding company of the Company, issued exchangeable bonds amounting to US\$40,000,000 in February 2014. These exchangeable bonds are pledged by 25% equity interest of Shing Cheong Holdings, 25% equity interest of China Vast International and 100% equity interest of Sheng Shi International (HK) Development Limited ("Sheng Shi International"). Subsequent to the issue of the aforesaid exchangeable bonds by Profit East, the Group received a loan from Profit East of US\$38,270,000 (equivalent to approximately RMB235,468,000 as at 30 June 2014) (the "Shareholder's Loan") which was unsecured, non-interest bearing and repayable on demand.

Except for the loan from Profit East which was non-interest bearing and repayable on demand, the other loans from related parties above are interest bearing at a rate of 8.53% per annum as at 30 June 2014 (31 December 2013: 8.53% per annum) and are repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

24. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(b) Related Party Transactions

During the six months periods ended 30 June 2014 and 2013, the Group entered into the following transactions with its related parties:

| | Nature of transaction | Six months ended 30 June | |
|---|--|--------------------------|------------------------|
| | | 2014 | 2013 |
| | | RMB'000 (unaudited) | RMB'000 (unaudited) |
| Langfang Hongtai Construction Co., Ltd. ("Hongtai Construction")* | Construction service received | – | 154,560 |
| Huanmei Landscape Engineering Co., Ltd ("Huanmei")* | Construction service received | – | 8,659 |
| Hongtai Construction* | Interest expense | – | 7,466 |
| Hongtai Commercial | Interest expense | 2,608 | 6,066 |
| Huanmei* | Interest expense | – | 980 |
| Mr. Wang Jianjun | Interest income | – | 9,674 |
| Hongtai Construction* | Interest income | – | 22,456 |
| Wantong | Interest income | – | 6,067 |
| Mr. Wang Jianjun | Fair value adjustment on interest-free cash advance made | – | 932 |
| Hongtai Construction* | Fair value adjustment on interest-free cash advance made | – | 1,644 |
| Mr. Wang Jianjun | Waiver of debt owed by the Group | 41,091 | – |

* The shareholding interests in Hongtai Construction held by Mr. Wang Jianhai and Huanmei held by Mr. Wang Jianjun were fully disposed to unrelated third parties on 25 December 2013 and 27 December 2013, respectively. The registration of the changes of shareholders of these two entities with the State Administration for Industry and Commerce of the PRC in Langfang city was completed on 27 December 2013. Therefore, these two entities are no longer related parties of the Group.

(c) The Group provided guarantee to a bank in respect of a banking facility granted to an associate of the Group. Details are set out in note 21.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

24. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(d) Compensation of Key Management Personnel

Key management personnel are those senior management having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The key management personnel compensation are as follows:

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Salaries | 2,292 | 342 |
| Contribution to retirement benefit scheme | 30 | 10 |
| Discretionary performance-related bonus | 938 | 215 |
| | 3,260 | 567 |

25. EVENTS AFTER THE REPORTING PERIOD

- (a) On 6 August 2014, a written resolution was passed by the shareholders of the Company to approve the increase of the authorized share capital of our Company from HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 ordinary shares with a par value of HK\$0.01 each.
- (b) Pursuant to the loan capitalization agreement dated 6 August 2014 entered into by, among others, the Company and Profit East and the written resolution of the shareholders of the Company passed on 6 August 2014, the Directors were authorized to allot and issue 100 ordinary shares credited as fully paid at par to Profit East immediately prior to the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited by way of capitalization of the entire Shareholder's Loan from Profit East of US\$38,270,000 (equivalent to approximately RMB235,468,000 as at 30 June 2014) (the "Capitalization of Loan"), and the ordinary shares to be allotted and issued pursuant to the Capitalization of Loan shall rank pari passu in all respects with the existing issued ordinary shares including the entitlement to the Capitalization Issue (see definition in paragraph (c) below) and the ordinary shares to be issued pursuant to the Capitalization Issue.
- (c) Pursuant to the written resolutions of the shareholders of the Company passed on 6 August 2014, conditional upon the share premium account of the Company being credited as a result of the issue of shares pursuant to the Hong Kong public offering and international offering of the shares of the Company, the Directors were authorized to allot and issue a total of 1,271,979,900 ordinary shares credited as fully paid at par to the shareholders of the Company whose names appear on the register of members of the Company at close of business on the second business day immediately preceding the date on which dealing in the ordinary shares of the Company first commences on the Main Board of the Hong Kong Stock Exchange in proportion to their respective shareholdings by way of capitalization of the sum of HK\$12,719,799 standing to the credit of the share premium account of the Company (the "Capitalization Issue"), and the ordinary shares to be allotted and issued pursuant to the Capitalization Issue shall rank pari passu in all respects with the existing issued ordinary shares and the ordinary shares to be issued pursuant to the Capitalization of Loan.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Our revenue for the six months ended 30 June 2014 was substantially generated from (i) fee income from sales of land development for sale, representing our fee income derived from development of industrial town projects, (ii) revenue from sales of properties, and a minor portion derived from (iii) revenue from property leasing. The table below sets forth a breakdown of our revenue:

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Fee income from the sales of land development for sale | 657,129 | 710,006 |
| Revenue from the sales of properties | 689,794 | 2,631 |
| Revenue from property leasing | 6,505 | 4,869 |
| | <u>1,353,428</u> | <u>717,506</u> |

Revenue of the Group for the six months ended 30 June 2014 amounted to RMB1,353.4 million, representing an increase of 88.6% comparing with the total revenue of RMB717.5 million for the same period in 2013.

For the six months ended 30 June 2014, an aggregate of 412,689 sq.m. of land in Longhe Park was sold by the relevant local government for a total land premium of RMB1,054.6 million. Comparing to the aggregate of 469,864 sq.m. of land sold in Longhe Park by the relevant local government for a total land premium of RMB1,066.7 million for the six months ended 30 June 2013, we are benefited from the increase in average selling price of land parcels in Longhe Park. We recorded fee income from the sales of land development for sale of RMB657.1 million for the six months ended 30 June 2014, or a slight decrease of 7.5% as compared with RMB710.0 million for the six months ended 30 June 2013.

Thanks to the delivery of commercial and residential properties of our project Hongtai Longdi Phase I (宏泰龍邸一期) and delivery of residential properties of our project Hongtai Meishuguan Phase I (宏泰美樹館一期) of 96,322 sq.m. and 22,414 sq.m., respectively, we recorded revenue from the sales of properties of RMB689.8 million for the six months ended 30 June 2014, or an increase of 260 times as compared with RMB2.6 million for the six months ended 30 June 2013.

The significant increase in revenue was primarily due to the increase in revenue recognized during the reporting period from the delivery of commercial and residential properties of our project Hongtai Longdi Phase I (宏泰龍邸一期) and delivery of residential properties of our project Hongtai Meishuguan Phase I (宏泰美樹館一期).

In respect of fee income from sales of land development for sale, the Group remained focusing on the development of Longhe Park, and continued to deliver a solid performance. During the reporting period, all of our fee income from sales of land development for sale was derived from Longhe Park.

Management Discussion and Analysis

Cost of Sales and Services

Our cost of sales and services consists of (i) cost of land development for sale, (ii) cost of properties sold, and (iii) direct operating expense of property leasing. For the six months ended 30 June 2014, our cost of sales and services amounted to RMB668.7 million, representing an increase of 271.3% as compared with that of RMB180.1 million for the six months ended 30 June 2013. Such increase was primarily due to a change in our revenue composition as a result of the substantial increased percentage of sales of properties in the six months ended 30 June 2014, which generally has a higher cost of sales and services as compared with sales of land development for sale. The increase in cost of sales and services was also in line with the increase of our revenue for the six months ended 30 June 2014 as compared with the same period in 2013.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2014, our gross profit amounted to RMB684.8 million, or an increase of 27.4% as compared with RMB537.4 million for the six months ended 30 June 2013. Gross profit margin was 50.6% for the six months ended 30 June 2014, as compared with 74.9% for the same period in 2013, due to a change in our revenue composition as a result of the substantial increase in the percentage of sales of properties in the six months ended 30 June 2014, which generally has a lower gross profit margin as compared with sales of land development for sale.

Other Income

Our other income decreased from RMB58.0 million for the six months ended 30 June 2013 to RMB25.1 million for the same period in 2014, representing a decrease of 56.7%. The decrease was mainly due to a decrease of RMB38.2 million in imputed interest income on interest-free advances to related parties for the six months ended 30 June 2014 as all the non-current receivables due from related parties were fully settled in December 2013.

Other Expenses

The Company had incurred a one-off listing expenses of RMB21.2 million in the first half of 2014 in connection with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited ("Listing") while we did not have such expenses for the same period in 2013.

Other Gains and Losses

Other gains and losses increased from RMB5.1 million for the six months ended 30 June 2013 to RMB18.4 million for the same period in 2014. The increase was mainly due to (i) an increase of RMB9.2 million in exchange gains on our offshore borrowings, primarily due to an increase in our offshore borrowings from a loan facility of US\$100,000,000 drawn down in April 2014, and (ii) a gain of RMB1.5 million due to our acquisition of the remaining 50% equity interest in our joint venture entity, Langfang Goodman Vast Park Service Company (廊坊嘉民盛世園區服務有限公司), in March 2014. Subsequent to the acquisition, Langfang Goodman Vast Park Service Company became our indirectly wholly-owned subsidiary.

Finance Costs

Our finance cost increased by RMB44.6 million, or 219.7%, from RMB20.3 million for the six months ended 30 June 2013 to RMB64.9 million for the same period in 2014. The increase in finance cost was mainly due to an increase in our average outstanding balance of trust loans and other loan facility with higher interest rate because of the following transactions:

- (i) in April 2014, we entered into a facility agreement with Fine Process Limited, a wholly-owned subsidiary of ICBC International Investment Management Limited, pursuant to which a loan facility of up to US\$100,000,000 (equivalent to approximately RMB615 million) was granted by Fine Process Limited to us. The effective interest rate of the loan is 15.76% per annum after taking into consideration of initial transaction costs of approximately RMB13.1 million; and

Management Discussion and Analysis

- (ii) in June 2014, we entered into an agreement with a trust fund company in the PRC, pursuant to which the trust fund company had contributed RMB300.0 million to our subsidiary, Langfang Shoukai Sheng Shi Investment Co., Ltd. (廊坊市首開盛世投資有限公司). In accordance with the relevant requirements under International Financial Reporting Standards (IFRS), the transaction as a whole has been treated as a loan granted to us with a one-year term with an effective interest rate of 24.61% per annum after taking into consideration the initial transaction costs of RMB37.9 million.

Profit Before Tax

As a result of the aforesaid factors, our profit before tax increased by RMB38.4 million, or 6.8%, from RMB566.2 million for the six months ended 30 June 2013 to RMB604.6 million for the same period in 2014.

Income Tax Expense

Income tax expense increased from RMB19.3 million for the six months ended 30 June 2013 to RMB154.6 million for the same period in 2014, representing an increase of 701.0%, which primarily reflected (i) the change of tax valuation method by three of our subsidiaries from authorized tax valuation method to actual tax valuation method, effective from 1 January 2014, resulting to a substantial increase in our effective tax rate, (ii) an increase in land appreciation tax of RMB18.8 million for the six months ended 30 June 2014 due to increase in delivery of properties, (iii) a difference of RMB30.4 million in deferred tax charge and deferred tax credit representing the differences on property sale and cost of sales and fair value change on investment properties, and (iv) the increase in profit before tax recorded in the six months ended 30 June 2014.

Profit

As a result for the foregoing factors, profit attributable to owners of the Company for the six months ended 30 June 2014 decreased by 17.7% to RMB449.9 million from RMB546.9 million for the six months ended 30 June 2013, which is primarily due to the increase in finance cost and a significant increase in income tax expenses during the period as a result of the adoption of the actual taxation method by three of our subsidiaries in 2014.

Earnings Per Share

The basic earnings per share for the six months ended 30 June 2014 calculated based on 20,000 shares in issue as at 30 June 2014 was RMB22,497 (six months ended 30 June 2013: RMB27,344).

If taking into account the Capitalization Issue, the weighted-average number of shares in issue would be 1,265,671,642 shares and the basic earnings per share for the six months ended 30 June 2014 would be RMB35.6 cents (six months ended 30 June 2013: RMB43.2 cents).

Cash Position

Our cash and cash equivalents increased by 65.6% to RMB696.6 million as at 30 June 2014 from RMB420.6 million as of 31 December 2013, principally attributable to:

- (i) the net cash outflow of RMB71.7 million from our operating activities;
- (ii) the net cash inflow of RMB494.8 million from investing activities which was primarily resulting from restricted bank deposits withdrawn of RMB937.0 million, offset by restricted bank deposits placed of RMB444.2 million; and
- (iii) the net cash outflow of RMB147.3 million from financing activities which was primarily due to repayment of bank loans of RMB1,377.4 million and other loans of RMB362.0 million, repayment of advance from related parties of RMB41.0 million and interest payment of RMB169.6 million, offset by the new loans of RMB1,802.7 million.

Management Discussion and Analysis

Bank and Other Borrowings

The Group's total borrowings increased by 1.3% from RMB3,393.1 million as at 31 December 2013 to RMB3,438.4 million as at 30 June 2014.

Secured bank loans decreased from RMB1,908.2 million as at 31 December 2013 to RMB1,154.7 million as at 30 June 2014 while other secured loans increased from RMB1,126.0 million as at 31 December 2013 to RMB1,912.9 million as at 30 June 2014.

Bank loans secured by restricted bank deposits decreased significantly from RMB647.9 million as at 31 December 2013 to RMB150.0 million as at 30 June 2014, primarily due to the release of certain bank deposits pledged for mortgage loans upon maturity of such loans in the first half of 2014.

Trade Receivables

Trade receivables increased from RMB277.6 million as at 31 December 2013 to RMB689.0 million as at 30 June 2014 primarily due to a portion of the trade receivables arising from land development for sale in Longhe Park as the local government in Langfang had sold an aggregate of 311,357 sq.m. of land in Longhe Park in the second quarter of 2014 for a total land premium of RMB767.1 million. Certain portion of such trade receivables from sales of land has already been recovered by us.

Prepayments and Other Receivables

Prepayments and other receivables decreased from RMB177.6 million as at 31 December 2013 to RMB78.3 million as at 30 June 2014 primarily due to the full settlement of the loan receivables of RMB68.6 million in the first half of 2014 and full settlement of the consideration of RMB10.0 million in respect of the disposal of a wholly-owned subsidiary, Beijing Sheng Shi Zhuoyou Investment Co. Ltd. for the year ended 31 December 2013.

Advance from Customers for Properties Developed for Sale

Advance from customers for properties developed for sale decreased from RMB844.4 million as at 31 December 2013 to RMB504.1 million as at 30 June 2014, primarily due to the delivery of properties of Hongtai Longdi Phase I (宏泰龍邸一期) and Hongtai Meishuguan Phase I (宏泰美樹館一期) in the first half of 2014 following completion of these properties.

Interest in a Joint Venture

Interest in a joint venture decreased to zero as at 30 June 2014, as compared to RMB93.1 million as at 31 December 2013, because the Group had acquired the remaining equity interest in the joint venture in the first half of 2014.

Interest in Associates

Interest in associates decreased from RMB119.0 million as at 31 December 2013 to RMB91.3 million as at 30 June 2014 because Langfang Shengshi Credit & Warrant Co., Ltd. (廊坊市盛世信用擔保有限公司), a company owned by the Group as to 41.67%, has been deregistered in the first half of 2014.

Completed Properties for Sale

Completed properties for sale increased from RMB403.9 million as at 31 December 2013 to RMB505.4 million as at 30 June 2014, primarily due to the completion of Hongtai Longdi Phase I (宏泰龍邸一期).

Management Discussion and Analysis

Contingent Liabilities

The Group provides guarantees to banks and non-financial institutions which granted mortgage loans to certain purchasers of the Group's properties. As at 30 June 2014, such mortgage loan guarantees amounted to RMB451.2 million as compared with RMB412.2 million as at 31 December 2013. Such guarantees would be released upon the earlier of (i) the transfer of the relevant building ownership certificates to the purchasers; or (ii) the satisfaction of obligations under the mortgage loans by the purchasers.

The Group also provided a guarantee of RMB235.0 million to a bank in respect of a banking facility granted to Langfang Kaihong Furniture Mart Company Limited (廊坊市凱宏家居廣場有限公司), an associate of the Company being indirectly owned by the Company as to 30%, for its property development in Longhe Park.

Pledge of Assets

Certain of our assets have been pledged to the banks, trust fund company, non-financial institutions and a related party to secure certain loans and banking facilities granted to the Group. For details, please refer to note 18 to the condensed consolidated financial statements in this report.

Liquidity and Financial Resources

The Group's principal financial instruments comprise of borrowings and cash. The main objective for the use of these financial instruments is to maintain a continuity of funding and flexibility at the lowest cost possible.

As at 30 June 2014, bank balances and restricted bank deposits was RMB870.4 million, among which RMB710.0 million was in Renminbi, RMB160.0 million in USD and RMB0.4 million in Hong Kong dollars.

As at 30 June 2014, our total borrowings was RMB3,438.4 million, among which RMB2,625.6 million was in Renminbi and RMB812.8 million in USD, with maturities as follows:

| | 30 June 2014 (RMB million) |
|---------------|-------------------------------|
| Within 1 year | 2,230.2 |
| 1 to 2 years | 621.2 |
| 2 to 5 years | 467 |
| Over 5 years | 120 |

Among the RMB3,438.4 million borrowings, RMB1,160.3 million was with floating rate, RMB2,042.6 million with fixed rate and RMB235.5 million was interest-free.

As at 30 June 2014, the Group's gearing ratio (total borrowings to total assets) was 51.3%. The Group's financing capability became stronger after Listing. The Group will continue to adopt more stable financial policies and control its gearing ratio at the industry average level.

Management Discussion and Analysis

Foreign Currency Risk

The Group's business is principally conducted in Renminbi. Apart from certain cash and bank deposits and bank and other borrowings denominated in foreign currencies, the Group is not subject to any significant risk from fluctuations in exchange rates. No currency hedging arrangement had been made by the Group during the reporting period. The Group will closely monitor and manage its exposure to fluctuation in foreign exchange rates.

Significant Investments, Acquisitions and Disposals

On 27 January 2014, the Group entered into a share purchase agreement with Goodman China Limited, the other joint venture partner of Langfang Goodman Vast Park Service Company, the joint venture of the Group, pursuant to which, Goodman China Limited has agreed to transfer its 50% shareholding interest in Langfang Goodman Vast Park Service Company to the Group at a cash consideration of US\$15 million (equivalent to approximately RMB91,553,000). Upon completion of the transfer, Langfang Goldman Vast Park Service Company became an indirectly wholly-owned subsidiary of the Company.

Langfang Shengshi Credit & Warrant Co., Ltd. ("Shengshi Credit"), one of the Group's associates, was dissolved during the current interim period. Before this dissolution, the Group owned 41.67% equity interest in Shengshi Credit and the investment was accounted for as an investment in an associate using the equity method of accounting.

Events after The Reporting Period

In addition to the subsequent events detailed elsewhere in this report,

- (a) On August 20, 2014, Chance Talent Management Limited ("Chance Talent"), our pre-IPO investor, served notice to exercise its exchange rights in respect of 100% the principal amount of the exchangeable bonds pursuant to the terms and conditions of the exchangeable bonds. Pursuant to the terms and conditions of the exchangeable bonds, Profit East Limited transferred 125,000,000 shares of the Company to Chance Talent prior to Listing.
- (b) In connection with the Company's global offering (the "Global Offering"), 328,000,000 shares with a nominal value of HK\$0.01 each were issued at a price of HK\$3.10 per share for a total cash consideration, before deducting any underwriting fees, commissions and related expenses, of HK\$1,016,800,000. Dealings in shares of the Company on the Main Board of the Stock Exchange commenced on 25 August 2014.

Employee Remuneration and Relations

As at 30 June 2014, the Group had a total of 517 employees (31 December 2013: 502 employees). The Group provides employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

Management Discussion and Analysis

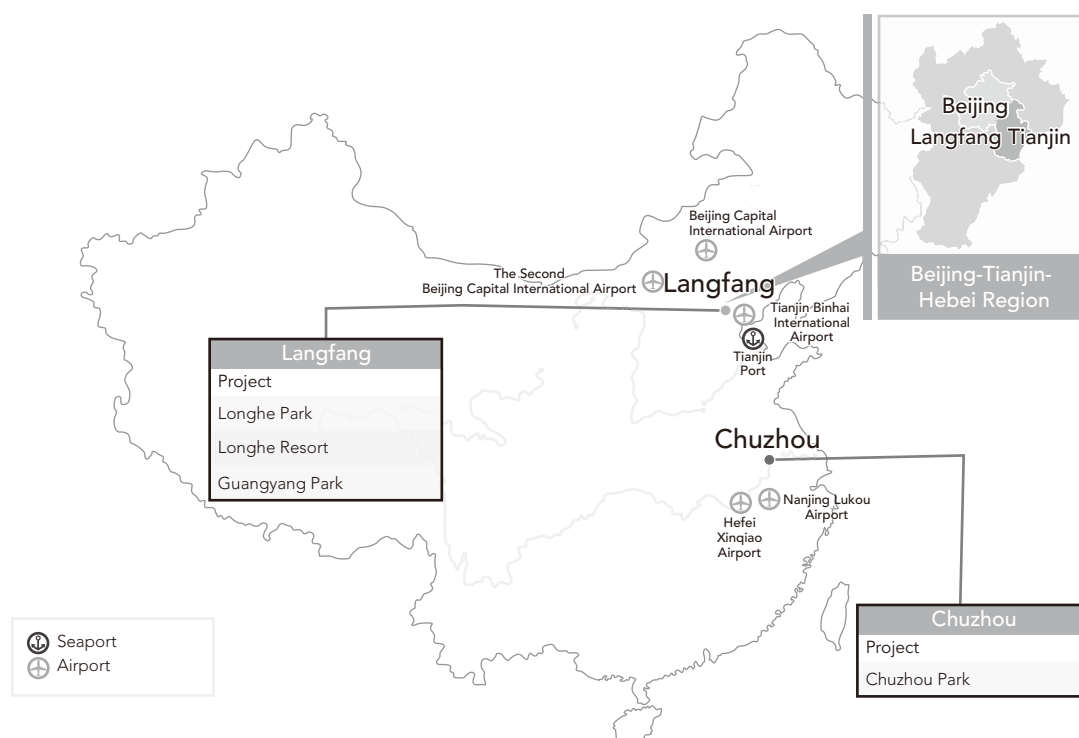
BUSINESS REVIEW

Industrial Town Development

We are one of the pioneer service providers in the planning, development and operation of large-scale industrial towns (產業市鎮) in China. Our primary business focus, being industrial town development business, significantly differentiates us from a traditional property developer. When we commenced development of Longhe Park, our first industrial town project, in 2005, there were very few market players in the PRC offering a similar range of services, and industrial towns only became a development model to drive China's urbanization process in the recent decade. We currently co-operate with certain local governments in Hebei and Anhui provinces in relation to development of four industrial town projects. We focus on development of large-scale industrial towns with a land area of 10.0 million sq.m. or above. As one of the pilot models to drive China's urbanization process, an industrial town typically hosts a cluster of enterprises with selected common industry themes, together with supporting facilities such as logistics, residential and commercial properties, creating a fully integrated working and living community for its residents (產城一體). In addition to our industrial town development business, we also develop and invest in residential, commercial and industrial properties in both our industrial town projects and other areas in Hebei province, which accounted for only a portion of our total revenue. As a key part of our industrial town business, we (i) plan and design industrial towns and position industrial towns with selected industry themes, (ii) convert land planned for development under our co-operation agreements into land suitable for sale by the local governments, (iii) promote the sale of such land to attract target customers to set up businesses in our industrial town projects, and (iv) provide or make available follow-up management and operation services to enterprise customers in our industrial towns.

We currently provide planning, development and/or operation services in four industrial town projects, consisting of (i) Longhe Park, (ii) Longhe Resort and (iii) Guangyang Park in Langfang, Hebei province, and (iv) Chuzhou Park in Chuzhou, Anhui province. Longhe Park is progressing towards an active development stage. The remaining three projects are in the early stage of development, and we have entered into legally binding co-operation agreements with the local governments for the development of each of these projects. We expect our existing industrial town projects to continue to generate land parcels for sale until 2035.

The following map shows the locations of our industrial town projects.



Management Discussion and Analysis

The following table sets forth our project status, industry themes, scope of services and fee arrangement for each industrial town project as of 30 June 2014.

| Industrial town project ⁽¹⁾ | Status | Industry theme | Scope of services | Fee arrangement |
|---|--|---|--|---|
| <p>Langfang, Hebei province Langhe Park</p> <p><i>Planned site area:</i> 28.0 million sq.m.</p> | <ul style="list-style-type: none"> Progressing towards an active development stage | <ul style="list-style-type: none"> Information technology, advanced manufacturing, modern services and property development | <ul style="list-style-type: none"> Planning and design, industry positioning, land preparation, infrastructure construction, marketing and follow-up services to manage and operate the project | <ul style="list-style-type: none"> Calculated with reference to a certain percentage of land sale proceeds and taxes paid by resident enterprises. |
| <p>Longhe Resort</p> <p><i>Planned site area:</i> 9.5 million sq.m.</p> | <ul style="list-style-type: none"> Binding agreement signed; land preparation and infrastructure construction not yet commenced | <ul style="list-style-type: none"> Vacation properties and facilities, business headquarters and culture business subject to finalization | <ul style="list-style-type: none"> Planning and design, industry positioning, land preparation, infrastructure construction, marketing and follow-up services to manage and operate the project | <ul style="list-style-type: none"> Calculated with reference to a certain percentage of land sale proceeds and taxes paid by resident enterprises. |
| <p>Guangyang Technology Regeneration Park⁽²⁾</p> <p><i>Planned site area:</i> 15.0 million sq.m.</p> | <ul style="list-style-type: none"> Binding agreement signed; land preparation and infrastructure construction not yet commenced | <ul style="list-style-type: none"> Under planning | <ul style="list-style-type: none"> Planning and design, industry positioning, land preparation, infrastructure construction, marketing and follow-up services to manage and operate the project | <ul style="list-style-type: none"> A portion of the net land sale proceeds representing the sum of our actual investment amount with a pre-agreed return and a portion of the remaining net land sale proceeds in accordance with our equity interest in the relevant project company. |
| <p>Chuzhou, Anhui province Chuzhou Park</p> <p><i>Planned site area:</i> 15.0 million sq.m.</p> | <ul style="list-style-type: none"> Binding agreement signed; marketing activities commenced | <ul style="list-style-type: none"> New materials, new energy, equipment manufacturing, modern services and natural food, subject to finalization | <ul style="list-style-type: none"> Marketing | <ul style="list-style-type: none"> Calculated with reference to net land sale proceeds of a certain size of land sites. |

Management Discussion and Analysis

Notes:

- (1) We have set up a project company with an affiliated entity of the local government, of which we hold 49% of the equity interest, for the development of Guangyang Park. Our development of Longhe Park, Longhe Resort and Chuzhou Park is conducted by our wholly-owned subsidiaries.
- (2) We entered into a co-operation agreement with the local government for the development of Guangyang Park on April 27, 2011. As Guangyang Park is in close vicinity to the airport currently under construction in the conjunction area of Beijing and Guangyang District of Langfang (the "Second Beijing Capital International Airport") which is currently under development, the development plan of the surrounding area of the Second Beijing Capital International Airport, including Guangyang Park, is under review by the local government. As such government planning has not been released, we have not commenced development of Guangyang Park as of 30 June 2014. The industry positioning and our scope of services for Guangyang Park are subject to changes.

For the six months ended 30 June 2014, fee income derived from our development of industrial town projects was solely from Longhe Park. The table below sets forth selective information about the classification of land, planned site area and sold site area of Longhe Park as of 30 June 2014.

| Classification | Planned | Site area sold ⁽²⁾ | | Saleable land unsold | |
|-----------------------------------|-----------------------------------|-------------------------------|------------|----------------------|------------|
| | site area ⁽¹⁾ sq.m. | sq.m. | % | sq.m. | % |
| Saleable | | | | | |
| • Residential and commercial area | 10,288,300 | 1,628,338 | 15.8 | 8,659,962 | 84.2 |
| • Industrial area | 9,205,500 | 2,913,521 | 31.7 | 6,291,979 | 68.3 |
| Subtotal of saleable land | 19,493,800 | 4,541,859 | 23.3 | 14,951,941 | 76.7 |
| Non-saleable | | | | | |
| • Roads | 4,431,300 | N/A | N/A | N/A | N/A |
| • Greenery space | 4,074,900 | N/A | N/A | N/A | N/A |
| Subtotal of non-saleable land | 8,506,200 | N/A | N/A | N/A | N/A |
| Total | 28,000,000 | 4,541,859 | N/A | 14,951,941 | N/A |

Notes:

- (1) Planned site area is based on the planning approved by the relevant local government.
- (2) Percentages are calculated as the site area sold by the local governments through public auction, tender or listing for sale process as a portion of the total saleable site area under the same land classification.

Management Discussion and Analysis

The table below sets forth details regarding land sold by local government, the relevant average selling price, land premium and a breakdown of our fee income in the six months ended 30 June 2014.

| | Land sold by local government | ASP sold by local government | Land premium | Our fee income | % of land premium |
|------------------------------------|-------------------------------------|------------------------------------|------------------|----------------|----------------------|
| | sq.m. | RMB/sq.m. | RMB'000 | RMB'000 | |
| Six months ended 30 June 2014 | | | | | |
| Industrial land | 100,016 | 376 | 37,600 | 31,885 | 84.8 |
| Residential and commercial land | 312,673 | 3,253 | 1,017,000 | 625,244 | 61.5 |
| Subtotal | 412,689 | 2,555 | 1,054,600 | 657,129 | 62.3 |

Property Development

As of 30 June 2014, we had 27 projects at various stages of development, with an aggregate site area of 2,010,640 sq.m. We classify our projects into four categories according to the stage of development:

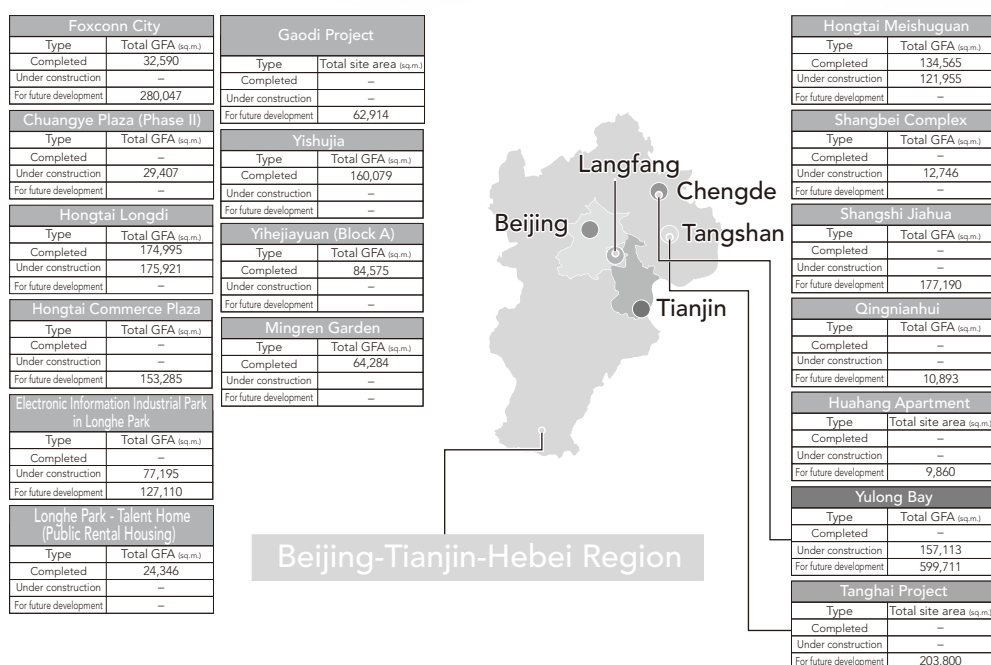
- Completed properties.* Completed properties represent properties for which we have received the certified construction completion report from the relevant government construction authorities. As of 30 June 2014, our completed properties consisted of Mingren Garden (名人小區), Foxconn City Phase I (富士康城一期), Hongtai Meishuguan Phase I (宏泰美樹館一期), Yihejiayuan Block A (頤和佳苑A區), Hongtai Longdi Phase I (宏泰龍邸一期), Longhe Park – Talent Home (Public Rental Housing) (龍河高新區人才家園(公租房)) and YiShujia (逸樹家).
- Properties under development.* Properties under development represent properties for which we have received the requisite construction work commencement permit with respect to all or a part of our projects and before completion of the entire projects. As of 30 June 2014, our properties under development consisted of Hongtai Longdi Phase II (宏泰龍邸二期), Hongtai Meishuguan Phase II (宏泰美樹館二期), Yulong Bay Phase I (御龍灣一期), Chuangye Plaza Phase II (創業大廈二期), Shangbei Complex (尚北綜合樓) and Information Electronic Industrial Park in Longhe Park Phase I (龍河高新區電子信息產業園一期).
- Properties planned for future development.* Properties planned for future development represent (i) properties for which we have received the relevant land use rights certificates but have not yet received the requisite construction work commencement permit; and (ii) properties for which we are in the process of obtaining land use rights certificates for our projects. As of 30 June 2014, our properties planned for future development consisted of Foxconn City Phase II (富士康城二期), Hongtai Commerce Plaza (宏泰商業廣場), Electronic Information Industrial Park in Longhe High-tech Industrial Park Phase II (廊坊龍河高新區電子信息產業園二期), Shangshi Jiahua (尚世嘉華), Qingnianhui (青年匯), Yulong Bay Phase II (御龍灣二期), Yulong Bay Phase III (御龍灣三期), Yulong Bay Phase IV (御龍灣四期), Huahang Apartment (華航公寓), Gaodi Longhe Digital Technology Park (高迪龍河數碼科技城) and Tanghai Project (唐海項目).

Management Discussion and Analysis

- Investment properties.** As of 30 June 2014, we had four completed investment properties, namely, Chengxiang Building (城鄉大廈), Jinyue Building (金悅酒樓), Tianfu Center (天賦中心), and Phase I and Phase II of SME Entrepreneurial Base (中小企業創業基地一期、二期), and one investment property planned for future development, namely, Phase III of SME Entrepreneurial Base (中小企業創業基地三期).

Some of our projects comprise multiple-phase developments on a rolling basis. One project may include different phases at various stages of development, i.e., completed properties, properties under development and properties planned for future development.

The following map shows the geographical locations and key information of our properties as of 30 June 2014.



Management Discussion and Analysis

The following table sets forth the revenue, gross floor area ("GFA") sold, car park units sold, and average selling price ("ASP") for each of our revenue-generating property in the six months ended 30 June 2014.

| Residential & Commercial | Revenue Six months ended 30 June 2014 RMB'000 | GFA Sold Six months ended 30 June 2014 sq.m. | ASP Six months ended 30 June 2014 RMB/sq.m. |
|---|--|---|--|
| Mingren Garden Phase II (名人小區二期) | | | |
| Residential | 3,293 | 463 | 7,112 |
| Commercial | 3,940 | 349 | 11,275 |
| | 7,233 | 812 | 8,908 |
| Foxconn City Phase I (富士康城一期) | | | |
| Residential | (1) ⁽¹⁾ | – | – |
| Commercial | (29) ⁽¹⁾ | (3) ⁽¹⁾ | – |
| | (30) ⁽¹⁾ | (3) ⁽¹⁾ | – |
| Yihejiayuen (頤和佳苑) | | | |
| Commercial | (877) ⁽²⁾ | (81) ⁽²⁾ | – |
| Hongtai Meishuguan Phase I (宏泰美樹館一期) | | | |
| Residential | 121,930 | 21,223 | 5,745 |
| Commercial | 10,418 | 1,191 | 8,745 |
| | 132,348 | 22,414 | 5,905 |
| Hongtai Longdi Phase I (宏泰龍邸一期) | | | |
| Residential | 514,862 | 91,946 | 5,600 |
| Commercial | 67,203 | 4,376 | 15,358 |
| | 582,064 | 96,322 | 6,043 |
| Sub-total | 720,739 | 119,464 | 6,033 |

Notes:

- (1) Represents the estimated GFA of the property units specified in the property purchase contracts in excess of the actual GFA specified in the property ownership certificates which were issued after delivery of the relevant properties. As a result, the purchase price of such properties were reduced in accordance with the terms of the property purchase contracts and revenue derived from such portion of GFA was adjusted accordingly after delivery of the relevant properties.
- (2) Represents the return of properties by customers when application process for the property titles took longer than expected.

Management Discussion and Analysis

| Ancillary Area | Revenue Six months ended 30 June 2014 RMB'000 | GFA Sold Six months ended 30 June 2014 sq.m. | ASP Six months ended 30 June 2014 RMB/sq.m. |
|---|--|---|--|
| Mingren Garden Phase II (名人小區二期) | 35 | 30 | 1,159 |
| Hongtai Meishuguan Phase I (宏泰美樹館一期) | 2,888 | 2,913 | 991 |
| Hongtai Longdi Phase I (宏泰龍邸一期) | 6,959 | 4,410 | 1,578 |
| Sub-total | 9,882 | 7,353 | 1,344 |
| Total | 730,621 | 126,817 | 5,761 |
| Less: Business tax and subcharges | 40,827 | – | – |
| Total revenue after tax | 689,794 | – | – |

OUTLOOK

For Industrial town projects development, during the second half of 2014, we remain focus on the development of Longhe Park. We have confidence on executing this year's development plan and fee income schedule laid out at the beginning of the year by company's management.

For property development, during the second half of 2014, we intend to commence construction of six projects, consisting of: Hongtai Commerce Plaza (宏泰商業廣場), Phase II of Electronic Information Industrial Park in Longhe Park (廊坊龍河高新區電子信息產業園二期), Shangshi Jiahua (尚世嘉華), Phase II of Yulong Bay (御龍灣小區二期), Foxconn City Phase II (富士康城二期) and Qingnianhui (青年匯). Revenue from sales of properties during the second half of 2014 is expected to be mainly derived from Hongtai Longdi Phase I (宏泰龍邸一期), Hongtai Meishuguan Project Phase I and Phase II (宏泰美樹館項目一期和二期) and Yulong Bay Phase I (御龍灣一期).

Taking into consideration our cash and future operating cash flows, and bank and other borrowings that may be available to us, we believe that we have sufficient funding to support these development plans.

Other Information

DIRECTORS' INTERESTS IN SHARES

As the Company was listed on the Stock Exchange on 25 August 2014, no disclosure of interests or short positions of any directors and/or chief executives of the Company in any shares of the Company (the "Shares"), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 30 June 2014 is required to be made under the provisions of Divisions 7 and 8 of Part XV of the SFO.

Upon the listing of the Shares on 25 August 2014, the interest or short positions of the directors or the chief executive of the Company in the Shares or underlying shares and debentures of the Company and its associated corporations as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Rules Governing the Listing of Securities of the Stock Exchange, were as follows:

Long positions in the ordinary Shares:

| Name of Director | Nature of interest | Number of securities held | Approximate percentage of shareholding |
|---------------------------|--------------------------------------|---------------------------|--|
| Ms. Zhao Ying (Note 1) | Interest in a controlled corporation | 1,147,000,000 | 71.69% |
| Mr. Wang Jianjun (Note 2) | Interest of spouse | 1,147,000,000 | 71.69% |

Notes:

- (1) Ms. Zhao Ying is the sole shareholder of Profit East Limited and is deemed to be interested in the Shares held by Profit East Limited.
- (2) Mr. Wang Jianjun, the spouse of Ms. Zhao Ying, is deemed to be interested in all the Shares in which Ms. Zhao Ying is interested.

Saved as disclosed above, so far as the directors are aware, none of the directors or chief executives had registered an interest or short position in any Share or underlying Shares of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As the Company was listed on the Stock Exchange on 25 August 2014, no disclosure of interests or short positions in any Shares or underlying Shares of the substantial shareholders of the Company as at 30 June 2014 is required to be made to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Other Information

Upon the listing of the Shares on 25 August 2014, the interests of relevant persons (other than a director or chief executive of the Company) who had interests or short positions in the Shares or the underlying shares, as recorded in the register required to be kept under Section 336 of SFO, were as follows:

Long positions in the ordinary Shares:

| Name of shareholder | Nature of interest | Number of securities held | Approximate percentage of shareholding |
|---|--------------------------------------|---------------------------|--|
| Profit East Limited | Beneficial Owner | 1,147,000,000 | 71.69% |
| CCB International (Holdings) Limited (Note 1 & 2) | Interest in a controlled corporation | 174,200,000 | 10.89% |
| CCB Financial Holdings Limited (Note 1 & 2) | Interest in a controlled corporation | 174,200,000 | 10.89% |
| CCB International Group Holdings Limited (Note 1 & 2) | Interest in a controlled corporation | 174,200,000 | 10.89% |
| China Construction Bank Corporation (Note 1 & 2) | Interest in a controlled corporation | 174,200,000 | 10.89% |
| Central Huijin Investment Ltd. (Note 1 & 2) | Interest in a controlled corporation | 174,200,000 | 10.89% |
| Chance Talent Management Limited | Beneficial Owner | 125,000,000 | 7.81% |
| CCBI Investments Limited (Note 2) | Interest in a controlled corporation | 125,000,000 | 7.81% |

Notes:

- (1) CCB International Capital Limited, being one of the international underwriters of the Global Offering, is interested in 49,200,000 Shares through the over-allotment option granted by the Company to the international underwriters of the Global Offering. CCB International Capital Limited is directly wholly-owned by CCB International (Holdings) Limited which is, in turn, directly wholly-owned by CCB Financial Holdings Limited. CCB Financial Holdings Limited is directly wholly-owned by CCB International Group Holdings Limited which is, in turn, directly wholly-owned by China Construction Bank Corporation. China Construction Bank Corporation is owned as to 57.26% by Central Huijin Investment Ltd. and is controlled by Central Huijin Investment Ltd. Therefore, each of CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Ltd is deemed to be interested in the 49,200,000 Shares in which CCB International Capital Limited was interested.
- (2) Chance Talent Management Limited is directly wholly-owned by CCBI Investments Limited which is, in turn, directly wholly-owned by CCB International (Holdings) Limited; therefore, each of CCBI Investments Limited, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Ltd is also deemed to be interested in the 125,000,000 Shares held by Chance Talent Management Limited.

Saved as disclosed above, so far as the directors are aware, no other persons had registered an interest or short position in any Shares or underlying shares of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the issue of new shares of the Company in its global offering (after deducting the underwriting fees and related expenses, and without taking into account the exercise of over-allotment option) amounted to approximately HKD927.1 million, which are intended to be applied in the manner as disclosed in the announcement of the Company dated 22 August 2014 and details can be referred to the Prospectus.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six-month period ended 30 June 2014.

PURCHASE, SALE OF REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company's shares were listed on the Main Board of the Stock Exchange on 25 August 2014 (the "Listing Date"). Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the reporting period.

Other Information

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the guidelines for the directors' dealings in the securities of the Company. As the Company's shares were listed on 25 August 2014, the provisions under the Listing Rules in relation to compliance with the Model Code were not applicable to the Company during the reporting period. Upon specific enquiries being made with all directors of the Company, each of them confirmed that they have complied with the required standards set out in the Model Code throughout the period from the Listing Date up to the date of this report.

CORPORATE GOVERNANCE

As the Company's shares were not listed on the Stock Exchange as at 30 June 2014, the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code") was not applicable to the Company during the reporting period.

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. Since the Listing Date, the Company has complied with the code provisions as set out in the Corporate Governance Code except for the following deviation:

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wang Jianjun has been assuming the roles of both the chairman of the Board and the president of the Company since the Listing Date. The Board believes that resting the roles of both the chairman and the president in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Although these two roles are performed by the same individual, certain responsibilities are shared with executive directors to balance the power and authority. In addition, all major decisions are made in consultation with members of the board as well as senior management. The Board has three independent non-executive directors who offer different independent perspectives. Therefore, the Board is of the view that there are adequate balances of power and safeguards in place. The Board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Group.

APPLICATIONS FOR TIME EXTENSION FOR LAYING AUDITED FINANCIAL STATEMENTS OF TWO HONG KONG SUBSIDIARIES

As disclosed in the prospectus of the Company dated 13 August 2014, our Hong Kong subsidiaries, Sheng Shi International (HK) Development Limited and King Billion Corporation Limited, failed to lay audited financial statements before their respective general meetings around the period from 2007 to 2013. The relevant financial statements for the two companies was subsequently prepared and applications had been made to the High Court of Hong Kong on 27 March 2014 for orders to extend the time for laying the relevant financial statements of these companies. On 21 August 2014, the court held against the applicants in the applications. We will make a voluntary submission to the Companies Registry in respect of such past defaults, and will update the progress of this incident in our next annual report.

AUDIT COMMITTEE

The Company has established an 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 three independent non-executive directors, namely, Ms. ZHANG Xiaomei, Mr. WEI Yu and Dr. WONG Wing Kuen, Albert, and is chaired by Dr. WONG Wing Kuen, Albert who possesses 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 has discussed with the independent auditor of the Company, Deloitte Touche Tohmatsu, and has reviewed the accounting principles and practices adopted by the Company, and has reviewed the unaudited financial results of the Group for the six months ended 30 June 2014.

By Order of the Board
China VAST Industrial Urban Development Company Limited
Wang Jianjun
Chairman

Hong Kong, 29 August 2014