建業地產股份有限公司 *

Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0832)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 June 2012 amounted to RMB3,025 million, an increase of 19.6% compared with the corresponding period in 2011.
- Gross profit margin for the period was 35.8%, as compared with 45.6% for the corresponding period in 2011.
- Profit attributable to equity shareholders of the Company for the period amounted to RMB332 million, an increase of 3.1% compared with the corresponding period in 2011.
- Net profit margin for the period was 11.5%, as compared with 13.1% for the corresponding period in 2011.
- Basic earnings per share for the period was RMB13.66 cents, a decrease of 12.7% compared with the corresponding period in 2011.
- An interim dividend of HK4.5 cents (equivalent to RMB3.7 cents) per share was declared for the six months ended 30 June 2012 (2011: Nil).

INTERIM RESULTS

The board (the "Board") of directors (the "Directors" and each a "Director") of Central China Real Estate Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012, together with the relevant comparative figures in 2011 as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Turnover	4	**3,025,421**	2,529,121
Cost of sales		**(1,942,002)**	(1,374,739)
Gross profit		**1,083,419**	1,154,382
Other revenue	5	**62,641**	29,491
Other net loss	5	**(7,342)**	(13,006)
Selling and marketing expenses		**(93,439)**	(71,744)
General and administrative expenses		**(147,038)**	(96,714)
Other operating expenses		**(3,646)**	(9,719)
		894,595	992,690
Share of losses of associates		**(1,405)**	(1,535)
Share of losses of jointly controlled entities		**(8,698)**	(40,194)
Finance costs	6(a)	**(116,181)**	(131,136)
Profit before change in fair value of investment properties and income tax		**768,311**	819,825
Net increase in fair value of investment properties		**9,952**	1,380
Profit before taxation	6	**778,263**	821,205
Income tax	7	**(429,707)**	(489,163)
Profit for the period		**348,556**	332,042
Attributable to:			
Equity shareholders of the Company		**331,598**	321,696
Non-controlling interests		**16,958**	10,346
Profit for the period		**348,556**	332,042
Earnings per share	8		
— Basic *(RMB cents)*		**13.66**	15.64
— Diluted *(RMB cents)*		**11.40**	15.64

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Profit for the period	**348,556**	332,042
Other comprehensive income for the period		
Exchange differences on translation of financial statements of overseas subsidiaries	**(44,639)**	26,494
Revaluation gain on property, plant and equipment	**6,479**	—
Total comprehensive income for the period	**310,396**	358,536
Attributable to:		
Equity shareholders of the Company	**293,583**	348,818
Non-controlling interests	**16,813**	9,718
Total comprehensive income for the period	**310,396**	358,536

There is no tax effect relating to the above component of the other comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2012
(Expressed in Renminbi)

	Note	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	**1,269,560**	945,421
Investment properties	10	**313,900**	278,800
Interests in associates		**48,269**	49,675
Interests in jointly controlled entities	11	**3,469,680**	3,102,995
Other financial assets		**101,800**	97,800
Deferred tax assets		**140,684**	111,570
		5,343,893	4,586,261
Current assets			
Trading securities		**81,081**	74,878
Properties for sale	12	**8,774,489**	8,624,403
Trade and other receivables	13	**659,376**	441,527
Deposits and prepayments	14	**2,641,419**	1,733,818
Prepaid tax		**112,109**	109,022
Restricted bank deposits	15	**768,389**	652,863
Cash and cash equivalents		**3,050,397**	3,255,528
		16,087,260	14,892,039
Current liabilities			
Bank loans	16	**1,225,840**	1,110,660
Other loans	17	**1,714,350**	1,245,470
Trade and other payables and accruals	18	**5,847,198**	5,078,595
Receipts in advance		**2,700,311**	3,098,425
Convertible bonds	19	**567,377**	549,665
Senior notes	20	**—**	1,849,885
Tax payable		**852,594**	828,655
		12,907,670	13,761,355
Net current assets		**3,179,590**	1,130,684
Total assets less current liabilities		**8,523,483**	5,716,945

	Note	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Non-current liabilities			
Bank loans	*16*	**428,960**	516,000
Other loans	*17*	**128,000**	107,700
Senior notes	*20*	**2,737,230**	—
Deferred tax liabilities		**53,644**	51,493
		3,347,834	675,193
NET ASSETS		**5,175,649**	5,041,752
CAPITAL AND RESERVES	*22*		
Share capital		**215,185**	215,185
Reserves		**4,524,244**	4,427,303
Total equity attributable to equity shareholders of the Company		**4,739,429**	4,642,488
Non-controlling interests		**436,220**	399,264
TOTAL EQUITY		**5,175,649**	5,041,752

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company												
		Share capital	Share premium	Statutory reserve fund	Other capital reserve	Exchange reserve	Share-based compensation reserve *(Note 21)*	Equity component of convertible bonds *(Note 19)*	Warrant reserve *(Note 19)*	Property revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2012		**215,185**	**1,637,759**	**627,676**	**804,529**	**64,805**	**28,150**	**43,166**	**11,906**	**—**	**1,209,312**	**4,642,488**	**399,264**	**5,041,752**
Changes in equity for the six months ended 30 June 2012:														
Profit for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**331,598**	**331,598**	**16,958**	**348,556**
Other comprehensive income		**—**	**—**	**—**	**—**	**(44,494)**	**—**	**—**	**—**	**6,479**	**—**	**(38,015)**	**(145)**	**(38,160)**
Total comprehensive income		**—**	**—**	**—**	**—**	**(44,494)**	**—**	**—**	**—**	**6,479**	**331,598**	**293,583**	**16,813**	**310,396**
Dividends declared and paid	*22(b)(ii)*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(199,343)**	**(199,343)**	**—**	**(199,343)**
Dividend paid to non-controlling interests		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(30,700)**	**(30,700)**
Appropriation to statutory reserve fund		**—**	**—**	**63,264**	**—**	**—**	**—**	**—**	**—**	**—**	**(63,264)**	**—**	**—**	**—**
Equity settled share-based payment		**—**	**—**	**—**	**—**	**—**	**2,944**	**—**	**—**	**—**	**—**	**2,944**	**—**	**2,944**
Acquisition of additional interest in a subsidiary		**—**	**—**	**—**	**(243)**	**—**	**—**	**—**	**—**	**—**	**—**	**(243)**	**(4,657)**	**(4,900)**
Capital contribution by non-controlling interests		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**55,500**	**55,500**
Balance at 30 June 2012		**215,185**	**1,637,759**	**690,940**	**804,286**	**20,311**	**31,094**	**43,166**	**11,906**	**6,479**	**1,278,303**	**4,739,429**	**436,220**	**5,175,649**

		Attributable to equity shareholders of the Company												
		Share capital	Share premium	Statutory reserve fund	Other capital reserve	Exchange reserve	Share-based compensation reserve *(Note 21)*	Equity component of convertible bonds *(Note 19)*	Warrant reserve *(Note 19)*	Property revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2011		179,637	1,076,820	470,517	824,020	6,571	22,090	43,166	11,906	—	861,091	3,495,818	275,866	3,771,684
Changes in equity for the six months ended 30 June 2011:														
Profit for the period		—	—	—	—	—	—	—	—	—	321,696	321,696	10,346	332,042
Other comprehensive income		—	—	—	—	27,122	—	—	—	—	—	27,122	(628)	26,494
Total comprehensive income		—	—	—	—	27,122	—	—	—	—	321,696	348,818	9,718	358,536
Issue of new shares upon rights issue	*22(a)*	35,548	560,939	—	—	—	—	—	—	—	—	596,487	—	596,487
Dividends declared and paid	*22(b)(ii)*	—	—	—	—	—	—	—	—	—	(162,615)	(162,615)	—	(162,615)
Appropriation to statutory reserve fund		—	—	62,804	—	—	—	—	—	—	(62,804)	—	—	—
Equity settled share-based payment		—	—	—	—	—	3,278	—	—	—	—	3,278	—	3,278
Acquisition of additional interest in a subsidiary		—	—	—	(21,798)	—	—	—	—	—	—	(21,798)	(202)	(22,000)
Capital contribution by non-controlling interests		—	—	—	—	—	—	—	—	—	—	—	54,900	54,900
Balance at 30 June 2011		215,185	1,637,759	533,321	802,222	33,693	25,368	43,166	11,906	—	957,368	4,259,988	340,282	4,600,270

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Cash (used in)/generated from operation	**(175,650)**	725,036
Income tax paid	**(435,817)**	(399,992)
Net cash (used in)/generated from operating activities	**(611,467)**	325,044
Net cash used in investing activities	**(542,554)**	(584,829)
Net cash generated from financing activities	**961,697**	446,289
Net (decrease)/increase in cash and cash equivalents	**(192,324)**	186,504
Cash and cash equivalents at 1 January	**3,255,528**	3,370,335
Effect of changes in foreign exchange rate	**(12,807)**	(17,192)
Cash and cash equivalents at 30 June	**3,050,397**	3,539,647

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 December 2011, except for the accounting policy change that is expected to be reflected in the financial statements for the year ending 31 December 2012. Details of this change in accounting policy are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG 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 HKICPA. KPMG's independent review report to the Board of Directors is included in the interim financial report to be sent to shareholders. In addition, this interim financial report has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2012.

2 CHANGE IN ACCOUNTING POLICY

The HKICPA has issued the amendments to HKAS 12, *Income taxes*, that are first effective for the current accounting period of the Group. The adoption of HKAS 12 has no material impact on this interim financial report as the amendments are consistent with policies already adopted by the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

(a) Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8, *Operating segments*.

(b) Turnover from major services

The Group's turnover from its major services is set out in note 4 to this interim financial report.

(c) Geographic information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Henan province in the People's Republic of China ("PRC").

4 TURNOVER

The principal activities of the Group are property development, property leasing and construction. Turnover of the Group for the period is analysed as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Income from sales of properties	**3,014,540**	2,511,611
Rental income	**10,881**	10,289
Revenue from construction contracts	**—**	7,221
	3,025,421	2,529,121

5 OTHER REVENUE AND OTHER NET LOSS

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Other revenue		
Interest income	**61,230**	28,403
Dividend income from equity securities	**1,411**	1,078
Others	**—**	10
	62,641	29,491
Other net loss		
Net exchange (loss)/gain	**(14,450)**	17,664
Net unrealised gain/(loss) on trading securities	**5,379**	(30,863)
Gain on deemed disposal of a subsidiary	**1,640**	—
Net gain on disposals of property, plant and equipment	**58**	4
Compensation from contractors	**31**	189
	(7,342)	(13,006)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank loans	**55,437**	66,078
Interest on other loans	**88,651**	33,479
Interest on convertible bonds	**26,952**	26,765
Interest on senior notes	**139,851**	123,290
Other ancillary borrowing costs	**5,590**	3,239
	316,481	252,851
Less: Borrowing costs capitalised	**(147,162)**	(137,600)
	169,319	115,251
Net change in fair value of derivatives embedded to convertible bonds	**(52,414)**	14,613
Net change in fair value of derivatives embedded to senior notes	**(724)**	1,272
	116,181	131,136
(b) Other item		
Depreciation and amortisation	**15,239**	10,024

7 INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax	**229,217**	250,154
PRC Land Appreciation Tax	**196,042**	264,687
Withholding tax	**31,411**	2,593
	456,670	517,434
Deferred tax		
Revaluation of properties	**2,151**	179
PRC Land Appreciation Tax	**(29,114)**	(28,450)
	(26,963)	(28,271)
	429,707	489,163

(a) Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(b) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

(c) PRC Corporate Income Tax ("CIT")

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the Company's subsidiaries in the PRC ("PRC subsidiaries") as determined in accordance with the relevant income tax rules and regulations of the PRC.

PRC subsidiaries were charged CIT at a rate of 25% on the estimated assessable profits for the period.

(d) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on 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, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items. Certain PRC subsidiaries were subject to LAT which is calculated based on 1.5% to 4.5% (six months ended 30 June 2011: 1.5% to 4.5%) of their revenue in accordance with the authorised taxation method.

(e) Withholding tax

Withholding taxes are levied on the Company's subsidiaries in Hong Kong ("Hong Kong subsidiaries") in respect of dividend distributions arising from profits of PRC subsidiaries earned after 1 January 2008 and interest received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 12%.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to equity shareholders of the Company of RMB331,598,000 (six months ended 30 June 2011: RMB321,696,000) and the weighted average of 2,428,000,000 shares (six months ended 30 June 2011: 2,056,659,000 shares after adjusting for the rights issue during the period ended 30 June 2011) in issue during the interim period.

(b) Diluted earnings per share

For the period ended 30 June 2012, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB306,136,000 and the weighted average number of ordinary shares of 2,684,367,000 shares, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	Six months ended 30 June 2012 *RMB'000*
Profit attributable to equity shareholders	**331,598**
After tax effect of effective interest on the liability component of convertible bonds *(note 6(a))*	**26,952**
After tax effect of gain recognised on derivatives embedded to convertible bonds *(note 6(a))*	**(52,414)**
Profit attributable to equity shareholders (diluted)	**306,136**

(ii) Weighted average number of ordinary shares (diluted)

	'000
Weighted average number of ordinary shares at 30 June 2012	**2,428,000**
Effect of conversion of convertible bonds	**256,367**
Weighted average number of ordinary shares at 30 June 2012 (diluted)	**2,684,367**

The Company's share options and warrants as at 30 June 2012 do not give rise to any dilution effect to the earnings per share.

The Company's share options, warrants and convertible bonds as at 30 June 2011 do not give rise to any dilution effect to the earnings per share.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group's additions in property, plant and equipment amounted to RMB339,000,000 (six months ended 30 June 2011: RMB175,820,000). Items of property, plant and equipment with a net book value of RMB1,126,000 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: RMB122,000), resulting a gain on disposal of RMB58,000 (six months ended 30 June 2011: RMB4,000). During the period, properties for sale amounted to RMB9,824,000 (six months ended 30 June 2011: RMB Nil) were transferred to property, plant and equipment, and property, plant and equipment amounted to RMB8,321,000 (six months ended 30 June 2011: RMB Nil) were transferred to investment properties.

10 INVESTMENT PROPERTIES

All investment properties of the Group were revalued as at 30 June 2012 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis. The investment properties are valued by reference to net income with allowance for reversionary income potential. During the period, the net increase in fair value of investment properties was RMB9,952,000 (six months ended 30 June 2011: RMB1,380,000), the additions in investment properties of RMB3,600,000 (six months ended 30 June 2011: RMBNil) and properties for sale and property, plant and equipment were transferred to investment properties amounted to RMB21,548,000 (six months ended 30 June 2011: RMB Nil).

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	At 30 June 2012 ***RMB'000***	At 31 December 2011 *RMB'000*
Share of net assets	**2,220,283**	2,171,116
Amounts due from jointly controlled entities	**1,249,397**	931,879
	3,469,680	3,102,995

Amounts due from jointly controlled entities, except for an amount of RMB632,633,000 (31 December 2011: RMB585,226,000) which is interest bearing at 7.56% (31 December 2011: 6.67%) per annum, are unsecured, interest-free and have no fixed terms of repayment, and are not expected to be recovered more than one year.

12 PROPERTIES FOR SALE

	At 30 June 2012 ***RMB'000***	At 31 December 2011 *RMB'000*
Properties held for future development and under development for sale	**7,177,383**	7,294,284
Completed properties held for sale	**1,597,106**	1,330,119
	8,774,489	8,624,403

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2012	At 31 December 2011
	RMB'000	*RMB'000*
Bill receivables	**2,930**	—
Trade receivables *(note (a))*	**19,050**	16,961
Other receivables *(note (b))*	**222,882**	173,456
Amounts due from related companies *(note (c))*	**183,108**	39,665
Loan to a related company *(note (d))*	**106,125**	100,000
Amounts due from non-controlling interests *(note (e))*	**36,700**	64,900
Loans to non-controlling interests *(note (f))*	**58,799**	29,999
Gross amounts due from customers for contract work	**14,085**	12,951
Derivative financial instruments *(notes 19 and 20)*	**15,697**	3,595
	659,376	441,527

Notes:

(a) The ageing analysis of trade receivables, all of which are neither individually nor collectively considered to be impaired, is as follows:

	At 30 June 2012	At 31 December 2011
	RMB'000	*RMB'000*
Current	**2,400**	268
Less than 1 month overdue	**172**	166
1 to less than 3 months overdue	**423**	128
3 to less than 6 months overdue	**384**	128
6 months to less than 1 year overdue	**525**	2,562
More than 1 year overdue	**15,146**	13,709
	19,050	16,961

In respect of trade receivables of mortgage sales, no credit terms are granted to the buyers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the properties and provides guarantee to secure repayment obligations of such buyers. The Group's guarantee periods commence from the date of grant of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificates.

If there is default in payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownership of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual property ownership certificates for these buyers until full payments are received. Sales and marketing staffs of the Group are delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

Based on past experience, management believes that no impairment allowance is necessary in respect of the overdue balances. The Group does not hold any collateral over these balances, except for the mortgage loans receivables as set out in note 24.

(b) At 30 June 2012, included in other receivables is an amount of RMB21,298,000 (31 December 2011: RMB20,000,000) which is unsecured, interest bearing at 13% per annum and recoverable within one year.

(c) The amount due from a related company of RMB39,015,000 (31 December 2011: RMB39,015,000) in relation to sales of properties to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company in previous years. The amount is unsecured, interest-free and recoverable on demand.

The amount due from a related company of RMB65,675,000 (31 December 2011: RMBNil) represents the prepaid expected basic return to the trust manager of jointly controlled entities, Bridge Trust Company Limited, according to the cooperation agreements. The amount is unsecured, interest-free and has no fixed terms of repayment.

The amount due from a related company of RMB77,700,000 (31 December 2011: RMBNil) represents the management fee paid on behalf of the trust manager of jointly controlled entities, Bridge Trust Company Limited. The amount is unsecured, interest-free and has no fixed terms of repayment.

The remaining amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment.

(d) The loan to a related company is secured, interest bearing at 12.25% per annum and has no fixed terms of repayment.

(e) The amounts due from non-controlling interests included an amount of RMB15,300,000 (31 December 2011: RMB15,300,000), which is secured, interest-free and recoverable within one year, the remaining amounts due from non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

(f) The loan to non-controlling interests of RMB29,999,000 (31 December 2011: RMB29,999,000) is unsecured, interest-bearing at 12% per annum and recoverable on demand.

The loan to non-controlling interests of RMB20,000,000 (31 December 2011: RMB Nil) is unsecured, interest bearing at 13.5% per annum and recoverable on 15 May 2013.

The loan to non-controlling interests of RMB8,800,000 (31 December 2011: RMB Nil) is unsecured, interest bearing at 13.5% per annum and has no fixed terms of repayment.

14 DEPOSITS AND PREPAYMENTS

At 30 June 2012, the balance included deposits and prepayments for leasehold land of RMB2,297,040,000 (31 December 2011: RMB1,416,449,000).

15 RESTRICTED BANK DEPOSITS

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Guarantee deposits in respect of:		
— mortgage loans related to properties sale	**192,692**	174,440
— bills payable *(note 18)*	**491,469**	394,423
— bank loans *(note 16(b))*	**84,228**	84,000
	768,389	652,863

16 BANK LOANS

(a) At 30 June 2012, bank loans were repayable as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Within 1 year or on demand	**1,225,840**	1,110,660
After 1 year but within 2 years	**270,360**	376,000
After 2 years but within 5 years	**158,600**	140,000
	428,960	516,000
	1,654,800	1,626,660

(b) At 30 June 2012, bank loans were secured as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Bank loans		
— secured	**1,612,800**	1,327,000
— unsecured	**42,000**	299,660
	1,654,800	1,626,660

At 30 June 2012, assets of the Group secured against bank loans are analysed as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Properties for sale	**2,299,889**	2,429,526
Restricted bank deposits *(note 15)*	**84,228**	84,000
	2,384,117	2,513,526

(c) Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain financial ratios of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants, ensures they are up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements.

At 30 June 2012, none of the covenants relating to drawn down facilities had been breached (31 December 2011: none).

17 OTHER LOANS

(a) At 30 June 2012, other loans were repayable as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 1 year	**1,714,350**	1,245,470
After 1 year but within 2 years	**81,000**	107,700
After 2 years but within 5 years	**47,000**	—
	128,000	107,700
	1,842,350	1,353,170

(b) At 30 June 2012, other loans were secured as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Other loans		
— secured	**554,750**	624,570
— unsecured	**1,287,600**	728,600
	1,842,350	1,353,170

At 30 June 2012, assets of the Group secured against other loans are analysed as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Properties for sales	**537,201**	394,622
Investment properties	**—**	106,200
	537,201	500,822

Apart from the above, secured other loans with carrying amount of RMB25,000,000 (31 December 2011: RMB25,000,000) were pledged by future lease income of certain properties held by the Group. The expected future lease income was RMB120,781,000 (31 December 2011: RMB124,877,000) at 30 June 2012.

18 TRADE AND OTHER PAYABLES AND ACCRUALS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Bill payables *(note 15)*	**491,469**	394,423
Trade payables *(note (a))*	**2,190,162**	1,926,937
Other payables and accruals	**668,967**	846,129
Amounts due to jointly controlled entities *(note (b))*	**2,158,186**	1,587,617
Amounts due to related companies *(note (b))*	**29**	29
Amounts due to non-controlling interests *(note (b))*	**168,040**	190,501
Loan from non-controlling interests *(note (c)*	**59,800**	—
Derivative financial instruments *(notes 19 and 20)*	**110,545**	132,959
	5,847,198	5,078,595

(a) The ageing analysis of trade payables is set out as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Due within 1 month or on demand	**1,896,572**	1,689,978
Due after 1 year	**293,590**	236,959
	2,190,162	1,926,937

(b) The amounts due to jointly controlled entities, related companies and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

(c) The loan from non-controlling interests is unsecured, interest bearing at 12% per annum and has no fixed terms of repayment.

19 CONVERTIBLE BONDS

On 31 August 2009, the Company issued unsecured convertible bonds with principal amount of HK$765,000,000 due 2014 and 76,097,561 warrants. The convertible bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds is 31 August 2014. The convertible bonds can be converted to shares of the Company at HK$3.1 per share, subject to anti-dilutive adjustment, from 28 February 2010 to 31 August 2014.

Detachable from the convertible bonds, each warrant may be exercised from the date of issue up to 31 August 2014 at the exercise price of HK$4.1 per share, subject to anti-dilutive adjustment. Both the conversion option of the convertible bonds and the warrants are classified as equity financial instruments.

In addition to the above, the Company may early redeem all the convertible bonds from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date, provided that the closing price of the shares of the Company for each of the thirty consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by the Company, is at least 130% of the conversion price of HK$3.1 per share. If the Company early redeems the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The holders of the convertible bonds can require the Company to early redeem all the convertible bonds at any time from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date. If the Company is required to early redeem the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The redemption call and redemption put options are separately accounted for as derivative financial instruments and their fair value is remeasured at the end of each reporting period.

As a result of the rights issue of the Company on 28 June 2011, the conversion price of the convertible bonds and the exercise price of the warrants were adjusted to HK$2.984 and HK$3.947 respectively.

20 SENIOR NOTES

(a) On 20 October 2010, the Company issued senior notes with principal amount of US$300,000,000 due in 2015. The senior notes are interest bearing at 12.25% per annum and payable semi-annually in arrears. The maturity date of the senior notes is 20 October 2015. On or after 20 October 2013, the Company may at its option redeem the senior notes, in whole or in part, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

The Company had breached certain covenants ("Defaults") under the indenture of its 12.25% senior notes due 2015 ("Indenture"). The liability component of senior notes of RMB1,849,885,000 has been re-classified as a current liability in the financial statements at 31 December 2011.

Pursuant to the announcement dated 7 March 2012, the Company intends to solicit consents ("Consents") from the holders of senior notes ("Holders") to certain proposed amendments and waivers of the Defaults (together referred to as "the Proposals"). The consent solicitations have been circulated to each of the Holders on the same date. The principal purposes of the consent solicitation are to obtain validly delivered and not validly revoked Consents from Holders of not less than a majority in aggregate principal amount of the outstanding senior notes to the Proposals.

By 5:00 p.m., 16 March 2012 (New York City time), the Company had obtained Consents from Holders of not less that a majority in aggregate principal amount of the outstanding senior notes to the Proposals, and the maturity date of the senior notes remains unchanged as if there would have been no Defaults.

(b) On 11 April 2012, the Company issued another senior notes with principal amount of SGD175,000,000 due in 2016. The senior notes are interest bearing at 10.75% per annum and payable semi-annually in arrears. The maturity date of the senior notes is 18 April 2016. At any time prior to 18 April 2016, the Company may at its option redeem the senior notes, in whole but not in part, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

21 EQUITY SETTLED SHARE-BASED TRANSACTION

(a) Pre-IPO share option scheme

On 14 May 2008, the Company conditionally granted pre-IPO share options to the Company's directors, employees and consultants. The exercise of these share options would entitle the Company's directors and employees and consultants of the Group to subscribe for an aggregate of 14,350,000 shares and 17,650,000 shares of the Company respectively. The exercise price is HK$2.75 per share. The pre-IPO share option scheme was effective from the listing date of the Company's share on the Stock Exchange, i.e. 6 June 2008. Under the pre-IPO share option scheme, no pre-IPO share options are exercisable within the first year from the listing date. Not more than 20% of the share options are exercisable within the second year from the listing date and not more than 40% of the share options are exercisable in each of the third and fourth year from the listing date. Each option gives the holders the right to subscribe for one ordinary share of the Company.

On 28 June 2011, upon the right issue of the Company, the exercise price of pre-IPO share options was adjusted to HK$2.682 and the number of outstanding share options was adjusted from 28,150,000 to 28,859,380.

(b) Share options granted on 25 May 2010

On 25 May 2010, the Company conditionally granted share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK$1.9 per share. Under the share option scheme, no share options are exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

On 28 June 2011, upon the rights issue of the Company, the exercise price of share options granted on 25 May 2010 was adjusted to HK$1.853 and the number of outstanding share options was adjusted from 20,000,000 to 20,504,000.

(c) Share options granted on 25 July 2011

On 25 July 2011, the Company conditionally granted certain share options to the Company's employees. The exercise of these share options would entitle the employees of the Group to subscribe for an aggregate of 12,500,000 shares of the Company. The exercise price is HK$2.16 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

(d) The number and the weighted average exercise price of share options are as follows:

	At 30 June 2012	
	Exercise price *HK$*	**Number of options**
Outstanding at 1 January	**2.32**	**57,697,860**
Lapsed during the period		**(4,063,000)**
Outstanding		**53,634,860**
Exercisable		**36,958,460**

No options were exercised during the six months ended 30 June 2012 (six months ended 30 June 2011: none).

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Issue of shares upon rights issue

On 28 June 2011, the Company issued 428,000,000 shares of HK$0.1 each by way of a rights issue in the proportion of 21.4 rights shares for every 100 ordinary shares at a subscription price of HK$1.71 per rights share. These newly issued shares rank equally in all respects with the existing shares. The net proceeds from the rights issue amounted to HK$718,171,000 (equivalent to RMB596,487,000).

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period:

	Six months ended 30 June	
	2012 *RMB'000*	2011 *RMB'000*
Interim dividend proposed after the interim period of HK$4.5 cents (equivalent to RMB3.7 cents) per ordinary share (six months ended 30 June 2011: RMB Nil)	**90,000**	—

The interim dividend proposed after interim period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2012 *RMB'000*	2011 *RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the period, of HK$10.0 cents (equivalent to RMB8.21 cents) per ordinary share (for the year ended 31 December 2011: HK$9.7 cents (equivalents to RMB8.13 cents) per ordinary share)	**199,343**	162,615

23 COMMITMENTS

Capital commitments outstanding at 30 June 2012 not provided for in the interim financial report are as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Authorised but not contracted for	**15,255,858**	14,921,680
Contracted but not provided for	**1,254,338**	1,277,718
	16,510,196	16,199,398

Capital commitments mainly related to land and development costs for the Group's properties under development and other investments.

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Properties under development undertaken by jointly controlled entities attributable to the Group		
Authorised but not contracted for	**853,560**	916,866
Contracted but not provided for	**242,653**	185,658
	1,096,213	1,102,524

24 CONTINGENT LIABILITIES

The Group provides guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's guarantee period commences from the date of grant of the relevant mortgage loans and ends after the buyers obtain the individual property ownership certificates of the properties purchased. The amount of guarantees given to banks for mortgage facilities granted to the buyers of the Group's properties at 30 June 2012 is as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Guarantees given to banks for mortgage facilities granted to buyers of the Group's properties	**4,697,917**	4,697,633

The Directors do not consider it probable that the Group will sustain a loss under these guarantees during the period under guarantee as the Group has not applied for individual property ownership certificates for these buyers and can take over the ownership of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event that the buyers default payments to the banks.

25 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, major related party transactions entered by the Group during the six months ended 30 June 2012 are as follows:

		Six months ended 30 June	
	Note	**2012**	2011
		RMB'000	*RMB'000*
Interest income from jointly controlled entities	*(a)*	**22,997**	14,617
Interest income from non-controlling interests	*(a)*	**5,084**	—
Interest income from related parties	*(a)*	**6,125**	—
Project management fee income from jointly controlled entities	*(b)*	**5,000**	—
Interest expenses to non-controlling interests	*(c)*	**(1,810)**	—
Interest expenses to jointly controlled entities	*(c)*	**(20,676)**	(5,831)
Management fee to trust manager of jointly controlled entity	*(d)*	**(7,163)**	—
Directors' remuneration	*(e)*	**(7,645)**	(8,699)

Notes:

(a) The amount represents interest income in relation to advances to jointly controlled entities, non-controlling interests and related parties.

(b) The amount represents project management fee received from jointly controlled entities for the management of property development projects during the period.

(c) The amount represents interest expenses in relation to loans from non-controlling interests and jointly controlled entities.

(d) The amount represents trust management fee paid to the trust manager of jointly controlled entity, Bridge Trust Company Limited, during the period.

(e) The Directors' remuneration during the period are as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Directors' fees	**321**	488
Salary and other emoluments	**6,948**	6,808
Contribution to retirement benefit schemes	**46**	24
Share-based payment	**330**	1,379
	7,645	8,699

MANAGEMENT DISCUSSION AND ANALYSIS

I. REVIEW OF OPERATIONS

(1) Market Review

1. *The macro-economic environment*

As the world economy continued to be dragged by the Eurozone sovereign debt crisis, global economic recovery was sluggish in the first half of 2012. In China, the national economy was generally stable, as the PRC government emphasised on the stabilisation of economic growth and increased the magnitude of the preliminary adjustments and fine-tuning of its policies to address the complex and difficult economic conditions both at home and abroad. China's gross domestic product ("GDP") for the first half of 2012 amounted to RMB22.71 trillion, representing a year-on-year growth of 7.8%.

During the first half of 2012, driven by the development of the central China economic zone, Henan recorded a GDP of RMB1.35 trillion, representing a growth of 10.3% over the same period last year, which was 2.5 percentage points above the national growth rate.

2. *The property market*

During the first half of 2012, the PRC government continued to stringently implement regulatory policies aimed at curbing speculative and investment demand and guiding the property prices back to a reasonable level. As a result of the implementation of the real estate marcoeconomic measures, sales of commodity properties in first-tier cities dropped significantly while the aggregate sales of commodity properties amounted to RMB2.3 trillion on a nationwide basis.

Since the Company's primary market in Henan was mainly driven by demand from end-users, the property market in Henan was relatively stable with comparatively less speculative and investment demands. For the first half of 2012, revenue from the sales of commodity properties in Henan amounted to RMB72.5 billion.

(2) Project Development

During the reporting period, with its 20 years' experience and expertise in property development, proficient management team, well-recognised brand image, strong competitive edge in products and services and a rich reserve of quality land bank, the Group achieved a stable growth in operating results. During the reporting period, the Company commenced projects with an aggregate gross floor area ("GFA") of 845,800 sq.m. and completed projects with an aggregate GFA of 736,050 sq.m. The Company completed sales/pre-sales of projects with an aggregate of 756,804 sq.m. for a total amount of RMB5.14 billion, representing an increase of 13.5% as compared to the same period last year.

1. Development schedule

During the reporting period, the Company commenced construction of 8 projects/phases of projects, with newly commenced GFA of 845,800 sq.m. It represented an adjustment to the plans formulated at the beginning of the year, underpinned mainly by an adjusted development schedule of certain projects which were in line with market development trends.

Geographical breakdown of newly commenced projects for the first half of 2012

Location	**Newly commenced GFA** *(sq.m.)*
Zhengzhou	292,553
Other cities in Henan	553,247
Total	**845,800**

As at 30 June 2012, the Company had 29 projects/phases under development with total GFA of approximately 2,893,635 sq.m., including 5 projects/phases in Zhengzhou and 24 projects/phases in other cities of Henan.

Geographical breakdown of projects under development as at 30 June 2012

Location	**GFA under development** *(sq.m.)*
Zhengzhou	566,416
Other cities in Henan	2,327,219
Total	**2,893,635**

During the reporting period, the Company completed 13 projects/phases with total completed GFA of 736,050 sq.m.

Development Project	**Total GFA** *(sq.m.)*	**Saleable GFA** *(sq.m.)*	**Presold/ sold GFA** *(sq.m.)*
U-Town (Zhengzhou) Phase V (Second batch)	77,737	77,737	63,243
Golf Garden (Luoyang) Phase III	155,982	155,982	112,923
Forest Peninsula (Xinxiang Golden Dragon) Phase 1 (Fourth batch)	50,281	50,070	15,187
Code One City (Luohe) Phase II	104,920	104,920	57,437
Code One City (Jiyuan) Phase II	77,041	77,041	70,113
U-Town (Shangqiu) Phase III	20,674	20,674	8,170
U-Town (Shangqiu) Phase IV	61,565	61,565	46,259
Forest Peninsula (Kaifeng Dahong) project	92,019	92,019	30,253
Forest Peninsula (Zhoukou) Phase III (Multi-storey)	23,765	22,955	21,909
Wugang (Pingdingshan) Phase I (Multi-storey)	13,410	13,410	4,039
Code One City (Jiyuan) Phase III (First batch)	28,377	28,377	26,265
Code International Garden (Zhengzhou) Soho	11,499	11,499	—
Dongjing Menghua (Kaifeng)	18,780	18,073	8,213
Total	**736,050**	**734,322**	**464,011**

Note: Certain completed projects listed above have lower sales ratios as projects of the Company completed in the first half of 2012 comprise mainly highrise buildings, which featured larger basement carparks and have yet to be launched for sale owing to sales schedule arrangements.

2. *Sales Schedule*

The contracted GFA sold/pre-sold by the Group during the reporting period amounted to 756,804 sq.m. with a contracted sold/pre-sold amount of RMB5,140 million, representing an increase of 13.5% when compared to last year.

Geographical breakdown of contracted GFA sold/pre-sold in the first half of 2012

Location	**Approximate saleable GFA sold** *(sq.m.)*	**Approximate total amount** *(RMB'000)*
Zhengzhou	154,055	2,036,740
Other cities in Henan	602,749	3,103,720
Total	**756,804**	**5,140,460**

(3) Land Bank

In the first half of 2012, the Group acquired land bank with GFA of 1.53 million sq.m. through listing for sale processes. As at 30 June 2012, the Group had land bank with total GFA of 14.58 million sq.m. including GFA with equity interests of 12.36 million sq.m. The Group obtained the state-owned land use right certificates in respect of the land bank with GFA of 10.72 million sq.m.

Land acquisitions through listing for sale processes

On 10 January 2012, a wholly-owned subsidiary of the Company acquired the land use rights of two land parcels located respectively at the west of Xihuang Road, the south of Wucai Road and the east of Xinmin Road in Huaiyang County in a listing for sale process held by Huaiyang County Land and Resources Bureau (淮陽縣國土資源局) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB35.7 million and RMB60.3 million respectively. Land parcel No. 2011-019 has a site area of 33,196 sq.m. and a mandatory detailed planned plot ratio of 1.5–2.0 for residential land use and not more than 2.5 for commercial land use. Land parcel No. 2011-018 has a site area of 57,133 sq.m. and a mandatory detailed planned plot ratio of 1.5–2.0 for residential land use and not more than 3.0 for commercial land use.

On 20 January 2012, a 55%-owned subsidiary of the Company acquired the land use rights of two land parcels located respectively at Renhe Road and the southeast side of Zhonghua in Tangyin County in a listing for sale process held by Tangyin County Land and Resources Bureau (湯陰縣國土資源局) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB78.5 million and RMB69.5 million respectively. Land parcel No. G-11-53 has a site area of 66,547 sq.m. and a mandatory detailed planned plot ratio of 2.0–3.0. Land parcel No. G-11-54 has a site area of 60,639 sq.m. and a mandatory detailed planned plot ratio of 2.0–3.0.

On 29 May 2012, a wholly-owned subsidiary of the Company acquired the land use right of a land parcel located at the west of Xinyan Road and the north of Shengping Road in Zhongmou County in a listing for sale process held by Zhongmou County Land and Resources Bureau (中牟縣國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB65.2 million. The land parcel has a site area of 63,957 sq.m. and a mandatory detailed planned plot ratio of 1.0–3.0.

On 29 May 2012, a wholly-owned subsidiary of the Company acquired the land use right of a land parcel located at the west of Xinyan Road and the north of Wangdong Road in Zhongmou County in a listing for sale process held by Zhongmou County Land and Resources Bureau (中牟縣國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB88.8 million. The land parcel has a site area of 82,237 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.5.

On 6 June 2012, a wholly-owned subsidiary of the Company acquired the land use right of a land parcel located at the south of Zhongyuan Road and the west of Dongpu Road in Puyang City in a listing for sale process held by Puyang City Land and Resources Bureau (濮陽市國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB199.4 million. The land parcel has a site area of 58,001 sq.m. and a mandatory detailed planned plot ratio of 2.5–3.0.

On 13 June 2012, a wholly-owned subsidiary of the Company acquired the land use rights of two land parcels located respectively at the north of Hexing Road and the east of a former cement factory in Suiping County in a listing for sale process held by Suiping Properties Exchange Centre (遂平縣地產交易中心) for transfer of state-owned land use rights. The purchase prices for the acquisition were RMB40.3 million and RMB42.6 million, respectively. Land parcel No. SP-2012-20A has a site area of 57,078 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.0. Land parcel No. SP-2012-20B has a site area of 60,442 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.0.

(4) Product Research and Development

The Company's product strategy is to "introduce new products to traditional markets and traditional products to new markets". In traditional markets, we offer innovative products through the consistent provision of innovative and quality services. In new markets, we achieve speedy turnover and cost efficiency by fast replication of existing products through product serialisation and standardisation. During the first half of 2012, we focused on the delivery of serialised and standardised units with low-carbon features, as well as the research and development of fully-furbished houses.

1. *Architectural design*

During the reporting period, the scope of our management was gradually expanding in line with the in-depth development of our Group's strategy. To enhance the efficiency of design management, strategic agreements were signed with design institution partners, the Group emphasises on refining and developing work procedures for the design process, as well as on optimised cost management. A technological expert team was also formed to exercise overall control on the quality of design, so that the design management function would serve the purposes of assuring the smooth completion of project development milestones and exercising effective control over design quality.

2. *Serialisation*

In the first half of 2012, we achieved prominent results in our strategy of serialisation with a replication ratio of over 80%, as we worked on the further consolidation and optimisation of our 4 existing series and continued to promote the use of standardised construction plans. During the reporting period, a new "Jianye Eighteen Cities" series was developed, while research and development on county-level products, urban complexes and tourism-related property development was also commenced actively.

3. *Standardisation*

In the first half of 2012, the Group completed the standardisation for components such as internal anti-burglary doors, decorative tiles for exterior walls and rails to provide technical support for a larger scope of centralised procurements and cost savings.

4. *Application of green construction*

On the basis of the findings of our preliminary research on green architecture, our green architecture research in the first half of 2012 was focused on the application of research results, as we incorporated green concepts such as full decoration, efficient insulation, ground source heat pump, use of solar energy and use of rain water in the Zhongmou residential development industrialisation base project. Currently, some of these concepts have been incorporated in the designs for Puyang Code One City and Eighteen Cities in Zhumadian, etc, laying the foundation for large-scale implementation of green architecture in future. Meanwhile, such incorporation has also provided the necessary qualification for the application of the "Green Mark" for the Zhongmou residential development industrialisation base project, Puyang Code One City project and Eighteen Cities Project in Zhumadian. The Group has also incorporated internationally advanced green technological concepts in the design of the Tianzhu Project (天築項目) in Zhengzhou, in an ongoing effort to investigate possibilities for green architecture in practice.

(5) Customer service and customer relationship

During the first half of 2012, there was steady progress in the development of the Company's "Mega Service Regime", with further clarifications of its strategic objective for the building of the service regime: "to deliver results in 3 years and realise enormous value in 5-8 years." The Company has formulated an overall plan for the building of the service regime, in connection with which Year 2012 has been designated as a year for reinforcing the foundation of such service regime, while the supervision regime has been improved to ensure supervisory intervention in fundamental services as well as supervision over and satisfactory assessment of all aspects of our services and processes and all of our employees, so that we would be able to improve customer relations with the overall upgrading of our fundamental services.

On the basis of the previous 961 7777 service hotline, the Company has set up a service command centre which aims to moderate service resources, manage service information, develop innovative service products and conduct researches on the service market and which transforms the passive and straightforward function of receiving and forwarding reports into the tracking, instruction, supervision and appraisal of corporate products and services. The management functions have been strengthened, as the scope of service has been extended to cover areas of internal resources such as CCRE education, football, hotel, Supreme Card ("至尊卡"), business and properties, as well as social resources. It will be developed into a centre for moderation, command and information processing in relation to services and resources to become a genuine management hub for service operations and contribute to the ongoing enhancements of product quality and service standards.

II. BUSINESS OUTLOOK

(1) Market Outlook

1. The macro-economy environment

In view of uncertainties in the global economic landscape, the PRC government is expected to increase structural tax cuts in the second half of 2012 in order to sustain stable and moderate growth in monetary credit. Meanwhile, strong efforts will be made to expand domestic demand and effective investments. Given the implementation of the aforesaid policies, the Company expects China to sustain a stable economic growth in the second half of 2012.

The Company expects Henan's economy will continue to have relatively steady development in the second half of 2012, as the province's economic growth will be powerfully driven by increasing investments in infrastructure development of the central China economic zone and the steady progress of the relocation of industries in the eastern coastal regions.

2. *The property market*

The PRC government is expected to advance its property market regulatory policies in the second half of 2012 in order to consolidate the positive effects of earlier actions and curb speculative and investment demands and restrain price rebounds. The Company expects property prices to gradually return to reasonable levels in the second half of 2012.

The Company expects Henan's property market to remain relatively stable in the second half of 2012, as Henan is undergoing a process of accelerating industrialisation and urbanisation with a substantial housing demand from end-users, and the impact of the regulatory policies aimed at curbing speculative and investment demands on the province's property market would be limited.

(2) Business Planning

In the second half of 2012, the Company will continue to penetrate regional markets and gear up efforts in establishing presence in developed counties, regions and cities in tandem with the market pulse, with a view to forming a business portfolio well-balanced between risks and benefits that will provide a strong foundation for the further, ongoing stable and healthy development of the Company.

1. *Construction Plan*

In the second half of 2012, the Company expects to commence construction of a total of 22 projects/phases, with a GFA of 2,232,104 sq.m.

Geographical breakdown of project construction to be commenced in the second half of 2012

Location	**Total GFA** *(sq.m.)*	**Percentage** *(%)*
Zhengzhou	482,232	22%
Other cities in Henan Province	1,749,872	78%
Total	**2,232,104**	**100%**

2. *Completion and Delivery Plan*

The Group expects to complete and deliver 12 projects/phases with a GFA of 1,265,786 sq.m. in the second half of 2012.

Development Project	**Expected Total GFA** *(sq.m.)*
U-Town (Zhengzhou) Phase VI	153,549
Code One City (Luoyang) Phase II (Second batch)	105,896
Code One City (Xinxiang) Phase I	131,838
Forest Peninsula (Hebi) Phase III	30,511
Code One City (Jiaozuo) Phase I	91,923
Forest Peninsula (Xiuwu) Phase I	60,200
Jianye City (Puyang) Phase VI	86,930
No. 1 South Lake (Xinyang)	61,402
Triumph Road Project (Luoyang)	202,450
Huayang Square (Luoyang) Phase V (First batch)	225,942
Le Meridien (Zhengzhou)	65,007
Nanyang Holiday Inn	50,138
Total	**1,265,786**

III. FINANCIAL ANALYSIS

Profit for the period: Profit attributable to the equity shareholders of the Group increased by 3.1% to RMB332 million from RMB322 million for the same period last year.

Turnover: As a result of the change in product mix, the average selling price of the properties sold by the Group in the first half of 2012 deceased from RMB8,646 per sq.m. to RMB5,234 per sq.m., presenting a decrease of approximately 39.5%. Nevertheless, the Group's turnover for the six months ended 30 June 2012 increased from RMB2,529 million to RMB3,025 million, representing an increase of approximately 19.6% as compared with the same period of 2011. The increase in turnover was mainly attributable to an increase in sold area from 290,481 sq.m. for the six months ended 30 June 2011 to 575,980 sq.m. for the six months ended 30 June 2012.

Gross profit margin: Gross profit margin was 35.8%, a 9.8 percentage point decrease as compared with 45.6% for the same period of 2011, which was mainly due to lower average selling price of properties sold to customers of the Group in the first half of 2012.

Other revenue: Other revenue from operations increased by RMB33 million from RMB29 million to RMB62 million, primarily due to an increase in interest income from advances to our affiliated companies, related parties and third parties.

Other net loss: Other net loss of RMB7 million for the period was primarily attributable to the unrealised mark-to-market gain incurred by trading securities, offset by the exchange loss arising from loans denominated in foreign currencies.

Selling and marketing expenses: Selling expenses increased from RMB72 million to RMB93 million, an increase of RMB21 million, which was in line with the expansion of new projects.

General and administrative expenses: General and administrative expenses increased from RMB97 million to RMB147 million, an increase of 52.0%, mainly due to (1) the expenses incurred and payments made in connection with the consent solicitation exercise in relation to the US$300,000,000 senior notes due 2015 conducted by the Company in the first half of 2012 and (2) expansion of the Group's operations.

Share of losses of associates: Such amount mainly represents the Group's share of losses on its investment in St. Andrews Golf Club (Zhengzhou) Company Limited.

Share of losses of jointly controlled entities: Such amount represents net of operating profit from completed jointly controlled projects and the losses of jointly controlled entities.

Finance costs: Finance costs decreased from RMB131 million to RMB116 million, mainly due to a RMB53 million gain on the fair value of derivatives of convertible bonds and senior notes.

Income tax: Income tax includes corporate income tax ("CIT"), land appreciation tax ("LAT") and withholding tax payable on dividend declared by PRC enterprises to non-PRC entity. The Group's income tax decreased to RMB430 million from RMB489 million, representing a decrease of RMB59 million. Effective tax rate decreased from 59.6% to 55.2%, which is mainly due to a decrease in profit margin on various projects.

Financial resources and utilisation: As at 30 June 2012, the Group's cash and cash equivalents amounted to RMB3,050 million (31 December 2011: RMB3,256 million). During the reporting period, the Group distributed a dividend of RMB199 million (31 December 2010: RMB163 million) in relation to profit attributable to the year ended 31 December 2011.

Pledge of assets: As at 30 June 2012, the Group had pledged certain buildings, projects under construction, and properties for sales with an aggregate carrying amount of RMB2,837 million to secure the Group's credit facilities.

Financial guarantees: As at 30 June 2012, the Group provided guarantees of approximately RMB4,698 million to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties.

Capital commitment: As at 30 June 2012, the Group had contractual commitments in respect of properties development activities amounting to RMB1,497 million and the Group had authorised, but not yet contracted for, a further RMB16,109 million in expenditure in respect of property development.

IV. ISSUANCE OF SGD175,000,000 10.75% SENIOR NOTES DUE 2016

Cash position

On 18 April 2012, the Company issued secured senior notes due 2016 with principal amount of SGD175,000,000 at a coupon rate of 10.75% per annum for the purposes of funding new and existing property projects, repaying existing indebtedness and for general corporate purposes.

V. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group had 1,371 employees (31 December 2011: 1,487 employees). Staff remuneration is determined on the basis of individual performance, experience and prevailing industry practices. The Group reviews its remuneration policy and arrangements on a regular basis and staff may be rewarded with bonuses and cash payments depending on individual performance appraisals. The Group's policies for insurance and provident fund are in compliance with national and local laws and regulations on labour affairs and social welfare. At the date of this announcement, there was no significant labor dispute which has or may have an adverse impact on our business operation.

CORPORATE GOVERNANCE CODE

The Company is committed to good corporate governance practices and procedures including a quality Board, sound internal control, transparency and accountability to its shareholders. The Company has fully complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (effective from 1 April 2012) during the period from 1 April 2012 to 30 June 2012 contained in Appendix 14 to the Listing Rules, except the following:

1. Code Provision A.4.1 — This Code Provision stipulates that all non-executive Directors should be appointed for a specific term, subject to re-election

Mr. Hu Yongmin, a non-executive Director, was not appointed for a specific term. Mr. Hu was nominated by FV Green Alpha Two Limited ("FV Green") (one of the holders of the convertible bonds (the "Convertible Bonds"), which were issued by the Company together with certain warrants (the "Warrants") attaching to the Convertible Bonds on 31 August 2009) to the Board and was appointed as a non-executive Director on 3 September 2009. No service contract was entered into between Mr. Hu and the Company and Mr. Hu did not and will not receive any remuneration as a non-executive Director from the Company. FV Green will continue to have the right to nominate a person to be appointed as a non-executive Director as long as it has an interest in the Shares as is equal to or more than 5% of the issued share capital of the Company on a fully-diluted basis, assuming full conversion of the Convertible Bonds and full exercise of the Warrants.

Save for Mr. Hu, all other non-executive Directors and independent non-executive Directors were appointed for a specific term. Since all Directors (including Mr. Hu

Yongmin) are subject to re-election by shareholders at annual general meetings and at least once every three years on a rotation basis in accordance with the articles of association of the Company, the Company considers that there are sufficient measures to ensure the corporate governance of the Company complies with the same level to that required under the Corporate Governance Code.

2. **Code Provision A.6.7 — This Code Provision stipulates that independent non-executive Directors and other non-executive Directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.**

   All Directors have given the Board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.

   Mr. Lim Ming Yan, Mr. Leow Juan Thong Jason, Mr. Hu Yongmin and Ms. Wallis Wu, all being non-executive Directors, and Mr. Cheung Shek Lun and Mr. Wang Shi, all being independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 24 May 2012 as they were out of town for other businesses.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. The Company made specific enquires with each Director and each of them confirmed that he or she had complied with the Model Code for the six months ended 30 June 2012.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

UPDATE ON DIRECTORS' INFORMATION

Mr. Xin Luo Lin resigned as a non-executive director of Sino-Tech International Holdings Limited (the shares of which are listed on the Stock Exchange) on 8 June 2012.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee has discussed with the management and external auditors the accounting principles and policies adopted by the Group, and has reviewed the Group's unaudited interim consolidated financial statements for the six months ended 30 June 2012.

INTERIM DIVIDEND

The Board declared an interim dividend of HK4.5 cents (equivalent to RMB3.7 cents) for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil) to the shareholders whose names appear on the register of members on Thursday, 4 October 2012. The dividend cum-date and ex-date will be Friday, 28 September 2012 and Wednesday, 3 October 2012 respectively, and the interim dividend will be paid to the shareholders on or about Tuesday, 16 October 2012. To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 4 October 2012. The proposed interim dividend has not been reflected in the financial statements for the six months ended 30 June 2012.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The interim results announcement is published on the websites of the Company (http://www.centralchina.com) and the Stock Exchange (http://www.hkex.com.hk). The Company's 2012 interim report will be despatched to the Shareholders and published on the aforesaid websites in due course.

By Order of the Board
Central China Real Estate Limited
Wu Po Sum
Chairman

Hong Kong, 16 August 2012

As at the date of this announcement, the Board comprises nine Directors, of which Mr. Wu Po Sum and Ms. Yan Yingchun are executive Directors, Mr. Lim Ming Yan (alternate director: Mr. Lucas Ignatius Loh Jen Yuh), Mr. Leow Juan Thong Jason, Mr. Hu Yongmin and Ms. Wu Wallis (alias Li Hua) are non-executive Directors, Mr. Cheung Shek Lun, Mr. Wang Shi and Mr. Xin Luo Lin are independent non-executive Directors.

* *For identification purposes only*