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萬達商業地產（集團）有限公司
WANDA COMMERCIAL PROPERTIES (GROUP) CO., LIMITED
(Incorporated in Bermuda with limited liability)
(Stock code : 169)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013

The Board of Directors (the “Board”) of Wanda Commercial Properties (Group) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2013 as follows:—

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2013 — unaudited

(Expressed in Hong Kong Dollars)

	<i>Note</i>	Six months ended 30 June	
		2013	2012
		\$'000	\$'000
Turnover	3	1,146,089	1,794,751
Cost of sales		(672,265)	(1,680,201)
Gross profit		473,824	114,550
Gain on redemption of convertible bonds	17	39,370	—
Gain/(loss) on revaluation and cancellation of convertible bonds redemption options	5	32,535	(16,477)
Net loss on disposal of subsidiaries	9	(45,872)	—
Impairment loss on goodwill	12	(38,685)	—
Net valuation gain on investment properties	11(b)	3,783	538,338
Other revenue	6	7,977	3,672
Other net (loss)/income	6	(1,782)	2,716
Selling, administrative and other operating expenses		(39,716)	(46,592)
Profit from operations		431,434	596,207
Finance costs	7(a)	(60,092)	(55,830)
Profit before taxation	7	371,342	540,337
Income tax	8	(160,368)	(192,811)
Profit for the period		210,974	347,566

		Six months ended 30 June	
		2013	2012
		\$'000	\$'000
<i>Note</i>			
Attributable to:			
Equity shareholders of the Company		203,742	326,348
Non-controlling interests		7,232	21,218
Profit for the period		210,974	347,566
Earnings per share (HK cents)	<i>10</i>		
Basic		8.5	13.9
Diluted		2.3	4.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2013 — unaudited

(Expressed in Hong Kong Dollars)

	<i>Note</i>	30 June 2013 \$'000	31 December 2012 \$'000
Non-current assets			
Fixed assets	11		
— Property, plant and equipment		16,148	18,512
— Prepaid lease payments		21,647	46,469
— Investment properties		2,493,712	2,361,583
		2,531,507	2,426,564
Goodwill	12	47,854	106,939
Deferred tax assets		72,433	85,510
		2,651,794	2,619,013
Current assets			
Properties for sales	13	622,868	2,107,945
Deposits for land use right		—	702,694
Trade and other receivables	14	60,667	132,887
Derivative financial instruments	19	69,599	63,430
Prepaid taxes		—	28,068
Restricted bank deposits		63,175	42,904
Cash at bank and in hand		40,048	476,641
		856,357	3,554,569
Current liabilities			
Trade and other payables	15	537,009	949,417
Receipts in advance		133,135	1,532,527
Loans from financial institutions	16	62,056	41,099
Loans from related parties	22(b)	253,182	280,284
Advance from lessee		—	124,360
Current taxation		506,901	550,835
		1,492,283	3,478,522
Net current (liabilities)/assets		(635,926)	76,047
Total assets less current liabilities		2,015,868	2,695,060

		30 June 2013	31 December 2012
	<i>Note</i>	\$'000	\$'000
Non-current liabilities			
Loans from financial institutions	16	—	10,008
Convertible bonds	17	225,968	1,220,962
Deferred tax liabilities		563,883	668,912
		<u>789,851</u>	<u>1,899,882</u>
NET ASSETS		<u>1,226,017</u>	<u>795,178</u>
CAPITAL AND RESERVES			
Share capital	18	285,591	235,292
Retained profits		296,893	84,144
Other reserves		(35,842)	348,008
Total equity attributable to equity shareholders of the Company		546,642	667,444
Non-controlling interests		<u>679,375</u>	<u>127,734</u>
TOTAL EQUITY		<u>1,226,017</u>	<u>795,178</u>

NOTES

(Expressed in Hong Kong Dollars unless otherwise indicated)

1 BASIS OF PREPARATION

(a) Basis of presentation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was approved by the Board of Directors and authorised for issue on 23 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies 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.

This 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 Wanda Commercial Properties (Group) Co., Limited (the “Company”) and its subsidiaries (“the Group”) since the 2012 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 HKFRSs.

Notwithstanding the net current liabilities of \$635,926,000 at the end of the reporting period which was mainly caused by the net current liabilities of the subsidiaries involved in the Hengli City project, the interim financial report has been prepared on a going concern basis as Mr. Chen Chang Wei (“Mr. Chen”), a director of the Company, has agreed to provide funding by way of loan in an amount up to the shortfall required to satisfy any funding needs or liabilities of the Hengli City project if the Group does not have sufficient financial resources and is unable to secure adequate third party financing to satisfy any immediate funding needs or liabilities relating to the Hengli City project. Hence it is appropriate to prepare the interim financial report on a going concern basis.

The interim financial report is unaudited, but has been reviewed by the Group’s audit committee. It has also 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.

The financial information relating to the year ended 31 December 2012 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 2012 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 6 February 2013.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income
- HKFRS 10, Consolidated financial statements
- HKFRS 12, Disclosure of interests in other entities
- HKFRS 13, Fair value measurement
- Annual Improvements to HKFRSs 2009-2011 Cycle
- Amendments to HKFRS 7 — Disclosures — Offsetting financial assets and financial liabilities

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

Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 19. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the group's assets and liabilities.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the Group because the CODM assesses the Group's performance based on the results of the Group as a whole and the Group only has one operating segment.

Amendments to HKFRS 7 — Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

3 TURNOVER

The principal activities of the Group are property development and investment. Turnover during the period is analysed as follows.

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Sales of properties	1,090,925	1,794,751
Rental income	45,139	—
Property management income	10,025	—
	<u>1,146,089</u>	<u>1,794,751</u>

Included in turnover from sales of properties during the six months ended 30 June 2013 is an amount of \$875,508,000 generated from subsidiaries disposed as set out in note 9 (six months ended 30 June 2012: Nil).

4 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 focused on the Group as a whole, as all 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 special 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) Geographical information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Fujian Province in the PRC.

(c) Information about major customers

The Group had one customer with whom transactions have exceeded 10% of the Group's turnover for the six months ended 30 June 2013 (2012: Nil). During the six months ended 30 June 2013, revenue from this customer amounted to \$850 million (2012: Nil).

5 GAIN/(LOSS) ON REVALUATION AND CANCELLATION OF CONVERTIBLE BONDS REDEMPTION OPTIONS

The amount included gain on revaluation of redemption options in respect of the convertible bonds, offset by loss arising from the cancellation of the respective redemption options as a result of redemption of the convertible bonds during the period as set out in note 17.

6 OTHER REVENUE AND NET (LOSS)/INCOME

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Other revenue		
Interest income from banks	<u>7,977</u>	<u>3,672</u>
Other net (loss)/income		
Exchange (loss)/gain	(8,246)	2,898
Forfeiture of deposits from purchasers	5,918	—
Others	<u>546</u>	<u>(182)</u>
	<u>(1,782)</u>	<u>2,716</u>

7 PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2013	2012
		\$'000	\$'000
(a)	Finance costs:		
	Interest on loans from financial institutions	3,694	39,955
	Interest on convertible bonds (<i>note 17</i>)	44,631	46,992
	Interest on loans from related parties repayable within one year	19,814	32,097
	Deemed interests on advance from lessee	1,687	—
		<u>69,826</u>	<u>119,044</u>
	Less: Interest expenses capitalised into investment properties under development and properties under development	<u>(9,734)</u>	<u>(63,214)</u>
		<u><u>60,092</u></u>	<u><u>55,830</u></u>
(b)	Other items:		
	Amortisation and depreciation	831	460
	Operating lease charges: minimum lease payments on properties	92	330
	Cost of properties sold	<u>665,332</u>	<u>1,680,201</u>

8 INCOME TAX

		Six months ended 30 June	
		2013	2012
		\$'000	\$'000
Current tax			
	PRC Corporate Income Tax (iii)	143,757	226,115
	PRC Land Appreciation Tax (iv)	127,106	339,798
	Withholding tax (v)	—	14,577
		<u>270,863</u>	<u>580,490</u>
Deferred tax			
Origination and reversal of temporary differences:			
	— Revaluation of properties for sales	(106,129)	(403,684)
	— Revaluation of investment properties	946	118,434
	— Deductibility of PRC Land Appreciation Tax	(5,312)	(124,342)
	— Tax losses	—	21,913
		<u>(110,495)</u>	<u>(387,679)</u>
Total income tax		<u><u>160,368</u></u>	<u><u>192,811</u></u>

- (i) Pursuant to the rules and regulations of the Bermuda and British Virgin Islands (“BVI”), the Group is not subject to any income tax in Bermuda and BVI.
- (ii) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits in Hong Kong.
- (iii) PRC Corporate Income Tax (“CIT”)

The provision for CIT has been calculated at the applicable tax rates on the estimated assessable profits of the Group’s subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The CIT rate applicable to the Group’s subsidiaries located in the PRC is 25% (six months ended 30 June 2012: 25%). No provision for CIT has been made for the six months ended 30 June 2012 as the Group’s subsidiaries in the PRC did not have assessable profits during that period.

- (iv) PRC Land Appreciation Tax (“LAT”)

All income from 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, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including costs of land use rights, borrowing costs and relevant development expenditure.

- (v) Withholding tax

Withholding taxes are levied on the Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 at 5%.

9 DISPOSAL OF SUBSIDIARIES

On 20 March 2013, the Company entered into an agreement with Mr. Chen, Onu Holdings Limited (“Onu”) and Zhizun Holdings Limited (“Zhizun”), companies wholly owned by Mr. Chen, for:

- (1) the Company’s sale to Zhizun of 47% of the issued share capital of Amazing Wise Limited (“Amazing Wise”), a subsidiary of the Company, at a consideration of approximately \$587,811,000;
- (2) the Company’s sale to Onu of all the issued share capital of each of Flying Hope Investments Limited, Brilliant Hope Investments Limited, Sparkling Hope Investments Limited and Hengli Capital Management Limited at a total consideration of approximately \$324,567,000; and
- (3) the Company’s sale to Onu of loans owed by Flying Hope Investments Limited, Brilliant Hope Investments Limited, Sparkling Hope Investments Limited and Hengli Capital Management Limited and their respective subsidiaries (the “Disposal Group”) to the Company at a total consideration of approximately \$399,164,000.

The aggregate consideration of the above, amounted to \$1,311,542,000, was satisfied by:

- (i) the setting-off of the amount owed by the Company to Mr. Chen as a result of the redemption by the Company of outstanding Convertible Bonds in a principal amount of \$1,311,000,000 held by Mr. Chen; and
- (ii) the payment of \$542,000 by Mr. Chen in cash.

The above transactions were completed on 25 June 2013. Subsequent to the above transactions, Flying Hope Investments Limited, Brilliant Hope Investments Limited, Sparkling Hope Investments Limited and Hengli Capital Management Limited ceased to be subsidiaries of the Company while Amazing Wise remained as a subsidiary of the Company.

A loss of \$45,872,000 on the disposal of the Disposal Group, was charged to the profit or loss. The loss on the disposal of the Disposal Group is analysed as below:

	\$'000
Total consideration	324,567
Net assets of the Disposal Group attributable to the Group	(374,908)
De-recognition of goodwill attributable to the Disposal Group (<i>note 12</i>)	(22,458)
Reclassification of exchange reserve of the Disposal Group within equity to profit or loss	<u>26,927</u>
Loss on disposal	<u>(45,872)</u>

No gain or loss was recognised in relation to the disposal of 47% equity interest in Amazing Wise as the Company continues to retain control over Amazing Wise. The difference between the consideration of \$587,811,000 and the non-controlling interest of \$578,401,000 is credited to special reserve within the equity of the Group.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on profit attributable to equity shareholders of the Company of \$203,742,000 (six months ended 30 June 2012: \$326,348,000) and the weighted average of 2,391,822,000 shares (six months ended 30 June 2012: 2,350,799,000 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of \$176,468,000 (six months ended 30 June 2012: \$389,817,000) and the weighted average number of 7,612,023,000 shares (six months ended 30 June 2012: 8,065,624,000 shares), after adjusting for the effect of conversion and redemption of convertible bonds.

11 FIXED ASSETS

(a) Additions and disposals

During the six months ended 30 June 2013, the Group's additions in property, plant and equipment and investment properties amounted to \$414,000 and \$90,556,000 respectively (six months ended 30 June 2012: \$290,000 and \$107,981,000 respectively). All additions in investment properties during the six months ended 30 June 2013 was transferred from properties for sales (six months ended 30 June 2012: Nil).

(b) Valuation

Investment properties and land and building held for own use carried at fair value were revalued on an open market value at the reporting date by an independent firm of surveyors, CBRE HK Limited, which have recent experience in the respective location and category of property being valued. As a result of the revaluation, a net gain of \$3,783,000 (six months ended 30 June 2012: \$538,338,000) in respect of investment properties has been recognised in profit or loss for the period.

In addition, a net of tax surplus of \$725,000 (six months ended 30 June 2012: \$132,000) has been recognised in other comprehensive income for the period in respect of land and buildings held for own use.

12 GOODWILL

	30 June 2013 \$'000	31 December 2012 \$'000
Cost	394,782	394,782
Accumulated impairment losses	(337,685)	(299,000)
De-recognised on disposal of subsidiaries (<i>note 9</i>)	(22,458)	—
Exchange adjustment	13,215	11,157
Carrying amount	<u>47,854</u>	<u>106,939</u>

Goodwill arose from the acquisition of the entire issued share capital of Amazing Wise Limited (“Amazing Wise”) in 2008. The balance represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Amazing Wise as at the acquisition date.

The Group carried out impairment testing of the goodwill at the end of each reporting period. In assessing the impairment of goodwill, the recoverable amount of the cash generating units (“CGU”) is determined. The CGU related to the goodwill includes all subsidiaries under the Fujian segment. In previous years, an impairment loss of \$299,000,000 was recorded. During the six months ended 30 June 2013, as a result of disposal of the Disposal Group as set out in note 9, the recoverable amount of CGU, which was estimated based on its fair value less cost to sale, was re-determined and accordingly, an additional impairment loss of \$38,685,000 was provided.

In addition, during the six months ended 30 June 2013, goodwill of \$22,458,000 (six months ended 30 June 2012: Nil), representing the portion attributable to the Disposal Group as a result of the disposal of the Disposal Group, as set out in note 9, was de-recognised.

13 PROPERTIES FOR SALES

	30 June 2013 \$'000	31 December 2012 \$'000
Completed properties for sales	622,868	1,407,222
Properties under development	—	700,723
	<u>622,868</u>	<u>2,107,945</u>

14 TRADE AND OTHER RECEIVABLES

	30 June 2013 \$'000	31 December 2012 \$'000
Trade receivables — within 1 month	5,285	115
Other receivables, prepayments and deposits	55,374	132,772
Amounts due from related parties	8	—
	<u>60,667</u>	<u>132,887</u>

For the trade receivables arising from sales of properties, the Group manages the credit risk by fully receiving cash before delivery of property ownership certificates. The Group has set out policies to ensure follow-up action is taken to recover overdue debts. The Group also reviews regularly the recoverable amount of each individual trade receivable balance to ensure that adequate impairment losses are made for irrecoverable amounts. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

15 TRADE AND OTHER PAYABLES

	30 June 2013 \$'000	31 December 2012 \$'000
Trade payables	90,687	135,898
Other creditors and accrued charges	281,023	659,747
Interest payable to related parties	100,191	79,002
Amounts due to non-controlling equity holders	16,930	16,770
Amounts due to related parties	48,178	—
Amounts due to a director	—	58,000
	<u>537,009</u>	<u>949,417</u>

The aging analysis of trade payables based on the invoice date as of the end of reporting period is as follows:

	30 June 2013 \$'000	31 December 2012 \$'000
Within 1 month	297	11,428
1 month to 3 months	42	4,840
3 months to 6 months	2,169	4,791
6 months to 12 months	2,635	9,846
Over 12 months	85,544	104,993
	<u>90,687</u>	<u>135,898</u>

16 LOANS FROM FINANCIAL INSTITUTIONS — SECURED

At 30 June 2013, loans from financial institutions were repayable as follows:

	30 June 2013 \$'000	31 December 2012 \$'000
Within 1 year	62,056	41,099
After 1 year but within 2 years	—	2,159
After 2 years but within 5 years	—	6,851
After 5 years	—	998
	—	10,008
	62,056	51,107

The assets of the Group pledged to secured loans from financial institutions comprise the following assets:

	30 June 2013 \$'000	31 December 2012 \$'000
Restricted bank deposits	63,175	42,904
Property, plant and equipment	—	2,430
Prepaid lease payments	—	24,875
	63,175	70,209

17 CONVERTIBLE BONDS

On 21 January 2008, the Company issued \$2,701,711,500 zero coupon convertible bonds at 100% of principal amount to Mr. Chen, as part of the consideration for the acquisition of Amazing Wise and its subsidiaries.

The rights of the convertible bond holders to convert the convertible bonds into ordinary shares are as follows:

- Conversion rights are exercisable at any time up to maturity at the option of the convertible bond holder.
- Pursuant to the terms of the convertible bonds, the conversion price and the number of shares to be issued upon exercise of the subscription rights attached to the convertible bonds have been adjusted as a result of a rights issue in January 2011. The Company is required to deliver ordinary shares at a rate of \$0.334 per share (originally \$0.5 per share before the rights issue of the Company).

The Company has the right at any time to redeem the whole or any part of the outstanding principal amount of the convertible bonds at their face value. The option to enable the Company to redeem the convertible bonds is considered as derivative financial assets of the Company and revalued at each reporting date.

If the convertible bond holders' conversion rights have not been exercised or the convertible bonds have not been repurchased or redeemed up to the maturity date, i.e. on 20 January 2018, the Company will redeem the convertible bonds at face value on 20 January 2018.

During the six months ended 30 June 2013, convertible bonds with principal amount of \$168,000,000 were converted into 502,994,011 ordinary shares of the Company. In addition, as mentioned in note 9, convertible bonds with principal amount of \$1,311,000,000 was redeemed by the Company. Subsequent to the conversion and the redemption, the outstanding principal amount of the convertible bonds was reduced to \$321,000,000. Further, on 25 June 2013, convertible bonds with principal amount of \$209,000,000 were transferred by Mr. Chen to Wanda Commercial Properties Overseas Limited, shareholder of the Company. As a result, as at 30 June 2013, convertible bonds with principal amount of \$209,000,000 was held by Wanda Commercial Properties Overseas Limited while convertible bonds with principal amount of \$112,000,000 was held by Mr. Chen.

The convertible bonds recognised in the consolidated statement of financial position are analysed as follows:

	Liability component \$'000	Equity component \$'000
Net carrying amount at 1 January 2013	1,220,962	104,862
Interest expense (i) (<i>note 6(a)</i>)	44,631	—
Convertible bonds converted	(117,915)	(9,787)
Convertible bonds redeemed (ii)	(921,710)	(76,375)
	<u>225,968</u>	<u>18,700</u>
Net carrying amount at 30 June 2013	<u>225,968</u>	<u>18,700</u>

- (i) Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 8% per annum to the liability component.
- (ii) As stated in note 9, convertible bonds with a principal amount of \$1,311,000,000 held by Mr. Chen were redeemed by the Company. As a result of the redemption, the liability component of the convertible bond was remeasured at its fair value at the date of the redemption and the difference between the remeasured amount and the carrying amount upon the redemption date was dealt with in profit or loss. As a result of the redemption, a gain of approximately \$39,370,000 was recognised in the profit or loss.

18 CAPITAL, RESERVES AND DIVIDEND

(a) Issue of shares upon conversion of convertible bonds/Share premium

As mentioned in note 17, convertible bonds with principal amount of \$168,000,000 were converted to ordinary shares of the Company on 17 June 2013. Accordingly, 502,994,011 shares of \$0.1 each were issued by the Company and share premium of \$51,037,000 was arose.

On 28 June 2012, the resolution in respect of proposed reduction of the share premium account of the Company to nil was passed in the special general meeting of the Company. Accordingly, the share premium of the Company amounted to \$207,041,000 was reduced during the six months ended 30 June 2012.

(b) Dividend

The Directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

Fair value measurement at			
30 June 2013 using		31 December 2012 using	
Significant		Significant	
Fair value at	other	Fair value at	other
30 June	observable	31 December	observable
2013	input	2012	input
	(level 2)		(level 2)
\$'000	\$'000	\$'000	\$'000

Recurring fair value measurement

Financial assets

Convertible bond redemption options	<u>69,599</u>	<u>69,599</u>	<u>63,430</u>	<u>63,430</u>
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During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2012: Nil). The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the convertible bond redemption option is determined using binomial tree model.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 30 June 2013 except for the following financial instrument, for which the carrying amounts and fair value are disclosed below:

	At 30 June 2013		At 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Convertible bonds	<u>225,968</u>	<u>221,216</u>	<u>1,220,692</u>	<u>1,104,537</u>

20 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	30 June 2013 \$'000	31 December 2012 \$'000
Contracted for	—	230,069
Authorised but not contracted for	—	908,033
	<u>—</u>	<u>1,138,102</u>

The above commitments as at 31 December 2012 included mainly the land costs and construction related costs to be incurred in respect of the Group's development of its properties for sales and investment properties in mainland China. As a result of disposal of subsidiaries as mentioned in note 9, no capital commitments were outstanding as at 30 June 2013.

21 CONTINGENT LIABILITIES

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at reporting date is as follows:

	30 June 2013 \$'000	31 December 2012 \$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>735,000</u>	<u>587,427</u>

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the period under guarantee as the individual property ownership certificates have not been obtained and thus the Group 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 purchasers default payments to the banks.

22 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors are as follows:

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Short-term employee benefits	<u>4,470</u>	<u>3,020</u>

(b) Loans from related parties

Mr. Chen is a director and shareholder of the Group and is considered a related party of the Group. The loans from related parties are made from an entity controlled by Mr. Chen. The loans from an entity controlled by Mr. Chen, amounted to \$253,182,000 (31 December 2012: \$280,284,000) that bear interest at 15% per annum, are unsecured and repayable six months after the date of the respective drawdowns. Interest incurred during the period and interest payable to related parties as at 30 June 2013 are set out in note 6(a) and note 14 respectively.

(c) Other related party transactions

Other amounts due from/(to) related parties are set out in notes 14 and 15. Please refer to note 17 for convertible bonds of the Company held by Mr. Chen and Wanda Commercial Properties Overseas Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF CONTROLLING SHAREHOLDER

On 25 June 2013, the absolute controlling shareholder of the Company was changed to Wanda Commercial Properties Overseas Limited (“Wanda Commercial Properties Overseas”) upon completion of a sale and purchase agreement dated 20 March 2013 relating to sale of 1,856,341,956 shares of the Company and convertible bonds in principal amount of HK\$209 million issued by the Company by the former controlling shareholder of the Company to Wanda Commercial Properties Overseas. On 23 July 2013, after close of the mandatory general offer, Wanda Commercial Properties Overseas held 1,856,876,006 shares of the Company, which constituted 65.02% of the total issued shares of the Company. Wanda Commercial Properties Overseas is an indirect wholly-owned subsidiary of Dalian Wanda Commercial Properties Co., Ltd. (“DWCP Parent Co.”).

BUSINESS REVIEW

On 20 March 2013, the Company entered into a sale and purchase agreement with Mr. Chen, chairman of the Board, an executive director and a controlling shareholder of the Company at the time being, and two companies wholly owned by him, to dispose of 1) 47% of shares in Amazing Wise Limited, a wholly-owned subsidiary of the Company which indirectly holds a 95% interest in Hengli City (恒力城), 2) 100% of the shares in the wholly-owned subsidiaries of the Company which indirectly hold 100% interests in Hengli • Financial Center (恒力 • 金融中心) and Hengli • Prosperity Center (恒力 • 創富中心) and 70% interest in Hengli • Bona Plaza (恒力 • 博納廣場), and 3) shareholder’s loan of approximately HK\$399 million (together the “Disposal”). The total consideration of the Disposal was approximately HK\$1,311.54 million, which brought to the Company cash of approximately HK\$0.54 million and reduced convertible bonds issued by the Company in principal amount of HK\$1,311 million, which formed significant part of the Company’s then outstanding convertible bonds. The Disposal was completed on 25 June 2013.

Upon completion of the Disposal, Hengli City became the only significant project of the Group. Hengli City is a residential, office and retail complex with a total gross floor area of approximately 241,600 square meters. The retail commercial podium of Hengli City of approximately 56,175 sq.m. was leased to Beijing Wangfujing Department Store (Group) Co. Ltd. (北京王府井百貨(集團)股份有限公司) for a term of 20 years, which, together with the leased office and car park space units, has contributed rental income of approximately HK\$45 million to the Group for the six months ended 30 June 2013. During the period, Hengli City has achieved income from sales of properties of approximately HK\$215.4 million.

FINANCIAL REVIEW

Turnover and results

The Group’s unaudited turnover for the six months ended 30 June 2013 was approximately HK\$1,146 million, compared to HK\$1,795 million for the same period in 2012. The decrease was mainly due to that Hengli City was completed in June 2012 and significant part of the pre-sales of the project since 2009 were recognized in June 2012.

The Group’s unaudited profit attributable to shareholders for the period was approximately HK\$204 million (six months ended 30 June 2012: HK\$326 million). The decrease was mainly due to i) decrease in valuation gain on investment properties of HK\$535 million due to that the investment properties was completed in the prior period, ii) net loss on disposal of subsidiaries of HK\$46 million incurred in the period, iii) impairment loss on goodwill of HK\$38 million, which was partly set off by: iv) increase in gross profit of HK\$359 million

since project with higher profit margin contributed more sales in the period, v) increase of totally HK\$88 million in gain on redemption of convertible bonds in the period and net gain on revaluation and cancellation of redemption right attached to the convertible bonds.

Net assets and equity attributable to equity shareholders

As at 30 June 2013, the Group recorded total assets and total liabilities of approximately HK\$3,508,151,000 and HK\$2,282,134,000 respectively. The Group had net assets of approximately HK\$1,226,017,000 as at 30 June 2013 as compared to approximately HK\$795,178,000 as at 31 December 2012. As at 30 June 2013, the equity attributable to equity shareholders of the Company was approximately HK\$546,642,000 as compared to HK\$667,444,000 as at 31 December 2012.

Liquidity and financial ratios

The Group had total bank and cash balances of approximately HK\$103,223,000 as at 30 June 2013 as compared with HK\$519,545,000 as at 31 December 2012. As at 30 June 2013, the current ratio, which is the quotient arrived at by dividing current assets by current liabilities, was 0.57 as compared with 1.02 as at 31 December 2012. The gearing ratio, which is the quotient arrived at by dividing net debts by the aggregate of net debts and total equity, was 30.5% as at 30 June 2013 as compared with 58.3% as at 31 December 2012. The borrowings from financial institutions to equity attributable to the equity shareholders of the Company was recorded at 11.4% as at 30 June 2013 as compared with 7.7% as at 31 December 2012.

Borrowings

The Group had interest-bearing borrowings from financial institutions of approximately HK\$62,056,000 as at 30 June 2013 (31 December 2012: HK\$51,107,000), representing an increase of approximately 21.4% over the amount as at 31 December 2012. Borrowings were denominated in Hong Kong Dollars (“HK\$”). All loans from financial institutions are repayable within one year.

The Group had interest bearing borrowings from related parties of approximately HK\$253,182,000 as at 30 June 2013 (31 December 2012: HK\$280,284,000). All these borrowings are repayable within one year.

Taken into account its cash and bank deposits and proceeds from lease and sale of its properties, and that Mr. Chen has agreed to provide funding by way of loan in an amount up to the shortfall required to satisfy any funding needs or liabilities of the Hengli City project if the Group does not have sufficient financial resources and is unable to secure adequate third party financing to satisfy any immediate funding needs or liabilities relating to the Hengli City project, the Group is confident in meeting its loan repayment obligations.

The Group had aggregate net carrying amount of convertible bonds of approximately HK\$225,968,000 (principal amount of approximately HK\$321,000,000) as at 30 June 2013. The Convertible Bonds bear zero coupon and the maturity date of the Convertible Bonds is 20 January 2018.

Foreign currency exposure

Other than borrowings denominated in Hong Kong Dollars, the Group had, during the period, conducted its business almost exclusively in Renminbi. The Group was exposed to foreign exchange risk arising from fluctuations in the exchange rate between Renminbi and Hong Kong Dollars.

During the period, the Group did not use any financial instruments to hedge foreign currency exposure and the Group did not have any hedging instruments outstanding as at 30 June 2013.

Interest rate exposure

During the period, the Group had interest-bearing borrowings from financial institutions and related parties and accordingly, the Group's cost of borrowing was affected by changes in interest rates. As at 30 June 2013, borrowings of HK\$62.1 million were on a floating rate basis. The interest rate risk exposure was considered acceptable and no hedging was considered necessary. During the period, the Group had monitored the suitability and cost efficiency of hedging instruments and had considered a mix of fixed and floating rate borrowings in order to manage interest rate risks.

PLEDGE OF ASSETS

As at 30 June 2013, the Group pledged HK\$63,175,000 restricted bank deposits to banks in the PRC to secure the bank loans of approximately HK\$62,056,000 (31 December 2012: HK\$51,107,000) granted by these financial institutions.

CHANGES IN SHARE CAPITAL

During the six months ended 30 June 2013, 502,994,011 ordinary shares of HK\$0.10 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK\$0.334 per share. As at 30 June 2013, issued and paid up share capital was 2,855,910,703 ordinary shares.

INVESTMENT

Other than its investment in Hengli City, there were no significant investments held by the Group as at 30 June 2013.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group had provided guarantees of approximately HK\$735 million to banks in favour of its customers in respect of mortgaged loans provided by the banks to these customers for their purchase of the Group's properties. Each of these guarantees would be released upon receipt by the bank of the real estate ownership certificate for the property from the customer as security for the loan.

MATERIAL ACQUISITION AND DISPOSAL

On 20 March 2013, the Company entered into a sale and purchase agreement with Mr. Chen, chairman of the Board, an executive director and a controlling shareholder of the Company at the time being, and two companies wholly owned by him, to dispose of 1) 47% of shares in Amazing Wise Limited, a wholly-owned subsidiary of the Company which indirectly holds a 95% interest in Hengli City (恒力城), 2) 100% of the shares in the wholly-owned subsidiaries of the Company which indirectly hold 100% interests in Hengli • Financial Center (恒力 • 金融中心) and Hengli • Prosperity Center (恒力 • 創富中心) and 70% interest in Hengli • Bona Plaza (恒力 • 博納廣場), and 3) shareholder's loan of approximately HK\$399 million (together the "Disposal"). The total consideration of the Disposal was approximately HK\$1,311.54 million.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than disclosure in note 17 to the unaudited interim financial statements, no director has right to acquire shares or debentures of the Company or its subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group had around 220 full time employees, all of them being in the PRC and Hong Kong.

During the period, the Group remunerated its employees based on their performance, experience and the prevailing market salaries. Performance bonuses were granted on a discretionary basis. Other employee benefits included insurance and medical cover, subsidized educational and training programs.

DIVIDEND

The Directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

OUTLOOK

Looking forward, the Group believes that as the global economy continues to recover, there will be great investment and development opportunities in the commercial real estate sector in some countries and regions. The Group, positioned as an overseas investment and financing platform for the controlling shareholder, DWCP Parent Co., will, with supports from DWCP Parent Co. and with caution, focus on developing overseas financing channels, discovering outstanding and profitable overseas development opportunities that are in line with the Group's development strategy, steadily investing in the commercial real estate sector together with DWCP Parent Co., further enhance our profit and continue to maximize the interests of our shareholders.

OTHER INFORMATION

SHARE OPTIONS SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 15 May 2002 for the primary purpose of providing incentives to directors and eligible employees. The scheme period of the Scheme is ten years commencing on the adoption date. As such, the Scheme has already expired.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee previously comprised three independent non-executive Directors, Mr. Ma Ving Lung, Mr. Yip King Keung, Pony and Ms. Lin Wen Feng. Mr. Ma Ving Lung, Mr. Yip King Keung, Pony and Ms. Lin Wen Feng resigned from the Audit Committee with effect from 24 July 2013. Mr. Xue Yunkui was appointed as chairman and member of the Audit Committee, and Mr. Qi Jie and Mr. Ba Shusong were appointed as members of the Audit Committee with effect from 24 July 2013.

The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The interim financial report for the period ended 30 June 2013 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 Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders. The interim financial report has been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the six months ended 30 June 2013, except the following deviation:

Code Provision A.2.1 — this Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The position of the Chairman of the Board was held by Mr. Chen Chang Wei as of 30 June 2013, and the Company did not have any chief executive officer. As such, the roles of chairman and chief executive officer were performed by the same person. The Board considers that this structure is beneficial to the Company as it enables the Company to make prompt and efficient decisions. The Board comprises of experienced and high calibre individuals who meet regularly to discuss issues and make decisions on transactions that are material in nature to the Company. Hence, the operations of the Board ensure the balance of power and authority. The corporate governance principles of the Company emphasize a quality Board and accountability to all shareholders.

Code Provision A.6.7 — this Code stipulates that independent non-executive directors should attend general meetings.

Due to other business engagements, Ms. Lin Wen Feng did not attend the special general meeting held on 17 June 2013 and the annual general meeting held on 24 June 2013.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT IN 2013

This announcement will be published on both the websites of the Company (www.wanda-cp.com.hk) and of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2013 will be dispatched to shareholders and published on the aforesaid websites in due course.

By Order of the Board
Ding Benxi
Chairman

Hong Kong, 23 August 2013

As at the date of this announcement, Mr. Ding Benxi, Mr. Qi Jie, Mr. Qu Dejun and Mr. Chen Chang Wei are the non-executive Directors; Mr. Liu Chaohui is the executive Director; Mr. Liu Jipeng, Mr. Xue Yunkui and Mr. Ba Shusong are the independent non-executive Directors.