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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 2014**

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 June 2014 amounted to RMB3,072 million, an increase of 0.7% compared with the corresponding period in 2013.
- Gross profit margin for the period was 41.8%, as compared with 36.3% for the corresponding period in 2013.
- Profit attributable to equity shareholders of the Company for the period amounted to RMB392 million, an increase of 10.0% compared with the corresponding period in 2013.
- Net profit margin for the period was 13.7%, as compared with 13.1% for the corresponding period in 2013.
- Basic earnings per share for the period was RMB16.10 cents, an increase of 9.9% compared with the corresponding period in 2013.

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors” and each a “Director”) of Central China Real Estate Limited (the “Company”, “Central China” or “CCRE”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2014, together with the relevant comparative figures in 2013 as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2014 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2014	2013
	Note	RMB'000	RMB'000
Turnover	3	3,071,587	3,049,600
Cost of sales		(1,788,929)	(1,942,390)
Gross profit		1,282,658	1,107,210
Other revenue	4	32,553	55,923
Other net (loss)/income	4	(41,719)	168,789
Selling and marketing expenses		(172,288)	(114,935)
General and administrative expenses		(240,602)	(213,074)
Other operating income		49,970	26,782
		910,572	1,030,695
Share of losses of associates		(1,265)	(1,750)
Share of profits less losses of joint ventures		38,554	163,504
Finance costs	5(a)	(130,405)	(441,212)
Profit before change in fair value of investment properties and income tax		817,456	751,237
Net increase in fair value of investment properties		5,400	3,222
Profit before taxation	5	822,856	754,459
Income tax	6	(402,993)	(355,892)
Profit for the period		419,863	398,567
Attributable to:			
Equity shareholders of the Company		392,124	356,526
Non-controlling interests		27,739	42,041
Profit for the period		419,863	398,567
Earnings per share	7		
— Basis (<i>RMB cents</i>)		16.10	14.65
— Diluted (<i>RMB cents</i>)		16.09	14.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*for the six months ended 30 June 2014 — unaudited**(Expressed in Renminbi)*

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit for the period	419,863	398,567
Other comprehensive income for the period		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
— Exchange differences on translation of financial statements of overseas subsidiaries	(4,943)	5,209
— Cash flow hedge:		
— effective portion of changes in fair value	15,597	(36,567)
— transfer from equity to profit or loss	(4,585)	42,911
Total other comprehensive income for the period	6,069	11,553
Total comprehensive income for the period	425,932	410,120
Attributable to:		
Equity shareholders of the Company	400,398	369,591
Non-controlling interests	25,534	40,529
Total comprehensive income for the period	425,932	410,120

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2014

(Expressed in Renminbi)

		At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
	Note		
Non-current assets			
Property, plant and equipment		2,634,042	2,226,115
Investment properties		370,900	365,500
Interests in associates		43,993	45,258
Interests in joint ventures	8	4,726,520	4,933,854
Other financial assets		110,080	110,080
Deferred tax assets		163,799	146,911
		<u>8,049,334</u>	<u>7,827,718</u>
Current assets			
Trading securities		77,035	99,085
Properties for sale	9	14,782,738	11,132,353
Trade and other receivables	10	1,090,609	1,036,156
Deposits and prepayments	11	5,593,291	5,608,287
Prepaid tax		219,401	122,646
Restricted bank deposits		1,022,285	878,533
Cash and cash equivalents		6,729,506	4,812,575
		<u>29,514,865</u>	<u>23,689,635</u>
Current liabilities			
Bank loans	12	859,297	538,745
Other loans	13	838,180	1,068,180
Trade and other payables and accruals	14	16,029,927	13,298,126
Receipts in advance		3,020,615	2,089,718
Convertible bonds	15	686,283	641,458
Tax payable		1,187,795	1,187,229
		<u>22,622,097</u>	<u>18,823,456</u>
Net current assets		<u>6,892,768</u>	<u>4,866,179</u>
Total assets less current liabilities		<u>14,942,102</u>	<u>12,693,897</u>

		At 30 June 2014 <i>RMB'000</i> (unaudited)	At 31 December 2013 <i>RMB'000</i> (audited)
	<i>Note</i>		
Non-current liabilities			
Bank loans	12	1,689,359	978,460
Other loans	13	900,000	500,000
Senior notes	16	5,471,611	4,455,843
Deferred tax liabilities		60,931	59,747
		<u>8,121,901</u>	<u>5,994,050</u>
NET ASSETS		<u>6,820,201</u>	<u>6,699,847</u>
CAPITAL AND RESERVES			
Share capital		215,770	215,770
Reserves		<u>5,990,498</u>	<u>5,806,926</u>
Total equity attributable to equity shareholders of the Company		6,206,268	6,022,696
Non-controlling interests		<u>613,933</u>	<u>677,151</u>
TOTAL EQUITY		<u>6,820,201</u>	<u>6,699,847</u>

NOTES:

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 2013 annual financial statements.

The HKICPA has issued a few amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and one new Interpretation that are first effective for the current accounting period of Central China Real Estate Limited (the “Company”) and its subsidiaries (together with the Company hereinafter referred to as the “Group”). None of these developments are relevant to the Group’s consolidated financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 2013 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.

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 2013 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 2013 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2014.

2 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 3.

(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").

3 TURNOVER

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Income from sales of properties	2,964,755	3,016,818
Rental income	52,788	11,118
Income from hotel operations	54,044	21,664
	<u>3,071,587</u>	<u>3,049,600</u>

4 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Other revenue		
Interest income	28,720	53,767
Dividend income from equity securities	3,083	1,406
Others	750	750
	<u>32,553</u>	<u>55,923</u>
Other net (loss)/income		
Net exchange (loss)/gain	(26,227)	22,786
Net unrealised loss on trading securities	(22,803)	(12,632)
Gain on disposal of subsidiaries	–	145,134
Loss on acquisition of further interest in a joint venture	–	(1,347)
Net gain on disposal of property, plant and equipment	521	14,627
Others	6,790	221
	<u>(41,719)</u>	<u>168,789</u>

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
(a) Finance costs		
Interest on bank loans		
— wholly repayable within five years	62,193	50,001
— wholly repayable after five years	10,628	9,668
	<u>72,821</u>	<u>59,669</u>
Interest on other loans	83,830	67,791
Interest on convertible bonds	52,357	47,313
Interest on senior notes	190,359	220,554
Other ancillary borrowing costs	1,864	2,136
	<u>401,231</u>	<u>397,463</u>
Less: Borrowing costs capitalised	(273,398)	(193,626)
	<u>127,833</u>	<u>203,837</u>
Net change in fair value of derivatives embedded to senior notes	2,572	(6,531)
Loss on redemption of senior notes	—	243,906
	<u>130,405</u>	<u>441,212</u>
(b) Other items		
Depreciation and amortisation	75,015	34,135
Cost of properties sold	1,775,346	1,935,496
	<u>1,775,346</u>	<u>1,935,496</u>

6 INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current tax		
PRC Corporate Income Tax	202,221	253,077
PRC Land Appreciation Tax		
— Provision for the period	216,476	195,345
— Over-provision in prior years	—	(89,119)
Withholding tax	—	12,764
	<u>418,697</u>	<u>372,067</u>
Deferred tax		
Revaluation of properties	1,185	640
PRC Land Appreciation Tax	(16,889)	(16,815)
	<u>(15,704)</u>	<u>(16,175)</u>
	<u>402,993</u>	<u>355,892</u>

- (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.

Certain PRC subsidiaries were subject to CIT calculated based on the deemed profit which represents 10% to 15% (six months ended 30 June 2013: 10% to 15%) of their revenue in accordance with the authorised taxation method pursuant to the applicable PRC tax regulations. The tax rate was 25% (six months ended 30 June 2013: 25%) on the deemed profit. Other PRC subsidiaries, which were subject to the actual taxation method, were charged CIT at a rate of 25% (six months ended 30 June 2013: 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 subjected 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 2013: 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 on inter-company balance received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 12%.

7 EARNINGS PER SHARE

(a) **Basic earnings per share**

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to equity shareholders of the Company of RMB392,124,000 (six months ended 30 June 2013: RMB356,526,000) and the weighted average of 2,435,345,000 shares (six months ended 30 June 2013: 2,433,298,000 shares) in issue during the interim period.

(b) **Diluted earnings per share**

For the period ended 30 June 2014, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB392,124,000 (six months ended 30 June 2013: RMB356,526,000) and the weighted average number of ordinary shares of 2,436,272,000 shares (six months ended 30 June 2013: 2,437,467,000 shares), calculated as follows:

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit attributable to equity shareholders (diluted)	392,124	356,526

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

	Six months ended 30 June	
	2014	2013
	'000	'000
Weighted average number of ordinary shares at 30 June	2,435,345	2,433,298
Effect of exercise of share options	927	4,169
Weighted average number of ordinary shares at 30 June (diluted)	2,436,272	2,437,467

The Company's convertible bonds and warrants as at 30 June 2014 and 2013 do not give rise to any dilution effect to the earnings per share.

8 INTERESTS IN JOINT VENTURES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Share of net assets	3,798,466	3,759,912
Amounts due from joint ventures	928,054	1,173,942
	<u>4,726,520</u>	<u>4,933,854</u>

Included in the amounts due from joint ventures at 31 December 2013 was an amount of RMB845,000,000, which was interest bearing at 12% per annum and become interest-free during the period. Except for the above, all the remaining balances are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered more than one year.

9 PROPERTIES FOR SALE

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Properties held for future development and under development for sale	9,970,459	6,764,716
Completed properties held for sale	4,812,279	4,367,637
	<u>14,782,738</u>	<u>11,132,353</u>

10 TRADE AND OTHER RECEIVABLES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bills receivables (<i>note (a)</i>)	800	31,606
Trade receivables (<i>note (a)</i>)	31,443	17,729
Other receivables	140,168	142,291
Amounts due from related companies (<i>note (b)</i>)	450,050	402,838
Amounts due from non-controlling interests (<i>note (c)</i>)	376,347	159,968
Amount due from a former joint venture (<i>note (d)</i>)	10,200	251,721
Amount due from a joint venture partner (<i>note (e)</i>)	51,000	–
Gross amounts due from customers for contract work	14,085	14,085
Derivative financial instruments		
— held as cash flow hedging instrument (<i>note 16(a)</i>)	3,044	–
— other derivatives (<i>notes 16(b) and 16(c)</i>)	13,472	15,918
	<u>1,090,609</u>	<u>1,036,156</u>

Notes:

- (a) The ageing analysis of bills and trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and all of which are neither individually nor collectively considered to be impaired, is set out as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Current	24,398	40,001
1 to less than 3 months overdue	587	99
3 to less than 6 months overdue	960	–
6 months to less than 1 year overdue	695	633
More than 1 year overdue	5,603	8,602
	<u>32,243</u>	<u>49,335</u>

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 property ownership certificate.

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 buyers' 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 staff 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 assessment, management believes that no impairment allowance is necessary in respect of the overdue balances and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

- (b) The amount due from a related company of RMB39,015,000 (31 December 2013: RMB39,015,000) is in relation to sales of properties in previous years to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company. The amount is unsecured, interest-free and recoverable on demand.

The amount due from a related company of RMB302,670,000 (31 December 2013: RMB267,740,000) represents the prepaid expected basic return to the trust manager of joint ventures, 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 RMB77,770,000 (31 December 2013: RMB77,700,000) represents the management fee paid on behalf of the trust manager of joint ventures, 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.

- (c) The amounts due from non-controlling interests included an amount of RMB15,300,000 (31 December 2013: RMB15,300,000) which is secured by the equity interests of a PRC subsidiary that partially owned by the non-controlling interest, interest-free and has no fixed terms of repayment. The remaining amounts due from non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.
- (d) In December 2013, the Group entered into an agreement with a joint venture partner in respect of the Group's residual interest and profit-sharing arrangement in the joint venture. Pursuant to the agreement, the Group surrendered its right to future profits (and obligation to future losses) and residual assets/liabilities in consideration for RMB501,721,000. The transaction had been accounted for as a deemed disposal of the Group's interest in that joint venture. At 30 June 2014, the amount due from the abovementioned joint venture amounted to RMB10,200,000 (31 December 2013: RMB251,721,000), which represented the remaining consideration to be settled. The amount due from a former joint venture is unsecured, interest-free and has no fixed terms of repayment. As at 30 June 2014, the Group remains to be a named venture party.
- (e) The amount due from a joint venture partner is unsecured, interest-free and has no fixed terms of repayment.

11 DEPOSITS AND PREPAYMENTS

At 30 June 2014, the balance included deposits and prepayments for leasehold land of RMB4,916,678,000 (31 December 2013: RMB5,096,544,000).

12 BANK LOANS

- (a) At 30 June 2014, bank loans were repayable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year or on demand	859,297	538,745
After 1 year but within 2 years	776,911	398,500
After 2 years but within 5 years	646,468	348,000
After 5 years	265,980	231,960
	<u>1,689,359</u>	<u>978,460</u>
	<u>2,548,656</u>	<u>1,517,205</u>

- (b) At 30 June 2014, bank loans were secured as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bank loans		
— secured	1,554,599	1,387,205
— unsecured	994,057	130,000
	<u>2,548,656</u>	<u>1,517,205</u>

At 30 June 2014, assets of the Group against which bank loans are secured as follows:

	At 30 June 2014 <i>RMB'000</i>	At 31 December 2013 <i>RMB'000</i>
Properties for sale	2,971,124	2,026,909
Property, plant and equipment	1,099,867	1,022,697
	<u>4,070,991</u>	<u>3,049,606</u>

13 OTHER LOANS

(a) At 30 June 2014, other loans were repayable as follows:

	At 30 June 2014 <i>RMB'000</i>	At 31 December 2013 <i>RMB'000</i>
Within 1 year	838,180	1,068,180
After 1 year but within 2 years	400,000	—
After 2 years but within 5 years	500,000	500,000
	<u>900,000</u>	<u>500,000</u>
	<u>1,738,180</u>	<u>1,568,180</u>

(b) At 30 June 2014, other loans were secured as follows:

	At 30 June 2014 <i>RMB'000</i>	At 31 December 2013 <i>RMB'000</i>
Other loans		
— secured	1,100,000	910,000
— unsecured	638,180	658,180
	<u>1,738,180</u>	<u>1,568,180</u>

At 30 June 2014, assets of the Group against which other loans are secured as follows:

	At 30 June 2014 <i>RMB'000</i>	At 31 December 2013 <i>RMB'000</i>
Properties for sales	1,051,608	905,608

14 TRADE AND OTHER PAYABLES AND ACCRUALS

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bills payable (<i>note (a)</i>)	673,871	638,823
Trade payables (<i>note (a)</i>)	3,590,534	3,676,074
Other payables and accruals	1,729,636	1,046,680
Amounts due to joint ventures (<i>note (b)</i>)	9,508,776	7,475,380
Amounts due to non-controlling interests (<i>note (b)</i>)	494,553	422,859
Amount due to an associate (<i>note (b)</i>)	21,381	21,381
Amount due to a related company (<i>note (b)</i>)	6,800	—
Derivative financial instruments		
— held as cash flow hedging instruments (<i>notes 16 (a) and (d)</i>)	4,376	16,929
	<u>16,029,927</u>	<u>13,298,126</u>

(a) The ageing analysis of bills and trade payables, based on the invoice date, is set out as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Due within 1 month or on demand	2,055,583	2,104,928
Due after 1 month but within 3 months	562,439	548,327
Due after 3 months but within 6 months	402,690	469,883
Due after 6 months but within 1 year	786,790	522,106
Due after 1 year	456,903	669,653
	<u>4,264,405</u>	<u>4,314,897</u>

(b) The amounts due to joint ventures, non-controlling interests, an associate and a related company are unsecured, interest-free and have no fixed terms of repayment.

15 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 accordance with the Group's accounting policies.

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.

In addition to the above, the Company and the holders of the convertible bonds may early redeem all the convertible bonds from 31 August 2012 to 31 August 2014 at a pre-determined redemption prices.

In November 2012, one of the holders exercised its redemption option to early redeem the convertible bonds with principal amount of HK\$78,000,000, and surrendered its 7,758,967 warrants. In addition, the terms of the convertible bonds have been modified as follows:

- removal of the early redemption rights from the holders and Company;
- a guaranteed gross yield of 8% per annum from date of issuance to 31 August 2012 and 10.5% per annum from 1 September 2012 to maturity date, on an annual compounding basis; and
- certain adjustments on financial covenants.

16 SENIOR NOTES

Liability component of the senior notes

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
SGD175m Senior Notes (<i>note (a)</i>)	844,845	823,765
US\$200m Senior Notes (<i>note (b)</i>)	1,222,950	1,212,025
US\$400m Senior Notes (<i>note (c)</i>)	2,442,789	2,420,053
SGD200m Senior Notes (<i>note (d)</i>)	961,027	—
	<u>5,471,611</u>	<u>4,455,843</u>

- (a) On 11 April 2012, the Company issued senior notes with principal amount of SGD175,000,000 due in 2016 (“SGD175m Senior Notes”). 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.

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of SGD175m Senior Notes by swapping the senior notes principal of SGD175 million into US\$137 million. The aggregate national principal amounts of the foreign exchange rate swap contract is SGD175 million and the contract will be matured on 18 April 2016. The foreign exchange rate swap contract is accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group’s accounting policy. As at 30 June 2014, the fair value of the foreign exchange rate swap contract (asset) amounted to RMB3,044,000 (note 10) (31 December 2013: liability of RMB16,929,000 (note 14)) is measured based on market price quoted by brokers.

- (b) On 21 January 2013, the Company issued senior notes with principal amount of US\$200,000,000 due in 2020 (“US\$200m Senior Notes”). The senior notes are interest bearing at 8% per annum and payable semi-annually in arrears. The maturity date of the senior notes is 28 January 2020. At any time and from time to time on or after 28 January 2017, the Company may at its option redeem the senior notes, in whole or in part, at a pre-determined redemption price. In addition, at any time prior to 28 January 2017, 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.

- (c) On 22 May 2013, the Company issued senior notes with principal amount of US\$400,000,000 due in 2018 (“US\$400m Senior Notes”). The senior notes are interest bearing at 6.5% per annum and payable semi-annually in arrears. The maturity date of the senior notes is 4 June 2018. At any time and from time to time on or after 4 June 2016, the Company may at its option redeem the senior notes, in whole or in part, at a pre-determined redemption price. In addition, at any time prior to 4 June 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.
- (d) On 15 May 2014, the Company issued senior notes with principal amount of SGD200,000,000 due in 2017 (“SGD200m Senior Notes”). The senior notes are interest bearing at 6.5% per annum and payable semi-annually in arrears. The maturity date of the senior notes is 26 May 2017. At any time prior to 26 May 2017, 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.

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of the SGD200m Senior Notes by swapping the senior notes principal of SGD200 million into US\$160 million. The aggregate notional principal amounts of the foreign exchange rate swap contract is SGD200 million and the contract will mature on 26 May 2017. The foreign exchange rate swap contract is accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group’s accounting policy. As at 30 June 2014, the fair value of the foreign exchange rate swap contract (liability) amounted to RMB4,376,000 (note 14) is measured based on market price quoted by brokers.

17 DIVIDENDS

Dividends

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

	Six months ended 30 June	
	2014	2013
	<i>RMB’000</i>	<i>RMB’000</i>
No interim dividend proposed after the interim period (six months ended 30 June 2013: HK5.2 cents (equivalent to RMB4.1 cents) per ordinary share)	—	100,245

18 COMMITMENTS

Capital commitments outstanding at 30 June 2014 not provided for in the interim financial report are as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Properties under development undertaken by the Group		
Authorised but not contracted for	15,032,727	16,691,802
Contracted but not provided for	5,334,287	4,182,206
	<u>20,367,014</u>	<u>20,874,008</u>
	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Properties under development undertaken by joint ventures attributable to the Group		
Authorised but not contracted for	3,396,494	2,991,868
Contracted but not provided for	764,473	514,787
	<u>4,160,967</u>	<u>3,506,655</u>

19 CONTINGENT LIABILITIES

(a) Guarantees given to financial institutions for mortgage facilities granted to buyers of the Group's and joint ventures' properties:

The Group and joint ventures provide guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's and joint ventures' properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group and joint ventures are responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's and joint ventures' guarantee periods commence from the date of grant of the relevant mortgage loans and end 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 and joint ventures' properties at 30 June 2014 are as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Guarantees given to banks for mortgage facilities granted to buyers of:		
— the Group's properties	5,728,267	5,442,865
— the joint ventures' properties (the Group's shared portion)	1,601,400	1,088,680
	<u>7,329,667</u>	<u>6,531,545</u>

The directors do not consider it is probable that the Group and joint ventures will sustain a loss under these guarantees during the period under guarantee as the Group and joint ventures have 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/joint ventures to the banks. The Group and joint ventures have 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 and joint ventures in the event that the buyers default payments to the banks.

(b) Guarantees given to financial institutions for bank loans and other loans granted to joint ventures:

The Group provided guarantees to bank loans and other loans of joint ventures amounting to RMB4,772,050,000 as at 30 June 2014 (31 December 2013: RMB2,366,550,000). At the end of the reporting period, the directors do not consider it is probable that claims will be made against the Group under these guarantees. The Group has not recognised any deferred income in respect of these guarantees as their fair values cannot be reliably measured using observable market data and their transaction prices were RMBNil (31 December 2013: RMBNil).

20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (a) On 3 July 2014, the Group entered into three equity transfer agreements with Bridge Trust Company Limited, pursuant to which the Group agreed to acquire 49% equity interest in Central China Real Estate Nanyang Company Limited (“CCRE Nanyang”), 49% equity interest in Central China Real Estate Pingdingshan Company Limited (“CCRE Pingdingshan”) and 25.1% equity interest in Henan United New Town Real Estate Company Limited (“Henan New Town”) at the considerations of RMB389,935,000, RMB181,250,000 and RMB176,634,000 respectively.

As at 30 June 2014, CCRE Nanyang, CCRE Pingdingshan and Henan New Town are joint ventures owned as to 51%, 51% and 74.9% respectively by the Group. Upon completion of the equity transfers, CCRE Nanyang, CCRE Pingdingshan and Henan New Town will become wholly-owned subsidiaries of the Group. Details of the transactions are disclosed in the Company’s announcement dated 3 July 2014.

- (b) On 8 July 2014, the Group entered into an acquisition agreement with a third party company, pursuant to which the third party company agreed to establish a subsidiary (“project company”) and the Group agreed to acquire 51% equity interest in the project company at a consideration of RMB246,471,000 by way of capital injection. Upon completion of the capital injection, the project company becomes the Group’s subsidiary with 51% equity interest held by the Group. Details of the transactions are disclosed in the Company’s announcement dated 8 July 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

I. REVIEW OF OPERATIONS

(I) Market and Operations Review

(1) The macro-economic landscape

In the first half of 2014, uncertainties remained in the prospect of global economic recovery. Confronted with complicated economic conditions at home and abroad, the PRC government facilitated ongoing and healthy economic growth through intensified reforms on all fronts, broader opening-up policy and innovation. For the first half of 2014, China's GDP amounted to RMB26,904.4 billion, representing a year-on-year growth of 7.4%.

For the first half of 2014, Henan sustained stable economic growth as it endeavoured to create a core growth hub in the central China economic zone with the development of the Zhengzhou Aviation Port Economic Integration Trial Zone. For the first half of 2014, Henan recorded GDP of RMB1,577.9 billion, representing a year-on-year growth of 8.8%, which was 1.4 percentage points above the national growth rate.

(2) The property market

For the first half of 2014, China was increasingly focused on the stability of property control policies, with an emphasis on control over both the supply end and the demand end and differentiated instructions for different sub-segments. For the first half of 2014, sales of commodity housing in the nationwide property market amounted to 483,650,000 sq.m., a year-on-year decline of 6.0%, with a total sales amount of RMB3,113.3 billion, a year-on-year decline of 6.7%.

As the principal market for the Company's business development, the Henan property market outperformed the national average level, as driven by accelerated development of the central China economic zone and urbanisation in the region. For the first half of 2014, sales of commodity housing in Henan property market amounted 28,280,000 sq.m., a year-on-year growth of 15.5%, with a total sales amount of RMB128.0 billion, a year-on-year growth of 17.5%.

(II) Project Development

During the reporting period, the Company achieved stable growth in business results thanks to efforts to expand its presence in the core market, step up with product innovation and upgrade and intensify the building of its service segment. During the reporting period, the Company commenced projects with an aggregate GFA of 1,317,269 sq.m. and completed projects with an aggregate GFA of 654,711 sq.m., as it acted in tandem with the economic cycle based on accurate judgement on market conditions in a composed response to changes in the market.

(1) *Development schedule*

During the reporting period, the Company commenced construction of 16 projects/phases with newly commenced GFA of 1,317,269 sq.m., which represented slight adjustments of the plan set out at the beginning of the year, as the Company adjusted the pace of project development mainly in response to market situations.

Geographical breakdown of newly commenced projects for the first half of 2014

Location	Newly commenced GFA (sq.m.)
Zhengzhou	27,327
Other cities in Henan Province	<u>1,289,942</u>
Total	<u>1,317,269</u>

As at 30 June 2014, the Company had 34 projects/phases under development with total GFA of approximately 3,865,169 sq.m., including 3 projects/phases in Zhengzhou City and 31 projects/phases in other cities of Henan Province.

Geographical breakdown of projects under development as at 30 June 2014

Location	GFA under development (sq.m.)
Zhengzhou	397,425
Other cities in Henan Province	<u>3,467,744</u>
Total	<u>3,865,169</u>

During the reporting period, the Company completed 13 projects/phases with total completed GFA of 654,711 sq.m..

City	Development Project	Total GFA completed (sq.m.)	Saleable GFA (sq.m.)	Pre-sold/ sold GFA (sq.m.)
Zhengzhou	Zhengxi U-Town Phase I	48,982	48,982	29,931
Kaifeng	Dongjingmenghua	20,319	5,808	2,845
Luoyang	Sweet-Scented Osmanthus Garden Phase I	52,906	52,906	35,923
Pingdingshan	Sweet-Scented Osmanthus Garden Phase II (Batch II)	51,428	51,428	29,525
Pingdingshan	Baofeng Forest Peninsula Phase I	52,953	52,953	30,407
Anyang	Sweet-Scented Osmanthus Garden Phase I	60,947	59,160	14,476
Shangqiu	Eighteen Cities Phase I	66,889	50,236	45,974
Zhoukou	Forest Peninsula Phases IV & V	15,052	7,487	4,659
Zhumadian	Eighteen Cities Phase I	9,431	7,915	4,713
Nanyang	Forest Peninsula Phase III	42,121	42,121	36,436
Jiyuan	Code One City Phase IV	92,490	92,490	60,651
Jiyuan	U-Town Phase I	28,430	28,430	8,425
Xuchang	Yanling Eco-City Phase 1	112,763	112,763	47,152
		<u>654,711</u>	<u>612,678</u>	<u>351,117</u>

(2) *Sales Schedule*

The aggregate GFA sold/pre-sold by the Group during the reporting period was 967,328 sq.m., with an aggregate amount of RMB6.62 billion received from sale/pre-sale, representing increases of 6.6% and 7.3%, respectively, over the same period last year.

Geographical breakdown of GFA sold/pre-sold for the first half of 2014

Location	Approximate saleable GFA sold (sq.m.)	Approximate total amount (RMB'000)
Zhengzhou	95,022	1,696,314
Other cities in Henan Province	<u>872,306</u>	<u>4,922,877</u>
Total	<u>967,328</u>	<u>6,619,181</u>

(III) Land reserves

During the reporting period, the Group acquired land reserves with a GFA of 2.48 million sq.m. through public land auctions and land reserves with a GFA of 0.2 million sq.m. through equity acquisitions. As at 30 June 2014, the Group had land reserves with a total GFA of 19.62 million sq.m. and obtained the state-owned land use certificates in respect of sites with a total GFA of 15.48 million sq.m..

1. Public Land Auctions

On 3 January 2014, Shangqiu Central China Real Estate Company Limited* (商丘建業住宅建設有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of a land parcel located at the east to Guihua Road, west to Xueyuan Road, south to Yuhong Road and north to Houxun Road in Shangqiu City in a listing for sale process held by Shangqiu City Land and Resources Bureau* (商丘市國土資源局) for transfer of state-owned land use rights. The purchase price for the acquisition was approximately RMB76 million. The land parcel has a site area of 31,491 sq.m. and a mandatory detailed planned plot ratio of 1.0–3.0.

On 8 January 2014, Jiaozuo Central China Real Estate Company Limited* (河南建業置地焦作有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of a land parcel located at the north of Guihua Longyuan Road, south of Taichi Sports Centre, west of Wengjian River and east of Sewage Treatment Plant in Jiaozuo City in a listing for sale process held by Jiaozuo City Land and Resources Bureau* (焦作市國土資源局) for transfer of state-owned land use rights. The purchase price for the acquisition was approximately RMB511 million. The land parcel has a site area of 130,886 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.35.

On 17 January 2014, Puyang Central China Real Estate Company Limited* (濮陽建業住宅建設有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of two land parcels located at the north of Dianchang Road, the south of Zhannan Road, the west of Beiguan Road and the east of Huangbin Village in a listing for sale process held by Puyang County Real Estate Trading Centre* (濮陽縣地產交易中心) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB82 million and RMB103 million, respectively. Land parcel No. 2013-12 has a site area of 54,405 sq.m., a mandatory detailed planned plot ratio of 2.8–3.2 (for commercial and residential use) and a mandatory detailed planned plot ratio of 2.2–2.7 (for residential use); land parcel No. 2013-13 has a site area of 68,807 sq.m. and a mandatory detailed planned plot ratio of 2.8–3.2.

On 21 January 2014, Zhumadian Central China Real Estate Company Limited* (駐馬店建業住宅建設有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of a land parcel located at the southeastern end of the junction of Tongshan Avenue and Jinque Road in Zhumadian City in a listing for sale process held by Zhumadian City Public Resources Trading Centre* (駐馬店市公共資源交易中心) for transfer of state-owned land use rights. The purchase price for the acquisition was RMB99 million. The land parcel has a site area of 49,672 sq.m. and a mandatory detailed planned plot ratio of 2.8–4.5.

On 24 January 2014, Central China Real Estate Group (Lingbao) Company Limited* (建業住宅集團(靈寶)置業有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of a land parcel located at the northeastern end of the junction of Shuangtian Road and Chuangye Road in Lingbao City in a listing for sale process held by Lingbao City Real Estate Trading Centre* (靈寶市地產交易中心) for transfer of state-owned land use rights. The purchase price for the acquisition was approximately RMB39 million. The land parcel has a site area of 29,132 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.5.

On 6 March 2014, Zhengzhou Central China Lvyuan Real Estate Company Limited* (鄭州建業綠源置業有限公司), a 70%-owned subsidiary of the Company, acquired the land use rights of two land parcels located at the south of Lvyuan Road, the north of Lvhuan Road and the east of Tianyi Street in Zhengzhou City in a listing for sale process held by Zhengzhou City Land and Resources Bureau* (鄭州市國土資源局) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB303 million and RMB10 million, respectively. Land parcel No. (2014)24 has a site area of 99,603 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.0; land parcel No. (2014)28 has a site area of 8,534 sq.m., both being street land with ratio of green space of not less than 20%.

On 30 April 2014, Gongyi New Town Real Estate Company Limited* (鞏義新城置業有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of two land parcels located at the west of Zijing Road, the south of Fuxi Road and the north of Xueyuan Road in Gongyi City in a listing for sale process held by Gongyi City Land and Resources Bureau* (鞏義市國土資源局) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB33 million and RMB140 million, respectively. Land parcel No. 2013-41 has a site area of 18,233 sq.m. and a mandatory detailed planned plot ratio of 1.0–4.0; land parcel No. 2013-42 has a site area of 56,643 sq.m. and a mandatory detailed planned plot ratio of 1.0– 3.2.

On 9 May 2014, Xinxiang City Central China City Construction Company Limited* (新鄉市建業城市建設有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of a land parcel located at the south of Pingyuan Avenue, the east of Hengshan Road, the north of Danjiang Road and the west of Jingjiu Road in Pingyuan New District, Xinxiang City in a listing for sale process held by Yuanyang County Land and Resources Bureau* (原陽縣國土資源局) for transfer of state-owned land use rights. The purchase price for the acquisition was RMB55 million. The land parcel has a site area of 45,328 sq.m. and a mandatory detailed planned plot ratio of 1.2–2.0.

On 5 June 2014, Luohe Central China Real Estate Company Limited* (漯河建業住宅建設有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of a land parcel located at the east of Taibaishan Road and the south of Jialingjiang Road in Xicheng District in Luohe City through the online listing trading system for transfer of state-owned land use rights in Luohe City. The purchase price for the acquisition was RMB156 million. The land parcel has a site area of 54,629 sq.m. and a mandatory detailed planned plot ratio of 1.0-2.2.

On 19 June 2014, Huaxian Central China City Development Company Limited* (滑縣建業城市發展有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of five land parcels located at the north of Huazhou Avenue, the south of Dayunsi Road, the west of Songshan Road and the east of Jianye Road in Huaxian County in a listing for sale process held by Huaxian County Public Resources Trading Centre* (滑縣公共資源交易中心) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB34 million, RMB21 million, RMB21 million, RMB33 million and RMB33 million, respectively. Land parcel No. 2014-C6 has a site area of 45,560 sq.m., land parcel No. 2014-C7 has a site area of 28,639 sq.m. and land parcel No. 2014-C8 has a site area of 28,609 sq.m., mandatory detailed planned plot ratio of the three land parcels is 1.5-3.0; land parcel No. 2014-C9 has a site area of 44,563 sq.m. and land parcel No. 2014-C10 has a site area of 44,625 sq.m., mandatory detailed planned plot ratio of the two land parcels is 2.0-3.0.

2. *Equity Acquisitions*

On 19 March 2014, the Company, through Kaifeng Central China Enterprise Management Consultancy Company Limited* (開封市建業企業管理諮詢服務有限公司), a 85%-owned subsidiary of the Company, entered into an investment cooperation agreement with Kaifeng Luda Expressway Development Management Company Limited* (開封市路達高速公路開發管理有限公司) to obtain 51% equity interest in Kaifeng Luda Real Estate Company Limited* (開封市路達置業有限公司) at a consideration of RMB51 million. Kaifeng Luda Real Estate Company Limited* (開封市路達置業有限公司) owns the land use rights of a land parcel with a site area of 66,663 sq.m. and a mandatory detailed planned plot ratio of not more than 2.5.

Land reserves acquired after the reporting period

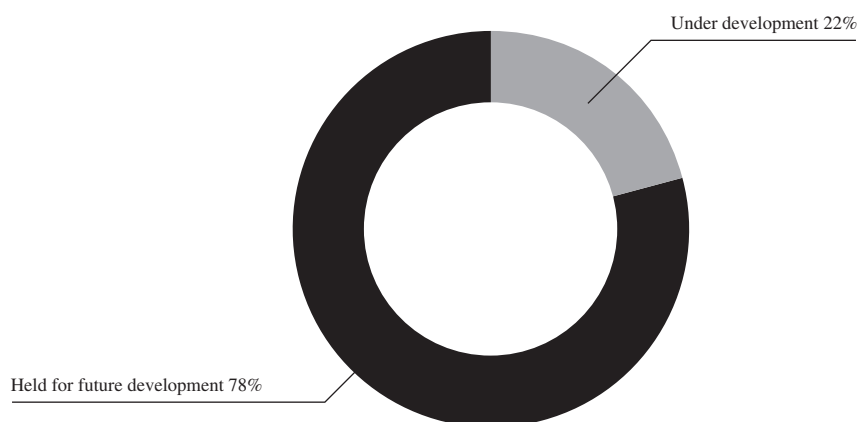
The Group acquired further land reserves after the reporting period but before the date of this announcement through equity acquisitions, details of which are set out as follows:

On 3 July 2014, the Company entered into an investment cooperation agreement with Luoyang Xianglin Real Estate Development Company Limited* (洛陽橡林房地產開發有限公司) to acquire 100% equity interest in Luoyang Xianglin Real Estate Development Company Limited* (洛陽橡林房地產開發有限公司) at a consideration of RMB68 million. Luoyang Xianglin Real Estate Development Company Limited* (洛陽橡林房地產開發有限公司) owns the land use rights of a land parcel with a site area of 14,106 sq.m. and a mandatory detailed planned plot ratio of 3.0-3.6.

3. *Distribution of land reserves*

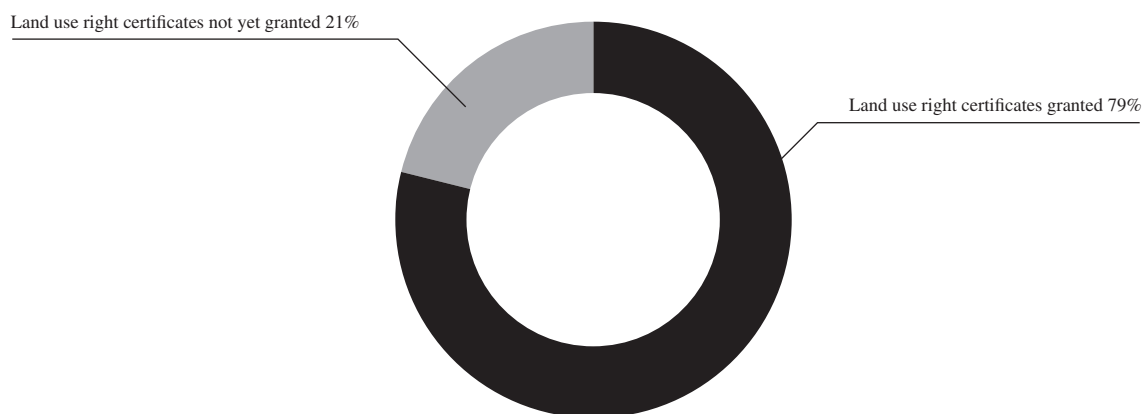
1. Distribution of the Company's land reserves by current development status

Fig: percentage of land under development and land held for future development to the Company's land reserves (as at 30 June 2014)



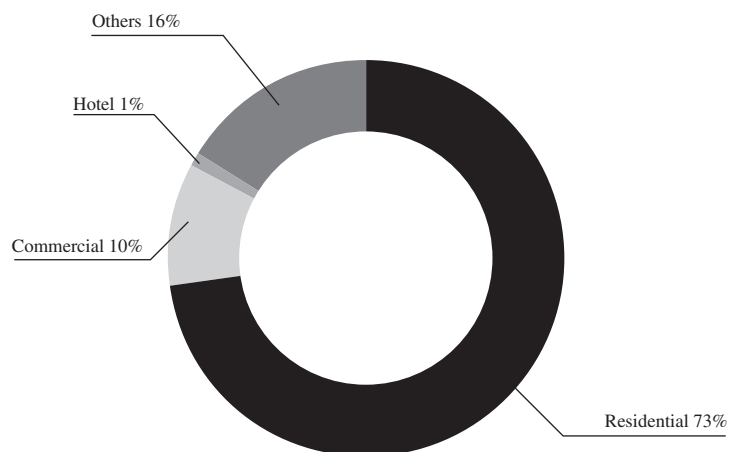
2. Distribution of the Company's land reserves by land use right certificates

Fig: percentage of the Company's land reserves for which land use right certificates had been granted and those had not been granted (as at 30 June 2014)



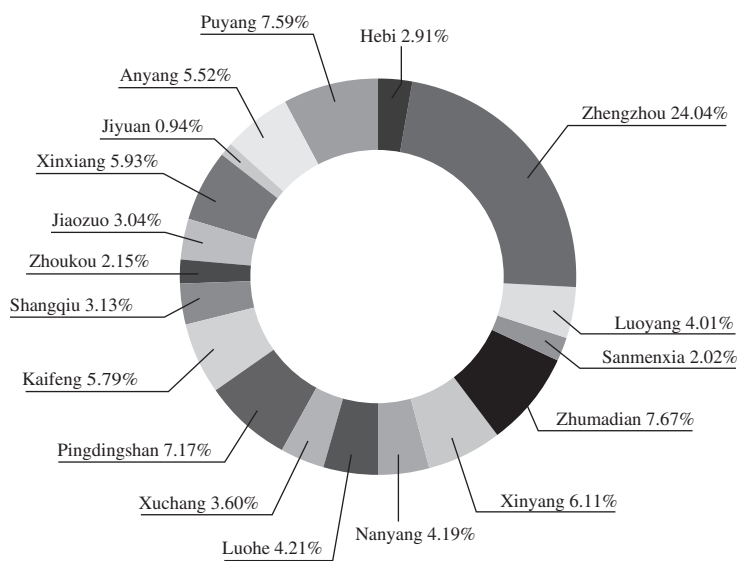
3. Distribution of the Company's land reserves by property types

Fig: Distribution of property types (as at 30 June 2014)



4. Distribution of the Company's land reserves by cities

Fig: Distribution of land reserves by cities (as at 30 June 2014)



(IV) Product Research and Development

Under the general principles of serialisation, standardisation and commercialisation, we ensured the strong competitiveness of our products by continuously fine-tuning our traditional products in the new markets to enhance the quality of our existing product series while offering new products in the traditional markets on an ongoing basis to maintain a vibrant product line. We also maintained sustainable development for our products in the long term in adherence to the green development philosophy. Meanwhile, we continued to drive the process of commercialisation as we closely monitored the latest changes and developments in the industry.

1. Architectural design

During the reporting period, we continued to improve and upgrade the overall quality of our existing product lines by refining our designs and optimising our costs under the control of a standardised management process. In line with our “green, low-carbon and energy-saving” principles in sustainable development, we advocated our green architecture in further regions in the province. We also continued to leverage new building technologies with the introduction of house ventilation systems to all product lines as a solid move to improve home quality for owners.

2. Serialisation, standardisation and commercialisation

With the extensive implementation of serialisation and standardisation, the Company continued to monitor their implementation and the feedback thereof from the market and sought to optimise the positive results of the serialisation and standardisation of existing products during the reporting period. Keeping abreast of market trends and always focusing on the needs of people, we ensured the advanced nature and suitability of our products and showed our care for the owners through attention to details for ongoing perfection of owners’ experience.

We continued to construct new Jianye projects during the reporting period, including fourth-generation products, large-scale urban complex (the series of Jianye Eighteen Cities) and large residential projects in suburban area. Meanwhile, we explored further in our research efforts and completed the research on “New Jianye”, our new product series, to instill new vigor in the Jianye product series. Implementation of the new series has already begun.

We continued to monitor the latest changes and developments in the industry. Following a lengthy period of preliminary investigation and research, the development of the industry chain for residential properties has entered a stage of substantive progress, as we have joined forces with major building construction companies to develop a production base for the industry chain of residential properties.

(V) Customer Service and Customer Relations

In the reporting period, we commenced the “CCRE’s Personal Tailor” project in connection with our core task of building the “mega service regime” in line with our working principle of **reassuring objectives, enhancing implementation, bold innovation and solid implementation**. This project has facilitated interaction and synergy among resources of our various segments such as property, the Supreme, football, education, commerce, hotel, green base and cultural tourism and has effectively enhanced the standard of our fundamental services.

In accordance with the “CCRE’s Personal Tailor” directive drafted by Mr. Wu Po Sum, our Chairman, earlier during the year, the Company started to develop a “Big Database” administrative system with customer information management and financial payment functions based on the Internet-based model for development and the third-party payment functions inherent in the Supreme Card during the reporting period. We intend to build this system into a data management back office for the mega service regime and an information hub that connects the internal and external resources of the mega service regime. Meanwhile, the Company made dedicated efforts to drive in-depth communication with our resource segments such as property, hotel, commercial and football, leveraging the Internet to investigate matching channels between the resource segments and the Supreme Card in order to bring complementary service resources into play within the mega service regime.

While focusing on the development of the mega service regime, the Company also continued to enhance fundamental services in the reporting period, making ongoing improvements to customer service standards and boosting operational and service standards at all segments through evaluation of individual tasks in sales, engineering, property, design and customer service to enhance customers’ experience on all fronts. Special seminars were held in respect of the joint property inspection upon delivery, while inspection standards for commercial properties and properties with fine decoration were formulated with improvements to existing residential property inspection standards, such that delivery of properties was further standardised and refined. Moreover, the Company has broadened its online community service channels, such as the 9617777 website, instant messenger and smart phone apps, on top of its 9617777 service hotline, in order to provide solutions for a privileged and convenient lifestyle that would enhance customer satisfaction.

II. BUSINESS OUTLOOK

(I) Market Outlook

(1) The macro-economic landscape

While prospects of the global economy have improved, the recovery remains feeble and subject to numerous uncertainties. Meanwhile, the Chinese economy has been undergoing three phases all at once: the phase of growth moderation, the phase of inflicting structural corrections and the phase of previous stimulus policies taking effect. Confronted with the new scenario of the Chinese economy, the government has remained composed and conducted proactive micro-stimulus measures such as structural tax concessions, fiscal expansion, increased investment in infrastructure and selective lowering of benchmark rates. The Company expects the Chinese economy will be stable in the second half of 2014.

In recent years, with the full implementation of 3 national strategies relating to the development of the central China economic zone, Zhengzhou Aviation Port Zone and core food production zone and the advancement of new urbanisation in a scientific manner, Henan has been enjoying an increasing drive force for economic growth and stronger competition edge in the regional economy. The Company expects Henan’s economic growth will continue to be higher than the average of China in 2014.

(2) The property market

The government's policy of building a long-term, market-oriented mechanism to regulate the property market with differentiated measures for different regions and property types should be conducive to the stable and healthy development of the market. The Company expects further differentiation among local property markets of different cities in the second half of 2014, with increasingly frequent adjustments in local policies for property market regulation. Under the principle of "two-way control", end-user demand will be encouraged and may provide a break for cities subject to risks relating to the destocking of residential units.

With the implementation of various favourable policies, Henan's competitive edge in terms of geographic location, transportation and population resources will become more evident and the pace of its industrial restructuring and urbanisation will be hastened, providing long-term support for the development of its property market. The Company expects the property market in Henan Province will continue to enjoy stable development in the second half of 2014.

(II) Business Planning

In the second half of 2014, the Company will continue to put quality as top priority and enhance our operational efficiency. In addition, the Company will sharpen competitive edges of its new business by capitalising our existing competitiveness, so as to ensure the achievement of our targeted annual results and lay a concrete foundation for sustainable and healthy development.

(1) Construction plans

In the second half of 2014, the Company expects to commence construction of a total of 20 projects or phases, with a GFA of 2,274,983 sq.m.

Geographical breakdown of commencement of construction in the second half of 2014

Location	Total GFA (sq.m.)	Percentage (%)
Zhengzhou	645,657	28%
Other cities in Henan Province	1,629,326	72%
Total	2,274,983	100%

(2) *Completion plan*

The Group expects to complete 28 projects (phases) with a completed GFA of 1,641,799 sq.m. in the second half of 2014.

Expected Completion in the Second Half of 2014

City	Project or Phase	Expected completed GFA (sq.m.)
Zhengzhou	Zhongmou Grange	14,140
Zhengzhou	Spring Time Phase I	50,973
Zhengzhou	Tianzhu Phase I	18,831
Zhengzhou	Zhengxi U-Town Phase I	50,716
Luoyang	Sweet-Scented Osmanthus Garden Phase I	80,342
Kaifeng	Dongjingmenghua Banmuyuan — Dongyuan	50,942
Kaifeng	Dongjingmenghua Banmuyuan — Xiyuan	11,043
Luohe	Code One City Phase IV	70,527
Nanyang	Forest Peninsula Phase IV	110,306
Xuchang	Forest Peninsula Phase III	100,271
Xuchang	Changge Sweet-Scented Osmanthus Garden Phase I	45,087
Sanmenxia	Code One City Phase II	75,709
Sanmenxia	Lingbao Forest Peninsula Phase I	12,700
Jiaozuo	Forest Peninsula Phase V	30,537
Pingdingshan	Wugang Forest Peninsula Phase II	48,740
Pingdingshan	Sweet-Scented Osmanthus Garden Phase II (Batch II)	56,462
Pingdingshan	Baofeng Forest Peninsula Phase II	53,403
Zhumadian	Eighteen Cities Phase I	45,756
Zhumadian	Eighteen Cities Phase II	71,240
Zhumadian	Xiping Forest Peninsula Phase I	50,710
Zhumadian	Suiping Forest Peninsula Phase II	55,939
Hebi	Sweet-Scented Osmanthus Garden Phase I	116,987
Zhoukou	Huaiyang Sweet-Scented Osmanthus Garden Phase II	60,239
Puyang	Sweet-Scented Osmanthus Garden Phase I	100,898
Jiyuan	U-Town Phase I	78,832
Xinyang	Code One City Phase I	94,468
Xinyang	Pipashan Jianye City Phase I	76,700
Shangqiu	Zhecheng U-Town Phase I	9,299
	Total	1,641,799

III. FINANCIAL ANALYSIS

Turnover: Our turnover increased by 0.7% to approximately RMB3,072 million for the six months ended 30 June 2014 from approximately RMB3,050 million for the same period of 2013, primarily due to the growth in rental income and revenue from hotel operations.

- **Income from sales of properties:** Turnover from property sales slightly decreased to approximately RMB2,965 million for the six months ended 30 June 2014 from approximately RMB3,017 million for the same period of 2013, due to a decrease in sold area from 554,760 sq.m. for the six months ended 30 June 2013 to 490,883 sq.m. for the six months ended 30 June 2014, but average selling price increased to RMB6,040 per sq.m. in the first half of 2014 from approximately RMB5,438 per sq.m. for the same period of 2013. The increase in average selling price was primarily the result of the change of product mix.
- **Rental income:** Turnover from property leasing significantly increased by 374.8% to approximately RMB53 million for the six months ended 30 June 2014 from approximately RMB11 million for the same period of 2013, such increase was due to rental income from shopping malls upon their opening.
- **Revenue from hotel operations:** Turnover from hotel operations increased by 149.5% to approximately RMB54 million for the six months ended 30 June 2014 from approximately RMB22 million for the same period of 2013. The increase was due to the opening of *Le Méridien Zhengzhou* in the second half of 2013.

Cost of sales: Our cost of sales decreased by 7.9% to approximately RMB1,789 million for the six months ended 30 June 2014 from approximately RMB1,942 million for the same period of 2013. The decrease in cost of sales is substantially in line with the 11.5% decrease in sold area in property sales as mentioned above.

Gross profit: As a result of the aforesaid changes in turnover and cost of sales, our gross profit increased by 15.8% to approximately RMB1,283 million for the six months ended 30 June 2014 from approximately RMB1,107 million for the same period of 2013, while our gross profit margin increased from 36.3% for the six months ended 30 June 2013 to 41.8% for the six months ended 30 June 2014.

Other revenue: Other revenue from operations decreased by 41.1% from approximately RMB56 million to approximately RMB33 million for the period, primarily due to a decrease in interest income from advances to related parties and third parties.

Other net (loss)/income: Other net loss of approximately RMB42 million for the period was primarily attributable to the net exchange loss and the unrealised mark-to-market loss incurred by trading securities.

Selling and marketing expenses: Selling and marketing expenses increased by 49.9% from approximately RMB115 million to approximately RMB172 million. The increase was primarily due to increased advertising and promotional expenses associated with our new projects and hotel operations, and the increased salaries, other benefits and commissions paid to our sales and marketing staff.

General and administrative expenses: General and administrative expenses increased from approximately RMB213 million to approximately RMB241 million, an increase of 12.9%, mainly due to an increase in salaries and other benefits paid to our administrative staff as well as depreciation of our hotel assets.

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* (聖安德魯斯高爾夫俱樂部(鄭州)有限公司).

Share of profits less losses of joint ventures: Share of profits less losses of joint ventures decreased by 76.4% to approximately RMB39 million from approximately RMB164 million for the period, primarily due to a decrease in the recognition of revenue of joint ventures. The revenue of the Group's joint ventures amounted to approximately RMB921 million (same period of 2013: RMB1,405 million), representing sales of 121,462 sq.m. (same period of 2013: 170,610 sq.m.) for the period, in which revenue of RMB468 million (same period of 2013: RMB799 million), representing sales of 61,605 sq.m. (same period of 2013: 92,271 sq.m.), was attributable to the Group.

Finance costs: Finance costs decreased by 70.4% to approximately RMB130 million from approximately RMB441 million for the period. Since no loss was incurred in this period from early redemption of senior notes as was the case in the first half of 2013, the financial costs decreased significantly when compared to the same period of 2013.

Income tax: Income tax comprises corporate income tax, land appreciation tax ("LAT") and withholding tax payable on dividend declared by PRC enterprises to non-PRC resident enterprises. Our income tax increased by 13.2% from approximately RMB356 million to approximately RMB403 million for the period. Effective tax rate slightly increased from 47.2% to 49.0% for the period, which is mainly due to an increase in profit margin.

Profit for the period: As a result of the foregoing, our profit for the six months ended 30 June 2014 increased by 5.3% to approximately RMB420 million from approximately RMB399 million for the same period in 2013.

Financial resources and utilisation: As at 30 June 2014, the Group's cash and cash equivalents amounted to RMB6,730 million (31 December 2013: RMB4,813 million). During the reporting period, the Group distributed a dividend of approximately RMB210 million (Same period of 2013: RMB160 million).

Structure of Borrowings and Deposits

We continue to adopt a prudent financial policy and centralise our funding and financial management. Therefore, we are able to continue to maintain a high cash-on-hand ratio and a reasonable level of gearing. During the six months ended 30 June 2014, we successfully issued the senior notes with principal amount of SGD200,000,000 at a coupon rate of 6.5% due 2017 (the “SGD200m Senior Notes”). As at 30 June 2014, the repayment schedule of the Group’s bank and other borrowings was as follows:

Repayment Schedule	As at 30 June 2014 RMB’000	As at 31 December 2013 RMB’000
Bank loans		
Within one year	859,297	538,745
More than one year, but not exceeding two years	776,911	398,500
More than two years, but not exceeding five years	646,468	348,000
Exceeding five years	265,980	231,960
	<u>2,548,656</u>	<u>1,517,205</u>
Other loans		
Within one year	838,180	1,068,180
More than one year, but not exceeding two years	400,000	–
More than two years, but not exceeding five years	500,000	500,000
	<u>1,738,180</u>	<u>1,568,180</u>
Convertible bonds		
Within one year	686,283	641,458
Senior notes		
More than two years, but not exceeding five years	4,248,661	3,243,818
Exceeding five years	1,222,950	1,212,025
	<u>5,471,611</u>	<u>4,455,843</u>
Total borrowings	10,444,730	8,182,686
Deduct:		
Cash and cash equivalents	(6,729,506)	(4,812,575)
Net borrowings	3,715,224	3,370,111
Total equity	6,820,201	6,699,847
Net gearing ratio (%)	54.5%	50.3%

Pledge of assets: As at 30 June 2014, the Group had pledged completed properties, projects under development, properties held for future development, property, plant and equipment and bank deposits with an aggregate carrying amount of approximately RMB5,123 million (31 December 2013: RMB3,955 million) to secure general bank credit facilities and other loans granted to us.

Financial guarantees: As at 30 June 2014, we provided guarantees of approximately RMB7,330 million (31 December 2013: approximately RMB6,531 million) to banks in favour of customers in respect of the mortgage loans provided by the banks to these customers for the purchase of the developed properties of our Group as well as those of our joint ventures. We also provided guarantees to bank loans and other loans of joint ventures amounting to approximately RMB4,772 million as at 30 June 2014 (31 December 2013: approximately RMB2,367 million).

Capital commitment: As at 30 June 2014, we had contractual commitments undertaken by subsidiaries and joint ventures attributable to our Group, the performance of which was underway or ready, in respect of property development amounting to approximately RMB6,099 million (31 December 2013: approximately RMB4,697 million), and we had authorised, but not yet contracted for, a further approximately RMB18,429 million (31 December 2013: approximately RMB19,684 million) in expenditure in respect of property development.

Foreign exchange risk: Our businesses are principally conducted in RMB. The majority of our assets are denominated in RMB. As at 30 June 2014, our major non-RMB assets and liabilities are (i) bank deposits and borrowings and convertible bonds denominated in H.K. dollar and (ii) the senior notes denominated in U.S. dollar and SGD. We are subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB currencies. The majority of our foreign currency transactions and balances are denominated in H.K. dollar, U.S. dollar and SGD.

Interest rate risk: The interest rates for a portion of our loans were floating. Upward fluctuation in interest rates will increase the interest cost of new and existing loans. We currently do not use derivative instruments to hedge its interest rate risks.

IV. ISSUANCE OF SENIOR NOTES

On 15 May 2014, the Company issued the SGD200m Senior Notes due 2017 with principal amount of S\$200,000,000 at a coupon rate of 6.5% per annum for the purposes of refinancing the 2009 Convertible Bonds and for general corporate purposes.

V. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group had 2,126 employees (31 December 2013: 1,951 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. As at the date of this announcement, there was no significant labor dispute which has or may have an adverse impact on our business operations.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company has always valued the superiority, steadiness and rationality of having a sound system of corporate governance and is committed to continuously improve its corporate governance and disclosure practices. For the six months ended 30 June 2014, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code (the “Corporate Governance Code”) in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange with the exception of code provisions A.4.1, A.6.7 and E.1.2 as addressed below.

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 (“Mr. Hu”), a non-executive Director, was not appointed for a specific term. Mr. Hu was nominated by an investor who subscribed for convertible bonds and warrants issued by the Company 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 he did not and will not receive any remuneration as a non-executive Director from the Company. The said investor 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 5% or more of the issued share capital of the Company.

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) are subject to re-election by shareholders of the Company 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 that 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 and Ms. Wu Wallis (alias Li Hua), all being non-executive Directors, and Mr. Xin Luo Lin and Mr. Muk Kin Yau, being independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 16 May 2014 (the “2014 AGM”) as they were out of town for other businesses.

3. Code provision E.1.2 — This code provision requires the Chairman to invite the chairmen of the audit, remuneration and nomination committees to attend the annual general meetings.

Mr. Xin Luo Lin, an independent non-executive Director and the chairman of the remuneration committee of the Company, was unable to attend the 2014 AGM as he was out of town for other business.

In his absence, the other members of the remuneration committee, namely Mr. Wu Po Sum and Mr. Cheung Shek Lun, attended the 2014 AGM and answered questions raised at the meeting.

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 the Directors in their dealings in the Company’s securities. Having made specific enquires with each Director, the Company confirmed that the Directors had complied with the required standard as set out in the Model Code for the six months ended 30 June 2014.

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

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

CHANGES SINCE 31 DECEMBER 2013

There were no other significant changes in the Group’s financial position or from the information disclosed under Management Discussion and Analysis in the annual report of the Company for the year ended 31 December 2013.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee of the Company 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 2014.

INTERIM DIVIDEND

The Board resolved not to recommend an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: HK5.2 cents (equivalent to RMB4.1 cents) per share).

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

This 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 interim report for the six months ended 30 June 2014 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, 19 August 2014

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. Muk Kin Yau and Mr. Xin Luo Lin are independent non-executive Directors.

* *For identification purposes only*