花样年

FANTASIA

Fantasia Holdings Group Co., Limited
花樣年控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01777)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS

– The Group's contracted sales for the Period increased by approximately 18.9% to approximately RMB4,811 million from approximately RMB4,047 million for the corresponding period in 2015.

– The Group's revenue for the Period was approximately RMB5,362 million, which increased by 47.7% from approximately RMB3,630 million for the corresponding period in 2015.

– The Group's gross profit margin for the Period maintained at a relatively high level of 27.6%.

– The Group's profit for the Period was approximately RMB331 million (the corresponding period in 2015: RMB279 million).

– The Group's net gearing ratio (being aggregated borrowings and senior notes net of bank balances and cash and restricted cash over the total equity) as at 30 June 2016 was 78.1%, which increased by 2.5% from 75.6% as at 31 December 2015.

– In January 2016, a wholly-owned subsidiary of the Company incorporated in the People's Republic of China issued the domestic corporate bonds in the amount of RMB1.1 billion at an interest rate of 7.29% due 2020, to optimize the overall maturity profile of debts.

– In April 2016, the Company issued senior notes in the amount of RMB600 million at an interest rate of 9.50% due 2019, to optimize the overall maturity profile of debts.

– Basic earnings per share was RMB4.62 cents (the corresponding period in 2015: RMB3.61 cents).

The board (the "**Board**") of directors (the "**Directors**") of Fantasia Holdings Group Co., Limited (hereinafter referred to as "**Fantasia**" or the "**Company**") announces the unaudited financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016 (the "**Period**") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
	NOTES	**2016**	2015
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**5,362,145**	3,629,667
Cost of sales and services		**(3,882,193)**	(2,469,368)
Gross profit		**1,479,952**	1,160,299
Other income, gains and losses		**(172,771)**	3,901
Change in fair value of investment properties		**(10,767)**	175,115
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		**343,024**	–
Selling and distribution expenses		**(121,776)**	(122,962)
Administrative expenses		**(470,120)**	(371,457)
Finance costs		**(331,046)**	(160,094)
Share of results of associates		**(58)**	165
Share of results of joint ventures		**580**	(3,491)
Gain on disposal of subsidiaries		**177,785**	1,590
Profit before tax		**894,803**	683,066
Income tax expense	*4*	**(564,210)**	(403,957)
Profit and total comprehensive income for the period	*5*	**330,593**	279,109
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**265,984**	207,640
An owner of perpetual capital instrument		**37,550**	31,850
Other non-controlling interests		**27,059**	39,619
		330,593	279,109
Earnings per share (RMB cents)			
– Basic	*7*	**4.62**	3.61
– Diluted	*7*	**4.62**	3.59

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	NOTES	**30 June 2016** ***RMB'000*** **(unaudited)**	31 December 2015 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,032,269**	1,766,869
Investment properties		**7,166,153**	6,884,931
Interests in associates		**676,436**	6,789
Interests in joint ventures		**410,624**	410,044
Goodwill		**806,361**	733,549
Intangible assets		**236,864**	204,474
Prepaid lease payments		**528,158**	868,698
Premium on prepaid lease payments		**1,373,480**	172,169
Other receivables		**352,834**	376,841
Deposits paid for acquisition of subsidiaries		**266,628**	231,329
Deposit paid for acquisition of a property project		**158,933**	140,946
Deposit paid for acquisition of land use rights		**1,086,077**	1,050,077
Deferred tax assets		**598,769**	462,161
		15,693,586	13,303,877
CURRENT ASSETS			
Inventories		**64,984**	–
Properties for sale		**20,648,383**	21,801,648
Prepaid lease payments		**14,585**	34,274
Premium on prepaid lease payments		**20,011**	3,678
Trade and other receivables	*8*	**3,603,974**	4,604,047
Amounts due from customers for contract works		**34,769**	88,937
Tax recoverable		**127,894**	107,594
Amount due from a joint venture		**304,142**	180,258
Amounts due from non-controlling shareholders of the subsidiaries of the Company		**75,407**	–
Amount due from related parties		**201,740**	184,782
Financial assets designated at fair value through profit or loss		**101,162**	19,200
Restricted/pledged bank deposits		**1,382,075**	1,336,482
Bank balances and cash		**4,077,869**	2,881,511
		30,656,995	31,242,411

	NOTES	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	9	**7,145,163**	6,626,928
Deposits received for sale of properties		**3,922,367**	5,555,880
Amounts due to customers for contract works		**21,639**	17,141
Amount due to a non-controlling shareholder of the subsidiaries of the Company		**343,324**	390,199
Amounts due to joint ventures and associates		**1,887,310**	1,033,916
Tax liabilities		**3,970,801**	3,626,109
Borrowings – due within one year		**1,129,886**	1,407,598
Obligations under finance leases		**31,739**	22,101
Senior notes and bonds		**–**	1,004,105
Defined benefit obligation		**5,412**	–
Provision		**14,873**	–
		18,472,514	19,683,977
NET CURRENT ASSETS		**12,184,481**	11,558,434
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,878,067**	24,867,311
NON-CURRENT LIABILITIES			
Amount due to a non-controlling shareholder		**–**	329,721
Deferred tax liabilities		**1,332,683**	1,071,358
Borrowings – due after one year		**2,862,889**	2,556,814
Obligations under finance leases		**287,298**	104,979
Derivative financial instruments		**91,946**	22,673
Senior notes and bonds		**10,980,228**	8,508,474
Defined benefit obligation		**97,401**	–
Provision		**39,247**	33,255
		15,691,692	12,627,274
		12,186,375	12,240,037
CAPITAL AND RESERVES			
Share capital		**497,845**	497,797
Reserves		**9,937,787**	9,910,694
Equity attributable to owners of the Company		**10,435,632**	10,408,491
Perpetual capital instrument		**–**	710,500
Other non-controlling interests		**1,750,743**	1,121,046
Total non-controlling interest		**1,750,743**	1,831,546
		12,186,375	12,240,037

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) ("Interim Financial Reporting") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost convention, except for the investment properties and certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied for the first time, the following new and revised interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The application of the above new and revised amendments to HKFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

Six months ended 30 June 2016

	Property development *RMB'000*	Property investment *RMB'000*	Property agency services *RMB'000*	Properties operation services *RMB'000*	Hotel operations *RMB'000*	Others *RMB'000*	Reportable segment total *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
SEGMENT REVENUE (UNAUDITED)									
External sales	4,334,900	93,711	6,035	688,996	40,250	198,253	5,362,145	–	5,362,145
Inter-segment sales	56,313	–	–	51,898	–	–	108,211	(108,211)	–
Total	4,391,213	93,711	6,035	740,894	40,250	198,253	5,470,356	(108,211)	5,362,145
Segment profit (loss)	1,139,112	30,698	5,504	203,532	(5,258)	(6,066)	1,367,522	–	1,367,522

Six months ended 30 June 2015

	Property development *RMB'000*	Property investment *RMB'000*	Property agency services *RMB'000*	Properties operation services *RMB'000*	Hotel operations *RMB'000*	Others *RMB'000*	Reportable segment total *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
SEGMENT REVENUE (UNAUDITED)									
External sales	3,116,395	96,784	8,623	333,251	74,614	–	3,629,667	–	3,629,667
Inter-segment sales	53,289	–	–	23,113	–	–	76,402	(76,402)	–
Total	3,169,684	96,784	8,623	356,364	76,614	–	3,706,069	(76,402)	3,629,667
Segment profit (loss)	645,843	155,033	8,472	143,073	(7,480)	–	944,941	–	944,941

Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of central administration costs and directors' salaries, interest income, exchange gain (loss), share of results of associates and joint ventures, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Reconciliation:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Segment profit	**1,367,522**	944,941
Finance costs	**(331,046)**	(160,094)
Share of results of joint ventures	**580**	(3,491)
Share of results of associates	**(58)**	165
Gain on disposal of subsidiaries	**177,785**	1,590
Unallocated income, gains and losses	**(172,771)**	24,498
Unallocated corporate expenses	**(147,209)**	(124,543)
Profit before tax	**894,803**	683,066

The following is an analysis of the Group's assets by reportable and operating segments:

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
Property development	**27,015,312**	28,569,770
Property investment	**7,237,048**	6,985,732
Property agency services	**19,932**	14,890
Property operation services	**2,288,677**	1,827,971
Hotel operations	**1,084,687**	1,252,412
Other	**669,109**	285,500
Total segment assets	**38,314,765**	38,936,275
Total unallocated assets	**8,035,816**	5,615,013
Group's total assets	**46,350,581**	44,551,288

For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint ventures, goodwill, financial assets designated as at FVTPL, amount due from related parties, non-controlling shareholders and a joint venture, restricted/pledged bank deposits, bank balances and cash and other corporate assets.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 *RMB'000* **(unaudited)**	2015 *RMB'000* (unaudited)
Current tax in the People's Republic of China (the "PRC")		
Enterprise Income Tax ("EIT")	**286,313**	217,843
Land Appreciation Tax ("LAT")	**297,455**	73,223
	583,768	291,066
Deferred tax:		
Current period	**(19,558)**	112,891
	564,210	403,957

5. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit and total comprehensive income for the period has been arrived at after charging:		
Net exchange (gain) loss	**196,788**	(27,024)
Interest income	**(14,879)**	(18,739)
Release of prepaid lease payments	**7,132**	13,633
Release of premium on prepaid lease payments	**1,840**	1,839
Depreciation of property, plant and equipment	**95,799**	78,092
Amortisation of intangible assets	**9,854**	3,598
Allowance for doubtful debts on trade and other receivables	**16,001**	44,188
Staff costs (included in administrative expenses)	**531,895**	237,763

6. DIVIDENDS

During the current interim period, a final dividend of HK5.00 cents per share in respect of the year ended 31 December 2015 (2015: HK5.39 cents) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current period amounted to RMB246,220,000 (2015: RMB245,012,000).

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2016.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	**265,984**	207,640
Effect of dilutive potential ordinary shares:		
Share options — Colour Life	**–**	(98)
Earnings for the purpose of diluted earnings per share	**265,984**	207,542
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**5,761,519,682**	5,757,887,526
Effect of dilutive potential ordinary shares:		
Share options	**–**	24,585,063
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,761,519,682**	5,782,472,589

8. TRADE AND OTHER RECEIVABLES

Trade receivables are mainly arisen from sales of properties, rental income derived from investment properties, agency fee income in respect of property rentals, service and management income in respect of property management.

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
Trade receivables	**1,741,680**	1,317,151
Other receivables	**291,093**	362,730
Prepayments and other deposits	**270,302**	186,946
Prepayments to suppliers	**190,207**	165,829
Prepayments for construction works	**617,860**	1,029,565
Consideration receivable on disposal subsidiaries	**–**	761,000
Amount due from Pixian Government *(note a)*	**–**	135,989
Amount due from Chengdu Government *(note b)*	**184,359**	419,274
Other tax prepayments	**308,473**	225,563
	3,603,974	4,604,047

Notes:

(a) As 31 December 2015, the balance represented the investment income from a joint development of Wangcong Ancient Sichuan Culture Park located in Pixian Country, Chengdu, Sichuan Province with Pixian Government, which was fully settled by 30 June 2016.

(b) As at 30 June 2016, the balance represents the amount due from the People's Government of Chengdu ("Chengdu Government") in relation to the land development project of the Wu Gui Qiao Town located in Jin Jiang Area, Chengdu, Sichuan Province, which is required to be settled on or before 31 December 2016.

The following is an aging analysis of trade receivables of the Group net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
0 to 30 days	**663,469**	865,758
31 to 90 days	**322,840**	126,749
91 days to 180 days	**437,862**	118,624
181 to 365 days	**194,646**	105,263
Over 1 year	**122,863**	100,757
	1,741,680	1,317,151

9. TRADE AND OTHER PAYABLES

The following is an aging analysis of the Group's trade payables and retention payable presented based on the invoice date at the end of the reporting period:

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
0 to 60 days	**2,415,072**	2,012,493
61 to 180 days	**1,274,126**	771,978
181 days to 365 days	**993,607**	1,088,540
1 to 2 years	**402,069**	575,877
2 to 3 years	**44,595**	85,096
Over 3 years	**18,633**	4,005
	5,148,102	4,537,989

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

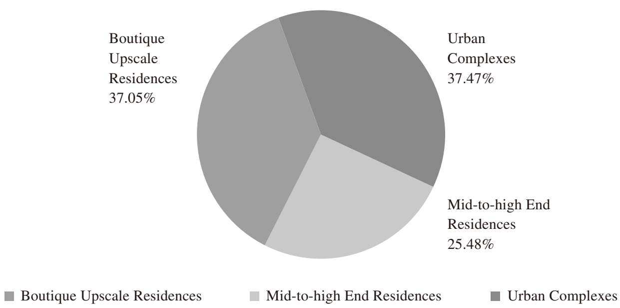
Property Development:

In the first half of 2016, the property development market picked up the market recovery started in 2015. The pace of recovery in first-tier cities and core second-tier cities was more prominent where properties being sold at extremely high price were frequently observed while the property prices and turnover rose rapidly. On the other hand, the property market in most third and fourth-tier cities had a sluggish performance. In relation to policies, regulations were tightened on restricting the number of purchases and the availability of credit in first-tier and some second-tier cities with overheated market, while policies on inventory reduction were still maintained in the remaining second-tier, third-tier and fourth-tier cities. Further, policies were promulgated to target at properties with high inventory level such as commercial offices and apartments in order to bring down the inventory level.

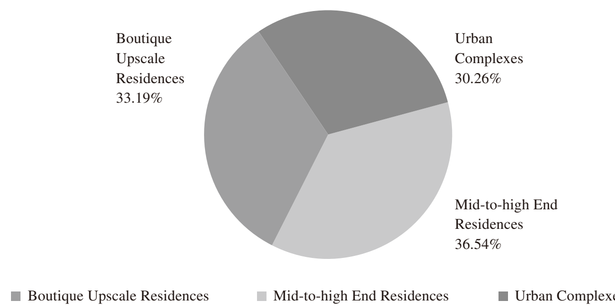
During the Period, the Group firmly grasped the opportunities and adopted positive and decisive sales polices to reduce the inventories under the Group's current inventory structure amid the challenges it faced. Quality projects in first-tier and core second tier-cities were fully launched taking advantage of the favourable market environment and the sales price for the projects was gradually raised. For districts with slower market response and slow selling projects, the Group used extra efforts to reduce the inventory level to achieve a breakthrough in terms of sales. With the Group's proactive efforts, the Group has achieved higher year-on-year contracted sales such that stable and sufficient cash flow was ensured.

During the Period, the Group recorded contracted sales of RMB4,810.75 million and contracted sales area of 448,271 square meters ("sq.m."). RMB1,782.26 million of the total contracted sales was derived from boutique upscale residences, representing 37.05% of the Group's total contracted sales, and RMB1,225.92 million was derived from mid-to-high end residences, representing 25.48% of the Group's total contracted sales.

The proportion of revenue from contracted sales attributable to different categories of products



The proportion of contracted sales area attributable to different categories of products

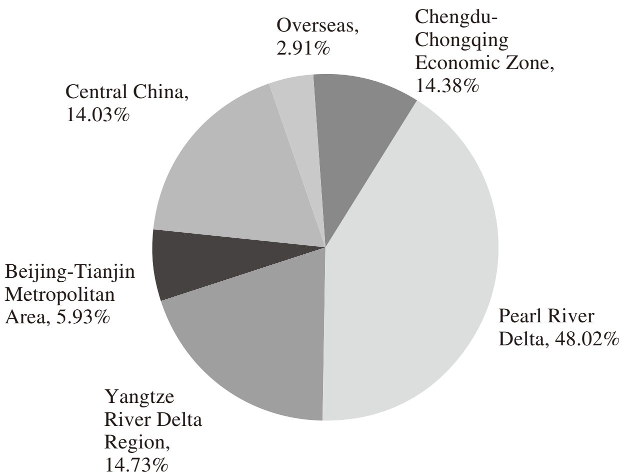


The proportion of contracted sales amount and contracted sales area attributable to different categories of products for the first half of 2016

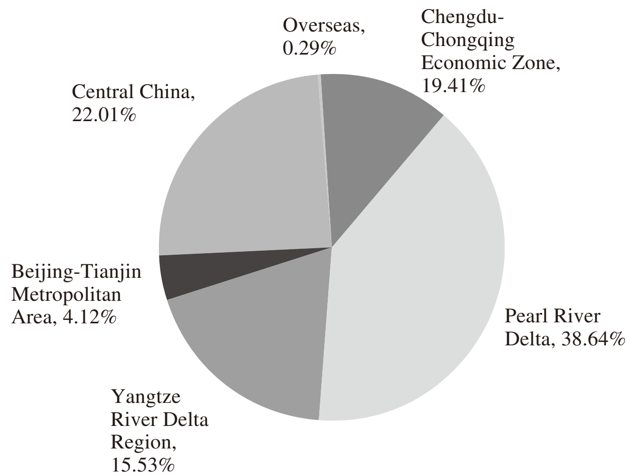
	Contracted sales amount		Sale area	
	(RMB million)	%	*(sq.m.)*	%
Urban complexes	1,802.57	37.47	135,668	30.27
Mid-to-high end residences	1,225.92	25.48	163,811	36.54
Boutique upscale residences	1,782.26	37.05	148,792	33.19
Total	**4,810.75**	**100**	**448,271**	**100**

During the Period, the contracted sales contribution of the Group's real estate business were mainly derived from 13 cities, including Wuhan, Huizhou, Suzhou, Shenzhen and Chengdu, and 34 projects, including Huizhou Kangchengsiji, Wuhan Fantasia Town, Suzhou Hailrun, Guilin Lakeside Eden and Tianjin Meinian. Compared to the year of 2015, the Group has made Shenzhen, Shanghai, Wuhan and Chengdu its strategic centers to actively expand its market presence in Southern China, Eastern China, Central China and Southwestern districts respectively to boost its sales. Currently, the growth in the first-tier and core second-tier cities are more prominent, in particular, significant growth in projects in Shenzhen was observed. We have rapidly expanded into light assets operation business in Wuhan leveraging on our own brand reputation and market recognition, while significant growth in contracted sales in projects in Shanghai and Chengdu was also achieved. Due to the Group's business distribution and development, the business growth in first-tier cities and core second-tier cities was stable and diversified.

The geographical distribution of revenue under contracted sales in six major regions in the first half of 2016



The geographical distribution of sold area under contracted sales in six major regions in the first half of 2016



The breakdown of the Group's contracted sales in the six major regions in the first half of 2016

	Amount		Area	
	(RMB million)	*%*	*(sq.m.)*	*%*
Chengdu-Chongqing Economic Zone	691.64	14.38	87,030	19.41
Pearl River Delta	2,310.23	48.02	173,206	38.64
Yangtze River Delta Region	708.57	14.73	69,609	15.53
Beijing-Tianjin Metropolitan Area	285.35	5.93	18,487	4.12
Central China	674.96	14.03	98,655	22.01
Overseas	140.00	2.91	1,284	0.29
Total	**4,810.75**	**100**	**448,271**	**100**

Chengdu-Chongqing Economic Zone

The Chengdu-Chongqing Economic Zone is one of the most important drivers for economic growth in China. Driven by its rapid industrial development and strong market demand, Chengdu-Chongqing has been a key strategic city of the Group with higher value of products and extensive product range. Our efforts during the Period mainly focused on reducing inventories, enhancing the integration and innovation of the Group's existing commercial, offices and apartment projects in order to achieve comprehensive growth. Meanwhile, in order to promote business growth in the Chengdu-Chongqing Economic Zone, the Group will strive to undertake more projects to achieve better results and to lay a strong foundation for a sustainable development.

During the Period, the Group recorded contracted sales area of approximately 87,030 sq.m. in the Chengdu – Chongqing Economic Zone and contracted sales of approximately RMB691.64 million, representing approximately 19.41% and 14.38% of the total contracted sales area and total contracted sales of properties of the Group during the Period, respectively.

As at 30 June 2016, the Group had six projects or phases of projects under construction in the Chengdu-Chongqing Economic Zone, with a total planned gross floor area of approximately 916,410 sq.m. and a saleable area of approximately 694,731 sq.m.. Excluding projects under construction, the Group also had three projects or phases of projects to be developed in the Chengdu – Chongqing Economic Zone, with a total planned gross floor area of approximately 1,164,282 sq.m..

Pearl River Delta Region

The Pearl River Delta Region has always been the area which forms part of the Group's strategic transformation. In seeking further business opportunities and land bank, the Group has put Shenzhen as its center in the Pearl River Delta Region and actively expanded into Guangzhou and other key economic cities in the vicinity. During the Period, business in Shenzhen and its surrounding areas achieved significant breakthrough, the development of key projects, such as Lung Kei Sea, Huizhou Kangchengsiji and Guilin Lakeside Eden, was smooth and the momentum of growth was strong. Progress in projects development and land bank acquisition in each city was achieved, while the development of light assets projects was smooth.

During the Period, the Group recorded contracted sales area in the Pearl River Delta Region of approximately 173,206 sq.m. and contracted sales amount of approximately RMB2,310.23 million, representing approximately 38.64% and 48.02% of the total contracted sales area and total contracted sales amount of properties of the Group during the Period, respectively.

As at 30 June 2016, the Group had 8 projects or phases of projects under construction in the Pearl River Delta Region, with a total planned GFA of approximately 886,935 sq.m. and an estimated saleable area of approximately 645,090 sq.m.. The Group also had four projects or phases of projects to be developed in the Pearl River Delta Region, with a total planned gross floor area of approximately 640,109 sq.m..

Beijing-Tianjin Metropolitan Area

The Beijing-Tianjin Metropolitan Area, which is the core of the Capital Economic Circle, enjoys a prominent strategic position. During the Period, as the real estate market in Beijing and Tianjin picked up, the Group grasped the opportunity to comprehensively promote Tianjin Meinian project and achieved positive results. The Group established good reputation through demonstrating project image and enhanced its recognition in the regional market. Moreover, the development of other projects in the region achieved certain progress and laid a strong foundation for the Group's further development in the region in the future.

During the Period, the Group recorded contracted sales area of approximately 18,487 sq.m. and contracted sales amount of approximately RMB285.35 million in the Beijing-Tianjin Metropolitan Area, representing approximately 4.12% and 5.93% of the total contracted sales area and total contracted sales amount of properties of the Group during the Period, respectively.

As at 30 June 2016, the Group had four projects or phases of projects under construction in the Beijing-Tianjin Metropolitan Area, with a total planned gross floor area of approximately 164,297 sq.m. and an estimated saleable area of approximately 124,816 sq.m.. The Group also had four projects or phases of projects to be developed in the Beijing-Tianjin Metropolitan Area, with a total planned gross floor area of approximately 749,968 sq.m..

Yangtze River Delta Region

Yangtze River Delta Region is a region which enjoys the strongest integrative strength and the most-balanced development in China. Thus, cities in the region have become important focuses of growth of China's real estate industry. During the Period, the real estate market in Yangtze River Delta Region escalated, and extremely high-priced areas emerged. The Group actively promoted the reduction of real estate inventories in Shanghai, Suzhou, Nanjing and Wuxi, and took active steps to enhance sales price and sales volume through grasping the opportunities and market momentum during the Period in order to generate more profit.

During the Period, the Group recorded contracted sales area of 69,609 sq.m. and contracted sales amount of approximately RMB708.57 million in the Yangtze River Delta Region, representing approximately 15.53% and 14.73% of the total contracted sales area and total contracted sales amount of properties of the Group during the Period, respectively.

As at 30 June 2016, the Group had four projects or phases of projects under construction in the Yangtze River Delta Region, with a total planned gross floor area of approximately 590,645 sq.m. and an estimated saleable area of approximately 339,848 sq.m.. The Group also had two projects or phases of projects to be developed in the Yangtze River Delta Region, with a total planned gross floor area of approximately 112,904 sq.m..

Central China

The economic development of Central China, one of the regions in China that has high economic growth potential, was promising and its growth was stable during the Period. Developing Central China is of strategic significance to the Group. During the Period, the property market in Wuhan gradually recovered while inventories reduction speeded up with progressive increase in property price. The Group grasped market opportunities to boost sales for its projects, and generated quick sales for demanded categories and apartments and thus achieved well beyond its targeted half-year results. Leveraging on the Group's presence and reputation in Wuhan, our companies in Wuhan progressively promoted entrusted construction and light assets business in order to rapidly enhance our market presence, expand our market share and upgrade our teamwork and thus in turn boosted the significant growth of the Group's business in Central China.

During the Period, the Group recorded contracted sales area of 98,655 sq.m. and contracted sales amount of approximately RMB674.96 million in Central China, representing approximately 22.01% and 14.03% of the total contracted sales area and total contracted sales of properties of the Group during the Period, respectively.

As at 30 June 2016, the Group had two projects or phases of projects under construction in Wuhan, with a total planned gross floor area of approximately 255,318 sq.m. and an estimated saleable area of approximately 220,805 sq.m..

Overseas

Singapore is one of the foreign exchange centres and one of the most important financial, service and shipping centres in Asia. As the first stop for the Group to enter into the overseas real estate market, Singapore has strategic importance to the international development of the Group. During the Period, Singapore Love forever project obtained good market reputation, gained public recognition and achieved comprehensive growth in its results due to its capability to innovate and upgrade its products.

During the Period, the Group recorded contracted sales area of 1,284 sq.m. and contracted sales amount of approximately RMB140.00 million in the overseas market, representing approximately 0.29% and 2.91% of the total contracted sales area and total contracted sales of properties of the Group during the Period, respectively.

As at 30 June 2016, the Group had one overseas project under development, with a total planned gross floor area of approximately 22,904 sq.m. and an estimated saleable area of approximately 11,551 sq.m..

Colour Life:

During the Period, the community services business of the Group maintained rapid growth. Colour Life Services Group Co., Limited ("**Colour Life**"), a subsidiary of the Group, continued to expand its management areas through discretionary trust managements and acquisitions. As at 30 June 2016, Colour Life had contracted management area of 360.1 million sq.m. and contracted to manage 2,236 projects. Currently, projects managed by Colour Life cover a total of 181 cities, including provincial capitals, such as Beijing, Tianjin, Shenyang, Harbin, Changchun, Shanghai, Hangzhou, Nanjing, Xi'an, Yinchuan, Taiyuan, Guiyang, Changsha, Wuhan, Zhengzhou, Guangzhou, Nanchang, Chengdu, Nanning, Haikou and Chongqing, and cities in the Yangtze River Delta, such as Suzhou, Wuxi and Yangzhou, as well as cities in the Pearl River Delta, such as Foshan, Zhuhai, Zhongshan, Huizhou and Zhanjiang, initially forming a regional layout covering regions such as Eastern China, Southern China, Northwest China, Southwest China, Northeast China, Northern China, Central China as well as in Singapore and Hong Kong. Currently, Colour Life is a large-scale property service group, comprising 18 corporations awarded the certificate of National Class 1 Aptitude on Property Management and 38 corporations awarded the certificate of National Class 2 Aptitude on Property Management.

While the business scale was expanding rapidly, the brand influence of the community services of Colour Life has further strengthened as well. In June 2016, the China Index Academy awarded Colour Life the name of "The World's Largest Residential Properties Community Services Area 2015" (2015 居住物業社區服務面積全球最大). Meanwhile, according to the 2016 China Top 100 Property Service Companies report published by the China Index Academy, among the ten leaders in the category of top 100 property service enterprises with highest satisfaction, Colour Life ranked the sixth. This is clear evidence that, while maintaining the rapid growth in operations, Colour Life also succeeded in improving customer satisfaction, thereby laying a solid foundation for the future roll-out of value-added services.

In order to further enhance the efficiency of property management services and provide better experience for residents, Colour Life regularly implemented Internet technology based modifications and operation to the projects that it managed. In 2015, Colour Life has further completed the upgrade of its management programme to 3.0 version, and has primarily achieved professionalization and commercialization in organization, and created a highly efficient and professional community service system with the ICE system supported by the synergy of operating center. Meanwhile, the design and study of the entry points and the setting was comprehensively improved by the 3.0 version, allowing better access to the Caizhiyun application ("**APP**") by clients and this in turn has successfully increased the reliance by clients, and developed a community online ecosystem through various aspects such as user demand and efficient support. During the Period, the Group has completed hardware upgrade and transformation for 223 communities.

During the Period, the online platform of Colour Life also achieved significant development. Through basic functions that are frequently used, such as property management fees payment and complaints handling and "Scan to Access the Community Gate" (掃一掃開社區大門), interaction and communication between residents in the community and Colour Life was strengthened. Thus, the reliance of residents on the Caizhiyun APP increased, and this boosted Colour Life's capability in exploring and constructing entry points in communities, thereby facilitating the seamless integration between its online and offline businesses. As of 30 June 2016, registered users of Caizhiyun APP increased to 2,150 thousand, of which 1,133 thousand were active users, the activity level represented 52.7% of the total activity by all users. Moreover, the business operation activities of the third-party vertical application platform, which Colour Life operated jointly with, also increased rapidly. As of 30 June 2016, the order per day of E-Repair exceeded 8,000, in which over 95% were attributed to property owner families, while the accumulated investment amount of E-Wealth Management amounted to RMB656.6 million, and the accumulated investment amount of "Colour Wealth Life Value-added Plan", which offsets the property management fee, amounted to RMB603.1 million. Such outstanding operating statistics showed that the construction of Colour Life ecosphere was gradually taking shape.

On the other hand, Colour Life has officially launched the Colour Life Property sales mode on 30 June 2015, and promoted Colour Life Property nationally as the strategic product for future development. Colour Life Property can assist property developers to speed up sales and also lower the entry price for flat purchasers. As the core designer for Colour Life Property, Colour Life could speed up the growth of the service area through such mode of operation and efficiently organize various demands of future community residents, and such an initiative could significantly increase the online activity and reliance by residents.

Home E&E:

Shenzhen Home E&E Commercial Services Group Co., Ltd. (深圳市美易家商務服務集團股份有限公司) ("**Home E&E Group**"), as one of the two integral parts under the Group, was established in October 2010 with a registered capital of RMB30.15 million. The company is an integrated property solution service provider, which mainly provides property management and property operating services for urban complexes, office spaces and resort properties. It also provides assets custodian services and other value-added services for all property owners and property users in its course of continuously expanding its assets operating services business.

In respect of operation, during the Period, the area newly put under management by Home E&E Group amounted to 4.7 million sq.m., increased by 261% as compared to the corresponding period, while the new projects under its management covered 26 cities in China. Obtaining quality property management projects and promoting the rapid growth in income and profit of property management business has been the cornerstone of the company's assets operating business. On 18 June 2016, Home E&E Group successfully achieved a new milestone of listing in the National Equities Exchange and Quotations in the PRC ("**NEEQ**"), and this distinguished itself from almost 20 real estate enterprises listed in NEEQ.

In respect of property management, Home E&E Group established Meizhinian Asset Management Company (美之年資產運營管理公司). Through creating the "Quality renting property" platform and leveraging on its Internet Plus Finance, Home E&E Group provided one-stop asset management services for developers, investors and tenants. In terms of operation and management mechanism, the Company offered different incentive mechanisms to different levels of employees to nurture their entrepreneurship and exploit the value of basic-rank employees so as to further enhance the Company's value.

In the second half of 2016, with its high-end quality service and the strategy of financial leveraging, Home E&E Group will continue to deploy its capital to acquire small and medium property enterprises, and implement the new business model to further improve the project layout throughout China, so as to promote greater growth in management scale and efficiency. Through property management and new business, the Company has applied in practice internet technology into property management activities, and promoted the development of property management in a more professional, smart and automatic direction, this makes the management costs lower and client's experience optimize, while higher standard of services would be available to clients. All of such initiatives make Home E&E Group develop into China's leading commercial community services provider.

Financial Group:

Community finance is an important driving force and core business sector in the Group's "Community Plus" strategy. Qian Sheng Hua (錢生花), the online financial platform of the Group that was launched in 2013, supported Colour Life, the largest community service provider, to continuously expand new business channels and product model. During the Period, Qian Sheng Hua financed over RMB900 million with 0.37 million newly registered users. The Group continuously improved the channel of Colourful and Wealthy Life and promoted the unlimited succession of product launching for Colourful and Wealthy Life. In June 2016, the platform launched "zero dollars purchase" (零元購), a wealth management model, which will focus on developing new zero dollars purchase mode in the second half of the year. Qian Sheng Hua will continue to thrive to provide "sophisticated community finance service". Hehua Yidai (合花易貸) was established in 2015, provided simple and speedy personal credit loans services for users through the internet and mobile internet, and currently covered major marketing channels. With a goal to become the largest community finance borrowing service platform in China, Hehua Yidai (合花易貸) will conduct credit assessment and credit granting through analyzing and compiling the data of owners based on the information of community owners, and launch an independent brand, Huayijie (花易借) exclusive for owners.

Zhong An Xin (中安信), an insurance broker, is currently in strategic cooperation with major insurance companies in China. The Group will, centered on the "community insurance" model, develop "Community Plus Insurance" Product, which combine the requirements of community users to mainly promote products and services such as motor insurance, overseas wealth management product, property insurance through online and offline basis. The Group continuously improved its "Community operating services ecosystem" of Fantasia through innovative products, services and pattern, and continuously optimized and enhanced users experience and devoted itself to become a client's first choice of integrated community insurance service provider.

Hehenian Microcredit (合和年小貸), placed stable operation as its development approach. In 2016, as the development trend of micro-credit was relatively favourable, micro-credit company has become one of the companies with the best internal control mechanism for overdue balance in the industry which enjoyed stable growth during the Period under its stringent control over credit risk. In the course of development, Hehenian Micro-credit kept optimizing its product structure and actively promoted innovation, and, in line with the Group's community strategy, launched a low interest loan product known as "community loan" targeted at residents in the community to enhance its competitiveness in the community and gradually integrate with the Group's resources in community business to achieve better business development.

Fantasia Financial Leasing (花樣年融資租賃), mainly targets at customers in community-related industries such as new energy vehicles (such as electric vehicle/environmental sanitation special vehicles, charging piles), parking garage, intelligent gateway system in car park, medical equipment, fresh food e-commerce (including cold chain logistics, cold storage equipment, fresh food automatic distributing machine) and cinema line. Financial services have received stable leasing return through its penetration into the community, and have successfully entered into the capital market through various partnership. The Group has maintained excellent assets quality amid the generally increased market risks while also had brand reputation further raised. Leveraging on Colour Life Group's competitive edge in the community business circle services, Financial Leasing business will continue to adhere to its direction in developing community leasing, comprehensively exploring for community resources and continuously innovating its financial products. The Group will thrive to become a residential, commercial and community leasing service provider which provides professional and optimal financial services to community users.

Looking forward, the Group's community finance sector will continue to focus on the integration of online and offline ("O2O") service platforms of innovative community finance, and provide innovative, convenient, comprehensive and valuable financial services, and endeavours to become the one-stop service provider for the community's family wealth management.

Business Management:

Nanjing OMG Mall, a project developed and operated by Fantasia business management team ("Fantasia Business Management"), has entered the maturity stage with an accumulated income of over RMB10 million during the Period and an occupancy rate of over 90% while the profile of brands that have set up business have continued to improve. Nanjing OMG Mall has become a renowned community business complex, providing entertainment, leisure, culture and lifestyle experience. Guilin OMG Mall, a project developed and operated by Fantasia Business Management, has achieved an accumulated income of over RMB10 million during the Period. Guilin OMG Mall has attracted many famous brands from China and overseas, most of which are entering Guilin market for the first time. With plenty of shops offering a variety of services and products, Guilin OMG Mall has become the flagship shopping centre in Lingui New District, or even Guilin City. Chengdu Hongtang, Suzhou Hongtang and "Fantasia World Outlet" Project in Pi County, Chengdu have fully secured intents of setting in with first and second tier brands. Preparation for the openings are well underway. The "Fantasia World Outlet" in Pi County, Chengdu will commence operation on 1 October 2016.

During the Period, Fantasia Business Management has actively expanded and promoted its commercial light assets projects in the Chinese market, placing the five regions of East China, South China, Central China, North China and Southwest China as its strategic centre, and the number of management business projects launched reached 20, covering Tibet and provinces such as Jiangxi, Jilin, Jiangsu, Sichuan, Zhejiang and Guangdong. "Yulongwan Commercial Square, Yangzhou, Jiangsu province" (江蘇揚州御龍灣商業廣場), a light assets operation project of Fantasia Business Management, commenced operations on 28 April 2016 with 95% of the shops commenced operations on the opening day and has received consistent compliment from the industry. Also, Lhasa Fantasia World Outlet (拉薩花樣世界奧特萊斯) project will commence operations on 20 August 2016. Meanwhile, the brand recognition of "OMG Mall", "Hongtang" and "Fantasia World Outlet" was further strengthened, commercial brands business and the granting of naming right have resulted in win-win situation for property owners and the management side. Following the development of light assets management business, Fantasia Business Management can provide better quality service to property owners throughout China, which will generate more fruitful returns. The brand image and recognition of business projects operated by Fantasia have improved significantly and the Group has gained unique brand influence in the industry. The Group believes that Fantasia Business Management will generate a stable and growing return in the future.

Cultural and Tourism Group:

Based on Fantasia's existing real estate business, Fantasia Cultural and Tourism Group has accumulated resources for the development in cultural and tourism, and has focused on providing fascinating, amusing, and impressive living spaces and cultural tourism experience to clients. In 2016, with a focus on consolidation and integration, the Cultural and Tourism Group put "hotel and travel" as its core development components and paid more effort in cultivating major business such as hotel development management and customized tourism in order to implement a new reform with a 'lighter' corporate structure.

In respect to the development and management of hotel investment, Cultural and Tourism Group strengthened the brand-building of "U Hotel" (有園) for boutique hotels, and "HYDE Hotel" (個園) for vacation hotels, and is currently operating 7 hotels in cities such as Shenzhen, Chengdu, Tianjin, Ningbo, Yixing, Taipei and New York. Meanwhile, Cultural and Tourism Group commenced compact business cooperation with international hotel management corporates, and invested to establish international hotels with star-ratings under the brand name of Fantasia in Chengdu and Guilin. In the first half of 2016, based on the characteristics of the hotels under the Cultural and Tourism Group, the Group effectively positioned to focus on home and abroad, and jointly collaborated with Morning Star Travel to design tourism product lines which cover all the features of each independent hotel in order to enrich the accommodation experience. In June 2016, U Hotel and Morning Star Travel jointly participated in the Hong Kong International Travel Expo (ITE) and this is the first time for hotel brands under the Cultural and Tourism Group to participate in international exhibitions, and this helped the penetration of U Hotel brand names into the international market.

Leveraging on its sharp market sense, Morning Star Travel Service Limited ("Morning Star Travel"), a company which mainly engages in custom-made travel business, introduced new tourism products such as various featured tours and customized packages in the first half of 2016 and this provided new momentum to the tourism market. Morning Star Travel established branches with the theme of travelling to Korea and Japan in Mongkok and Causeway Bay, generating new excitement and providing professional services to the clients, and reformed the website of the company in order to enhance personalized customer services. In the first half of the year, Morning Star Travel formed partnership with "PARKnSHOP Supermarket" (百佳超級市場) and jointly launched a series of promotional events. Morning Star Travel is the first travel agency in Hong Kong to launch the "MoneyBack" (易賞錢) reward points programme for redeeming travel coupons, and such an initiative receives enthusiastic responses from the market.

In 2016, Morning Star Travel China provided outbound travel services to community clients, and established a new e-commerce platform in partnership with Colour Life Services Group Co., Limited and participated in local promotion campaigns on the online platform of Colour Life and in community roadshows, achieving effective sales for tourism products through brand penetration. The number of landlords or residents purchasing tourism products on Caizhiyun APP platform has increased. Based on the extensive experience and scale of business of Morning Star Travel Team, Morning Star Travel introduced Hong Kong-style quality tourism services to nearly a thousand residential communities in China. Cultural and Tourism Group gradually opened up the pathway of community cultural tourism, and is dedicated to become the first community outbound tourism enterprise in China.

Futainian:

In the first half of 2016, Shenzhen Futainian Investment Management Co., Ltd. (深圳福泰年投資管理有限公司) ("Futainian") continued to explore senior catering services and was dedicated to offer low-priced, high-quality nutritious meals to senior citizens and establish service reliance with senior citizens. Futainian also considered the health management as a value-added service to link up various quality medical resources and used smart senior care facilities to build an extensive smart database for senior citizens, and strive to fully cover the senior population. Based on the senior database previously accumulated, Futainian created healthcare files for senior citizens, enhanced service reliance to cover every aspect of senior citizens and provided services that match the elderly's needs so as to perfect the product service system and set a prime example for health management. For institution operation, Futainian actively participated in the government's procurement projects on homecare services, explored the method and standard of home-based homecare service in order to improve service quality and strengthen service skills, and successfully won the tender for projects such as Chengdu High-Technology Zone home services. In respect of product line and service, Futainian, benefitting from its commitment to the market, focused on the consumption demands of targeted groups, market segmentation, marketing planning and exploration of senior travelling, homebased homecare, health management and health recovery and senior university-level classes. It has progressively entered the market and turned itself into a recognisable retirement life service brand which serves the public and pursues perfection.

In the second half of 2016, Futainian will continue to respond to the promotion for the development of retirement life business stipulated in the "13th Five-Year Plan" by the Ministry of Civil Affairs, and adhering to the major trend of the industry, focus on retirement services including institutional services and homecare services while extending service coverage through immense expansion of the retirement life service product line. For product line, Futainian will continue to focus on four major services, which are health management, life care, spiritual and cultural care and senior finance and to explore the needs of senior citizens thoroughly. In respect of institution operation, Futainian optimized the management capability of Fulin Retirement Home and enhanced the quality of its services and nursing care, so as to establish the brand name recognition of Fulin Retirement Home. With an aim to develop Fulin Retirement Home into the best mid-to-high-end retirement home in southwestern China, Futainian has enhanced the integration of medical, health and nursing services by improving professional training. For homecare services, Futainian will continue to deepen and widen government procurement projects and create its image as a community model so as to enhance the satisfactory level of the residents and the government. For health management, Futainian will actively integrate its quality medical nursing resources and community medical resources in order to bring about comprehensive health care for senior citizens.

Education:

Since the establishment of Fantasia's education company in 2014, a unique community integrated education model gradually took shape after two years of exploration, fulfillment and innovation.

In the first half of 2016, the education group continued its efforts and obtained satisfactory results in various areas in education. In terms of civil education, Fantasia closely collaborated with the primary schools Attached to the Chengdu Foreign Languages School and established the Meinian Campus of the Primary School Attached to Chengdu Foreign Languages School. Meanwhile, the Group consolidated the management of various kindergartens and secondary schools in the community and implemented a full upgrading of the education facilities in the community.

For community education, the education group launched the innovative "community education" model and established the Child development experience centers in the communities, which provide unique and valuable education services for families and children in the communities through a diversified combination of quality education products and experience programme designed in accordance with community settings. Currently, with the first child development experience centre successfully established in Shenzhen, it is expected that these centers will develop profitably and sustainably while rapidly penetrating throughout the whole nation.

In terms of occupational training, the education group focused on researching "community services" in terms of modern services, with the aim of enhancing service concepts, service awareness and service skills of the community service staff. At present, with housekeeping training as the starting point, education group has established a comprehensive curriculum and is determined to nurture and export top-notch professional family services personnel for families in the community.

In the second half of 2016, Fantasia education company will further speed up the integration of resources and expand its business leveraging on the community resources of Fantasia. Under Fantasia's unified strategy, Fantasia's education group will provide the most excellent and convenient education resources and services to clients through the strategy of a combination of technology, aesthetics and services.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly consists of revenue derived from (i) the sales of developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services and (v) hotel operation and related services. For the six months ended 30 June 2016, turnover of the Group amounted to approximately RMB5,362 million, representing an increase of 47.7% from approximately RMB3,630 million for the corresponding period in 2015. The increase in turnover was primarily attributable to the increase in GFA managed under the Group's property management sector in the first half of the year, resulting in an increase in the revenue arising from property management of approximately RMB356 million as compared to the corresponding period in last year. Meanwhile, the GFA of developed properties delivered increased, attributing an increase in the revenue arising from sales of properties of RMB1,219 million.

Property Development

The Group recognises revenue from the sale of a property when the significant risks and rewards of ownership have been transferred to the purchaser, that is when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue from property development represents proceeds from sales of properties held for sales. Revenue derived from property development increased by 39.1% to approximately RMB4,335 million for the six months ended 30 June 2016 from approximately RMB3,116 million for the corresponding period in 2015. It was primarily due to the increase in the GFA of properties delivered.

Property Investment

Revenue generated from property investment decreased by 3.2% to approximately RMB94 million for the six months ended 30 June 2016 from approximately RMB97 million for the corresponding period in 2015. The decrease was primarily due to a decrease in rental area.

Property Agency Services

Revenue derived from property agency services decreased by 30.0% to approximately RMB6 million for the six months ended 30 June 2016 from approximately RMB9 million for the corresponding period in 2015. The decrease was primarily due to the slowdown in the second hand market.

Property Operation Services

Revenue derived from property operation services increased by 106.7% to approximately RMB689 million for the six months ended 30 June 2016 from approximately RMB333 million for the corresponding period in 2015. This increase was primarily due to a substantial increase in the GFA of properties that the Group managed during the Period.

Hotel Operation and Related Services

Revenue derived from hotel operation and related services decreased by 46.1% to approximately RMB40 million for the six months ended 30 June 2016 from approximately RMB75 million for the corresponding period in 2015. This decrease was primarily due to the disposal of Shenzhen U-hotel by the Group in December 2015.

Gross Profit and Margin

Gross profit of the Group increased by 27.5% to approximately RMB1,480 million for the six months ended 30 June 2016 from approximately RMB1,160 million for the corresponding period in 2015, while the Group's gross profit margin was 27.6% for the six months ended 30 June 2016 as compared to a gross profit margin of 32.0% for the corresponding period in 2015. The decrease in gross profit margin was primarily due to the growth in proportion of property management service under lump sum basis, which had a far lower margin rate compared to the property management service under commission basis. Notwithstanding the above, the gross profit margin maintained at a reasonable level.

Other Income, Gain and Losses

Other income, gain and losses decreased to a net loss of approximately RMB173 million for the six months ended 30 June 2016 from a net gain of approximately RMB4 million for the corresponding period in 2015, which was due to an exchange loss of RMB197 million (the corresponding period in 2015: an exchange gain of RMB27 million) resulting from the decrease in the exchange rate of RMB against U.S. dollars during the Period.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 1.0% to approximately RMB122 million for the six months ended 30 June 2016 from approximately RMB123 million for the corresponding period in 2015, with no notable change.

Administrative Expenses

The Group's administrative expenses increased by 26.6% to approximately RMB470 million for the six months ended 30 June 2016 from approximately RMB371 million for the corresponding period in 2015. This increase was primarily due to the increase of the share-based payments and the administrative expenses resulting from the merger with Morning Star in December 2015, while there was no such expense in the corresponding period last year.

Finance Costs

The Group's finance costs increased by 106.8% to approximately RMB331 million for the six months ended 30 June 2016 from approximately RMB160 million for the corresponding period in 2015. The increase in finance costs was mainly due to the increase in the average annual balance of interest-bearing liabilities.

Income Tax Expenses

The Group's income tax expenses increased by 39.7% to approximately RMB564 million for the six months ended 30 June 2016 from approximately RMB404 million for the corresponding period in 2015. This increase was mainly due to the increase in profit before tax.

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2016, the Group's total cash (including restricted bank deposits) was approximately RMB5,460 million (31 December 2015: approximately RMB4,218 million), representing an increase of 29.4% as compared to that as at 31 December 2015.

Gearing Ratio

The gearing ratio was 78.1% as at 30 June 2016 (31 December 2015: 75.6%). The gearing ratio was measured by net debt (aggregated borrowings and senior notes net of bank balances and cash and restricted cash) over the total equity. The total debt (being aggregated borrowings and senior notes) over total assets ratio continued to be healthy, maintaining at 32.3% as at 30 June 2016 (31 December 2015: 30.3%). Due to the fact that the Group optimized its equity structure and maintained a reasonable proportion of long-term and short-term debts as well as strictly implemented the budget for cash flows, the Group had a slightly increase in its gearing ratio offer the payment of its perpetual capital instrument for the Period as compared to that as at the end of last year.

Borrowings and Charges on the Group's Assets

As at 30 June 2016, the Group had an aggregate borrowings and senior notes of approximately RMB3,993 million (31 December 2015: approximately RMB3,964 million) and approximately RMB10,980 million (31 December 2015: approximately RMB9,513 million), respectively. Amongst the borrowings, approximately RMB1,130 million (31 December 2015: approximately RMB1,408 million) will be repayable within one year and approximately RMB2,863 million (31 December 2015: approximately RMB2,557 million) will be repayable after one year. Amongst the senior notes, approximately RMB0 million (31 December 2015: approximately RMB1,004 million) will be repayable within one year and approximately RMB10,980 million (31 December 2015: approximately RMB8,508 million) will be repayable after one year.

As at 30 June 2016, a substantial part of the bank borrowings were secured by land use rights and properties of the Group. The senior notes were jointly and severally guaranteed by the pledge of shares of certain subsidiaries of the Group.

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. For the six months ended 30 June 2016, though the exchange rates of RMB against U.S. dollars and the Hong Kong dollars decreased, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Contingent Liabilities

As at 30 June 2016, the Group had provided guarantees amounting to approximately RMB6,234 million (31 December 2015: approximately RMB6,442 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the six months ended 30 June 2016 as the default risk is low.

Employees and Remuneration Policies

As at 30 June 2016, excluding the employees of communities managed on a commission basis, the Group had approximately 12,823 employees (31 December 2015: approximately 12,141 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice. Apart from salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for Chinese employees), a discretionary bonus program and a share option scheme.

The Company adopted a share option scheme on 27 October 2009. Up to 30 June 2016, a total of 142,660,000 share options were granted. Up to 30 June 2016, a total of 14,108,000 share options were lapsed and 2,163,000 share options had been exercised. As at 30 June 2016, the outstanding share options were 85,365,000.

INTERIM DIVIDEND

The Board had resolved that no interim dividend be paid for the Period (six months ended 30 June 2015: nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules on the Stock Exchange. During the Period, the Board is of the view that the Company has complied with the code provisions under the Corporate Governance Code except for the following deviation:

– Code A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Pan Jun is the chairman of the Board and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Pan and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry with all the Directors on whether the Directors have complied with the required standard as set out in the Model Code during the Period and all the Directors confirmed that they have complied with the Model Code throughout the Period.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rules 3.21 and 3.22 of the Listing Rules with specific written terms of reference in compliance with the Corporate Governance Code. The audit committee of the Company currently comprises five independent non-executive Directors, including Mr. Ho Man, Mr. Huang Ming, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu, while Mr. Ho Man is the chairman of the audit committee. The audit committee is responsible for the engagement of external auditor, review of the Group's financial information and oversight of the Group's financial reporting system and internal control and risk management procedures and reviewing the Group's financial and accounting policies and practices. The audit committee together with the management of the Company have reviewed the accounting policies and practices adopted by the Group and discussed, among other things, the internal controls and financial reporting matters including a review of the unaudited interim results for the Period. The external auditors of the Company has also reviewed the unaudited interim results for the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

In January 2016, a wholly-owned subsidiary of the Company incorporated in the People's Republic of China issued the domestic corporate bonds in the amount of RMB1.1 billion at an interest rate of 7.29% due 2020, to optimize the overall maturity profile of debts.

In April 2016, the Company issued senior notes in the amount of RMB600 million at an interest rate of 9.50% due 2019, to optimize the overall maturity profile of debts.

Save as disclosed above, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2016.

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

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnfantasia.com). The interim report of the Company for the Period containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

ACKNOWLEDGEMENT

In times of vigorous ups and downs of the real estate market, it is the staff, shareholders, investors and partners of the Group that have been working side by side with the Group to help the Company grow healthily and strong. The Group hereby wishes to express its sincere gratitude to all its shareholders, Directors and partners for their confidence placed on us and their support to the development direction of the Group. Last but not least, the Group would also like to extend our gratitude to all the staff for their persistent efforts and support to the Group.

By order of the Board
Fantasia Holdings Group Co., Limited
Pan Jun
Chairman

Hong Kong, 10 August 2016

As at the date of this announcement, the executive Directors are Mr. Pan Jun, Ms. Zeng Jie, Baby, Mr. Lam Kam Tong and Mr. Zhou Jinquan; the non-executive Directors are Mr. Li Dong Sheng and Mr. Yuan Hao Dong and the independent non-executive Directors are Mr. Ho Man, Mr. Huang Ming, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu.