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花 樣 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 2013**

HIGHLIGHTS

- The Group's revenue for the period was approximately RMB2,751 million, increased by 128.3% from approximately RMB1,205 million for the corresponding period in 2012. By end of June 2013, the Group had deposit received for sale of properties amounted to approximately RMB4,892 million (where it was RMB4,186 million as at 31 December 2012), which will be recognized as revenue in the future financial statements.
- Gross profit margin for the period under review maintained at a high level of 37.5%.
- The Group's contract sales in the period increased to approximately RMB3,668 million from approximately RMB3,351 million for the corresponding period in 2012. It is expected that the Group's full year plan in 2013 for completion of sale properties for delivery will be completed and delivered to purchasers as scheduled.
- Profit attributable to owners of the Company increased by 57.7% from RMB201 million to approximately RMB317 million.
- The Group's bank balance and cash as at 30 June 2013 was approximately RMB4,200 million, representing an increase of 20.1% as compared to that as at 31 December 2012 (31 December 2012: approximately RMB3,496 million).
- The Group issued senior notes in the amount of US\$250 million at an interest rate of 10.75% due 2020 and RMB1,000 million at an interest rate of 7.875% due 2016.

The board (the “**Board**”) of directors (the “**Directors**”) of Fantasia Holdings Group Co., Limited (the “**Company**”) announces the unaudited financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTES	Six months ended 30 June	
		2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Revenue	3	2,750,966	1,204,752
Cost of sales		<u>(1,720,724)</u>	<u>(702,065)</u>
Gross profit		1,030,242	502,687
Other income, gains and losses	4	140,629	13,990
Change in fair value of investment properties		58,883	11,082
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		7,820	334,822
Selling and distribution expenses		(130,970)	(126,595)
Administrative expenses		(254,340)	(154,950)
Finance costs	5	(150,915)	(32,323)
Share of results of associates		<u>203</u>	<u>(1)</u>
Profit before tax		701,552	548,712
Income tax expense	6	<u>(376,573)</u>	<u>(354,553)</u>
Profit for the period	7	<u>324,979</u>	<u>194,159</u>
Other comprehensive income (expense)			
Items that will not be subsequently reclassified to profit or loss:			
Surplus on revaluation of properties		3,840	29,866
Income tax relating to items that will not be reclassified to profit or loss		<u>(1,514)</u>	<u>(9,180)</u>
Other comprehensive income for the period (net of tax)		<u>2,326</u>	<u>20,686</u>

		Six months ended 30 June	
		2013	2012
	<i>NOTES</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
Total comprehensive income for the period		<u>327,305</u>	<u>214,845</u>
Profit for the period attributable to:			
Owners of the Company		316,996	201,028
Non-controlling interests		<u>7,983</u>	<u>(6,869)</u>
		<u>324,979</u>	<u>194,159</u>
Total comprehensive income attributable to:			
Owners of the Company		319,322	217,814
Non-controlling interests		<u>7,983</u>	<u>(2,969)</u>
		<u>327,305</u>	<u>214,845</u>
Earnings per share (<i>RMB</i>)			
– Basic	9	<u>0.06</u>	<u>0.04</u>
– Diluted	9	<u>0.06</u>	<u>0.04</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2013

	30 June	31 December
	2013	2012
<i>NOTES</i>	RMB'000	RMB'000
	(unaudited)	(audited)
NON-CURRENT ASSETS		
Property, plant and equipment	636,632	585,687
Investment properties	4,181,462	3,422,233
Interests in associates	1,093	1,171
Interest in a joint venture	19,720	19,720
Goodwill	38,083	16,488
Prepaid lease payments	1,400,650	822,252
Premium on prepaid lease payments	675,821	591,144
Land development expenditure	1,018,117	1,217,463
Deposits paid for acquisition of subsidiaries	40,672	6,890
Deposits paid for acquisition of a property project	132,064	126,004
Deposits paid for acquisition of land use rights	523,313	158,123
Deferred tax assets	325,213	329,372
	8,992,840	7,296,547
CURRENT ASSETS		
Properties for sale	12,820,816	11,372,628
Prepaid lease payments	41,510	28,121
Premium on prepaid lease payments	21,674	19,219
Trade and other receivables	2,551,879	2,142,501
Amounts due from customers for contract works	48,786	52,482
Tax recoverable	69,102	77,179
Financial assets at fair value through profit or loss	38,000	42,200
Restricted bank deposits	604,999	707,614
Bank balances and cash	3,594,995	2,788,106
	19,791,761	17,230,050
CURRENT LIABILITIES		
Trade and other payables	2,718,610	2,603,457
Deposits received for sale of properties	4,891,675	4,186,104
Amounts due to customers for contract works	4,510	2,291
Amounts due to related parties	1,532	1,573
Tax liabilities	2,233,690	2,238,038
Borrowings – due within one year	2,980,943	2,452,294
Provision	29,591	–
	12,860,551	11,483,757
NET CURRENT ASSETS	6,931,210	5,746,293
TOTAL ASSETS LESS CURRENT LIABILITIES	15,924,050	13,042,840

	30 June 2013	31 December 2012
<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
NON-CURRENT LIABILITIES		
Borrowings-due after one year	2,994,832	3,100,113
Senior notes	4,870,638	2,329,003
Deferred tax liabilities	728,337	692,558
Financial liabilities	6,177	–
	<u>8,599,984</u>	<u>6,121,674</u>
	<u>7,324,066</u>	<u>6,921,166</u>
CAPITAL AND RESERVES		
Share capital	457,093	457,093
Reserves	6,339,897	6,144,037
	<u>6,796,990</u>	<u>6,601,130</u>
Equity attributable to owners of the Company	6,796,990	6,601,130
Non-controlling interests	527,076	320,036
	<u>7,324,066</u>	<u>6,921,166</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 “Hong Kong Stock Exchange”).

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 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statement.

Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK(IFRIC) – Int 20	Stripping Costs in the Preclusion Phase of Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

HKFRS 10 “Consolidated Financial Statements”

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and Separate Financial Statements” that deal with consolidated financial statements and HK-SIC 12 “Consolidation – Special Purpose Entities”. HKFRS10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

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

HKFRS 11 “Joint Arrangements”

HKFRS 11, which replaces HKAS 31 “Interests in Joint Ventures”, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator’s interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group’s consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the interest in a jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12 “Disclosure of Interests in Other Entities”

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

HKFRS 13 “Fair Value Measurement”

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. The adoption of HKFRS 13 does not have material impact on the fair value measurement of the Group’s assets and liabilities.

Amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income” introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a “statement of comprehensive income” is renamed as a “statement of profit or loss and other comprehensive income” and an “income statement” is renamed as a “statement of profit or loss”. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that

will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new and revised HKFRSs that have been issued after the date of 2012 annual report was issued but are not yet effective.

Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKAS 36 HK(IFRIC) – Int 21	Recoverable Amount Disclosures for Non-Financial Assets ¹ Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

The directors of the Company anticipate that the application of the above interpretation and amendments will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

Six months ended 30 June 2013

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Properties operation services RMB'000	Hotel operations RMB'000	Reportable segment total RMB'000	Eliminations RMB'000	Total RMB'000
SEGMENT REVENUE (unaudited)								
External sales	2,541,386	56,501	6,016	102,121	44,942	2,750,966	–	2,750,966
Inter-segment sales	–	226	–	254,465	–	254,691	(254,691)	–
Total	2,541,386	56,727	6,016	356,586	44,942	3,005,657	(254,691)	2,750,966
Segment profit (loss)	660,186	113,237	5,215	67,383	(8,346)	837,675	–	837,675

Six months ended 30 June 2012

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Properties operation services RMB'000	Hotel operations RMB'000	Reportable segment total RMB'000	Eliminations RMB'000	Total RMB'000
SEGMENT REVENUE (unaudited)								
External sales	1,049,665	40,241	4,218	84,684	25,944	1,204,752	–	1,204,752
Inter-segment sales	–	876	–	186,464	–	187,340	(187,340)	–
Total	1,049,665	41,117	4,218	271,148	25,944	1,392,092	(187,340)	1,204,752
Segment profit (loss)	555,597	42,208	436	36,049	(21,921)	612,369	–	612,369

Segment profit 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, 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	
	2013 <i>RMB'000</i> (unaudited)	2012 <i>RMB'000</i> (unaudited)
Segment profit	837,675	612,369
Unallocated amounts:		
Net foreign exchange gain (loss)	67,547	(7,619)
Unallocated income	7,936	11,179
Unallocated corporate expenses	(60,894)	(34,893)
Finance costs	(150,915)	(32,323)
Share of results of associates	203	(1)
	<hr/>	<hr/>
Profit before tax	701,552	548,712
	<hr/>	<hr/>

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

	30 June	31 December
	2013 <i>RMB'000</i> (unaudited)	2012 <i>RMB'000</i> (unaudited)
Property development	19,121,797	16,279,343
Property investment	4,181,462	3,422,233
Property agency services	9,138	8,358
Property operation services	343,591	415,056
Hotel operations	456,478	432,359
	<hr/>	<hr/>
Total segment assets	24,112,466	20,557,349
Total unallocated assets	4,672,135	3,969,248
	<hr/>	<hr/>
Group's total assets	28,784,601	24,526,597
	<hr/>	<hr/>

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2013 <i>RMB'000</i> (unaudited)	2012 <i>RMB'000</i> (unaudited)
Interest income from bank deposits	7,936	3,900
Forfeiture income on deposits received	1,084	584
Government grant (<i>note</i>)	15,155	5,319
Gain on disposal of property, plant and equipment	95	390
Net foreign exchange gain (loss)	67,547	(7,619)
Reversal of accruals and forfeiture of deposit received	–	7,310
Gain on land development project	49,274	–
Others	(462)	4,106
	140,629	13,990

Note: The amount represents the grants received from the relevant PRC Governments. The subsidies are unconditional and granted on a discretionary basis to the Group during the period.

5. FINANCE COSTS

	Six months ended 30 June	
	2013 <i>RMB'000</i> (unaudited)	2012 <i>RMB'000</i> (unaudited)
Interest on:		
– borrowings wholly repayable within five years	110,665	165,729
– borrowings not wholly repayable within five years	53,061	40,395
– senior notes	248,704	54,574
Less: Amount capitalised in		
– properties under development for sale	(226,786)	(170,303)
– investment properties under development	(12,153)	(5,111)
– construction in progress	(2,976)	(2,980)
– land development expenditure	(19,600)	(49,981)
	150,915	32,323

During the six months ended 30 June 2013, borrowing costs capitalised arising on the general borrowing pool amounted to RMB199,599,000 (six months ended 30 June 2012: RMB114,864,000) and were calculated by applying the capitalisation rate of 12.3% (six months ended 30 June 2012: 8.58%) per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
The income tax expense comprises:		
PRC taxes		
Enterprise income tax	217,099	135,570
Land appreciation tax	152,851	118,889
	<u>369,950</u>	<u>254,459</u>
Deferred tax		
Current period	6,623	100,094
	<u>376,573</u>	<u>354,553</u>

For the six months ended 30 June 2013, the relevant tax rate for the Company's subsidiaries in the PRC is 25% (six months ended 30 June 2012: 25%).

No provision for Hong Kong Profits Tax has been made in the condensed consolidated statement of profit or loss and other comprehensive income as the Group had no assessable profit arising in Hong Kong for both periods.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Release of prepaid lease payments	16,803	3,312
Release of premium on prepaid lease payments	15,983	5,579
Depreciation of property, plant and equipment	21,208	16,576
Staff costs (including in administrative expenses)	84,895	53,068

8. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Final dividend in respect of the immediately preceding financial year of HK5.50 cents (six months ended 30 June 2012: HK4.00 cents) per share	228,578	168,859

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	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)	316,996	201,028
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	5,207,221,750	5,207,221,750
Effect of dilutive potential ordinary shares:		
Share options	24,654,592	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,231,876,342	5,207,221,750

During the six months ended 30 June 2012, the computation of diluted earnings per share has not accounted for the effect of share options whereby the exercise prices of those options were higher than the average market price of the Company's shares during that period.

10. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables	736,955	964,674
Other receivables	125,460	109,523
Prepayments and other deposits	110,594	62,424
Prepayments to suppliers	237,186	217,188
Prepayment for construction work	771,167	643,326
Other tax prepayment	208,208	145,366
Receivable from the Pixian Government on Land Development Project	362,309	–
	2,551,879	2,142,501

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 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
0 – 30 days	260,614	487,829
31 – 90 days	53,941	256,995
91 days – 180 days	55,566	30,727
181 to 365 days	323,239	113,747
Over 1 year	43,595	75,376
	736,955	964,674

The trade receivables as at 30 June 2013 included the receivables from the property sales of approximately RMB536,501,000 (31 December 2012: RMB870,465,000) whereby the banks have agreed in writing, to provide without any conditions, mortgage facilities to the property purchasers and the banks are in process of releasing the funds to the Group.

11. TRADE AND OTHER PAYABLES

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Trade payables	2,155,615	1,730,059
Other payables	352,434	332,415
Other taxes payables	115,748	161,339
Payroll payable	18,229	48,181
Welfare payable	3,117	3,315
Retention payable	64,243	54,796
Consideration payable in respect of acquisition of subsidiaries	600	257,630
Accruals	8,624	15,722
	2,718,610	2,603,457

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 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
0 – 60 days	1,797,487	1,269,307
61 – 180 days	114,209	296,571
181 days – 365 days	142,282	103,925
1 – 2 years	151,171	77,074
2 – 3 years	9,475	21,054
Over 3 years	5,234	16,924
	2,219,858	1,784,855

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Introduction

The Group, after establishing eight major value-added services for real estates in 2012, continued to develop according to its ten-year blueprint during the first half of 2013. With design and construction teams building and executing projects by implement the concept of providing an interesting, tasteful and colorful living space and experience, the Group strives to provide all-rounded services to its customers. It is expected that the Group could establish an innovative model in the field of community service in China. In addition, the first micro-credit company of the Group was incorporated in June 2013. Regarding to real estate development, the Group moved its first step to the international market. Adhering to prudent operating strategy, the Group entered into the Singapore real estate market with an aim of providing a more stable and balanced growth and income for the Company.

On the other hand, the Group seized the best opportunity in the first half of 2013. Under the background of prudent and sluggish sentiment in global capital market, in January and May 2013, the Group issued senior notes in the amount of US\$250 million at an interest rate of 10.75% due 2020 and RMB1,000 million at an interest rate of at 7.875% due 2016, respectively. The issuance of such senior notes was crucial for the Group to replenish cash and secure promising investment projects in an unfavorable market condition.

Property Development

Contract Sales and Project Development

With the continuous implementation of the policies on “purchase restriction and loan restriction”, the differentiation of urban development in first and second, third and fourth tier cities became more and more obvious. The Group adheres to the operating strategy of “Being Steady and Prudent”, with an emphasis on the prudent management on the cash flows and capital and carried out proactive sales and measures to ensure the successful fulfillment of the sales objective in the first half of 2013.

During the period under review, the Group recorded contract sales of RMB3,668 million and contract sales area of 450,987 square meters, representing a year-on-year increase of 9.5% and 16%, respectively. RMB2,048 million of the total contract sales was derived from urban complexes projects, which accounted for 56% of total contract sales compared with 50% in the first half of 2012. It shows that the reliance on “rigid demand” and “complexes exempt from the purchase restriction” is still the mainstream.

Newly Commenced Projects

During the period under review, the Group had nine projects or phases of projects which were newly commenced, with a total planned gross floor area of approximately 1,240,000 square meters.

Projects under Construction

As at 30 June 2013, the Group had 17 projects or phases of projects under construction, with a total planned gross floor area of approximately 3,520,000 square meters and a planned saleable area of approximately 2,590,000 square meters, among which had an accumulated contracted area of approximately 839,959 square meters.

Projects held for Development

As at 30 June 2013, the Group had 19 projects or phases of projects held for development with a planned gross floor area of approximately 5,180,000 square meters, of which the total planned gross floor area of six projects in Chengdu-Chongqing Economic Zone was approximately 2,300,000 square meters, with a proportion of approximately 44.3%, five projects in the Pearl River Delta with total planned gross floor area of approximately 1,260,000 square meters with a proportion of approximately 33.9%, four projects in the Yangtze River Delta Region with total planned gross floor area of approximately 374,000 square meters with a proportion of approximately 7.2%, three project in Beijing-Tianjin Metropolitan Area with total planned gross floor area of approximately 744,000 square meters with a proportion of approximately 14.4%; and one project abroad had a total planned gross floor area of approximately 13,000 square meters with a proportion of approximately 0.2%.

Community Services and Property Operation

In its “Twelfth Five-year Plan for the Development of the Tertiary Industry” in 2012, the Chinese government announced certain requirements which placed an emphasis on the development of life-related services in a liberalized and international manner. Some regions have paid further attention to the importance of community services development which in turn provide a favorable environment for the healthy growth of community-related services.

During the reporting period, the property operation business of the Group experienced continuous rapid growth through Colour Life Services Group Co., Limited which acquired a number of property management companies.

Hotel Management Business

The Group aims to build a boutique hotel brand with unique characteristics and meaningful services. During the period under review, the Group had four product lines with different grades planned so far, including U (有園), HYDE (個園), Self Life (趣園) and Qiyuan (棲園), of which “U” and “HYDE” have been built. Up to 30 June 2013, there are six hotels in operation. In the future, the Group will build and operate more than 10 hotels in Shenzhen, Tianjin, Chengdu, Suzhou, Hangzhou, Ningbo and Guilin etc., reflecting the gradual maturity of the Group’s hotel business. In addition, the Group’s hotel management subsidiary entered into a strategic framework agreement and established a cooperation alliance with CORIDEL in July 2013 and formally announced the close cooperation in the global market on the merger and acquisition of hotel projects, financial operation, brand operation and commissioned management with an aim of establishing long-term, amicable and strategic alliance.

At the same time, the Company is committed to build its own boutique hotel brands. The positioning of and analysis on the proprietary brand of “U” hotel (有園) and “HYDE” hotel (個園) have been established so far, which has won several awards.

U Hotel in Shenzhen was put into service since 25 February 2012. Having been evaluated and chosen by China Hotel Association (中國飯店協會) and jointly evaluated by Shenzhen Hotels Association (深圳市飯店業協會), U Hotel in Shenzhen was recognized as Green Hotel 4A (4A級綠色飯店) in June 2012. U Hotel in Tianjin, Chengdu and Ningbo are planned to commence trial operation in 2013.

Commercial Management Business

The commercial management subsidiary of the Group aims to provide end consumers with a tasteful and meaningful place and experience, and to build the experiential commercial brands “Hongtang” and “Huashengtang” with the unique characteristics of the Company in order to promote scale development and expansion of business sectors of the Group. During the period under review, business invitation conference for Nanjing Yuhuatai Project was successfully held and cooperation intentions were reached with a number of characteristic businesses. An official agreement was signed with the renowned Swedish international fashion brand H&M, which was first introduced to Guilin, and the “Guilin Huashengtang Shopping Center”, a landmark for fashion trends, was founded under the joint cooperation. The Group has also taken the initiative in formulating the commercial projects such as “Chengdu Hongtang”, “Chengdu Huashengtang”, “Beijing Huashengtang” and “Suzhou Hongtang” to ensure the progress of other upcoming projects. The Company believes that Fantasia Business Management will earn a stable and constantly increasing return in the future by successful operation of multiple projects.

Microcredit Business

Guilin Hehenian Microcredit Company Limited, a wholly owned subsidiary of the Group, was established and commenced business during the period under review. The financial services business focuses on providing financing to facilitate its property developments to complement its core business of property development and the Company aims to provide such services to its customers as value-added 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) the provision of hotel management and related services. For the six months ended 30 June 2013, turnover of the Group amounted to approximately RMB2,751 million, representing an increase of 128.3% from approximately RMB1,205 million for the corresponding period in 2012. The increase is primarily attributable to the increase in the Group's total gross floor area delivered to purchasers as compared to the corresponding period in 2012, which was consistent with the Group's development schedule. It is expected that the Group's full year plan in 2013 for completion of sale properties for delivery will be completed and delivered to purchasers as scheduled.

Property Development

The Group recognize revenue from the sale of a property when the significant risks and rewards of ownership have been transferred to the purchaser, i.e., 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 142% to approximately RMB2,541 million for the six months ended 30 June 2013 from approximately RMB1,050 million for the corresponding period in 2012. During the period under review, five new property development projects were completed which led to a significant increase in total gross floor area delivered to customers.

Property Investment

Revenue generated from property investment increased by 42.5% to approximately RMB57 million for the six months ended 30 June 2013 from approximately RMB40 million for the corresponding period in 2012. The increase was primarily due to the continuing growth of the investment properties and the increase in occupancy rate.

Property Agency Services

Revenue derived from property agency services increased by 50% to approximately RMB6 million for the six months ended 30 June 2013 from approximately RMB4 million for the corresponding period in 2012. The increase was primarily due to the increase in number of communities we managed in which we provide agency service.

Property Operation Services

Revenue derived from property operation services increased by 20% to approximately RMB102 million for the six months ended 30 June 2013 from approximately RMB85 million for the corresponding period in 2012. This increase was primarily due to an increase in the gross floor area of properties that the Group managed during the first half of 2013.

Hotel Services

Revenue derived from hotel services increased by 73.1% to approximately RMB45 million for the six months ended 30 June 2013 from approximately RMB26 million for the corresponding period in 2012. This increase was primarily due to an increase in the number of hotels and occupancy rate of the hotels during the first half of 2013.

Gross Profit and Margin

Gross profit increased by 104.8% to approximately RMB1,030 million for the six months ended 30 June 2013 from approximately RMB503 million for the corresponding period in 2012, while the Group's gross profit margin maintained at a high level of 37.5% for the six months ended 30 June 2013 as compared to a gross profit margin of 41.7% for the corresponding period in 2012. The decrease in gross margin was primarily due to delivery of more residential properties, which has a lower margin than commercial properties, during the first half of 2013.

Other Income, Gain and Losses

Other income, gain and losses increased by 907.1% to approximately RMB141 million for the six months ended 30 June 2013 from approximately RMB14 million for the corresponding period in 2012. The increase was mainly due to income from land development project and exchange gain arising during the reporting period.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 3.1% to approximately RMB131 million for the six months ended 30 June 2013 from approximately RMB127 million for the corresponding period in 2012. The increase was in line with our increase in contract sales during the reporting period.

Administrative Expenses

The Group's administrative expenses increased by 63.9% to approximately RMB254 million for the six months ended 30 June 2013 from approximately RMB155 million for the corresponding period in 2012. This increase was primarily due to the increase in number of offices and staff cost in new locations following our expansion.

Finance Costs

The Group's finance costs increased by 371.9% to approximately RMB151 million for the six months ended 30 June 2013 from approximately RMB32 million for the corresponding period in 2012. The increase was primarily due to borrowings and issue senior notes raising in first half of 2013 to finance our projects.

Income Tax Expenses

Our income tax expenses increased by 6.2% to approximately RMB377 million for the six months ended 30 June 2013 from approximately RMB355 million for the corresponding period in 2012. This increase was in line with the increase in the Group's total revenue, which in turn increased the income tax and land appreciation tax in the first half of 2013.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased by 57.7% to approximately RMB317 million for the six months ended 30 June 2013 from approximately RMB201 million for the corresponding period in 2012. This increase was primarily due to an increase in the accounting recognition of turnover for the six months ended 30 June 2013.

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2013, the Group's bank balance and cash was approximately RMB4,200 million (31 December 2012: approximately RMB3,496 million), representing an increase of 20.1% as compared to that as at 31 December 2012. A portion of the cash of the Group are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties which such deposits relate to. As at 30 June 2013, the Group's restricted cash was approximately RMB605 million (31 December 2012: approximately RMB708 million), representing a decrease of 14.5% as compared to that as at 31 December 2012.

Current Ratio and Gearing Ratio

As at 30 June 2013, the Group has current ratio (being current assets over current liabilities) of approximately 1.54 compared to that of 1.50 as at 31 December 2012. The gearing ratio was 90.7% as at 30 June 2013 (31 December 2012: 63.4%). The gearing ratio was measured by net debt (aggregated bank borrowings and senior notes net of bank balances and cash and restricted cash) over the total equity. The total debt (being aggregated bank borrowings and senior notes) over total assets ratio continued to be healthy, maintaining at 37.7% as at 30 June 2013 (31 December 2012: 32.1%).

Borrowings and Charges on the Group's Assets

As at 30 June 2013, the Group had an aggregate bank borrowings and senior notes of approximately RMB5,976 million (31 December 2012: approximately RMB5,552 million) and approximately RMB4,871 million (31 December 2012: approximately RMB2,329 million), respectively. Amongst the bank borrowings, approximately RMB2,981 million (31 December 2012: approximately RMB2,452 million) will be repayable within one year and approximately RMB2,995 million (31 December 2012: approximately RMB3,100 million) will be repayable after one year. The senior notes were repayable between two to seven years.

As at 30 June 2013, 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 certain subsidiary companies of the Group and by pledge of their shares.

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. Appreciation in RMB would have a positive effect on the value on paying interest and repayment of foreign currency bank borrowings and senior notes. During the six months ended 30 June 2013, though the exchange rates of RMB against U.S. dollar and the Hong Kong dollar kept on increasing, 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 2013, the Group had provided guarantees amounting to approximately RMB3,687 million (31 December 2012: approximately RMB2,751 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 2013 as the default risk is low.

Employees and Remuneration Policies

As at 30 June 2013, the Group had approximately 8,836 employees (31 December 2012: approximately 7,502 employees). Total staff costs, including directors' emoluments, for the six months ended 30 June 2013 amounted to approximately RMB119 million (six months ended 30 June 2012: approximately RMB63 million). 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 2013, a total of 142,660,000 share options were granted. Up to 30 June 2013, a total of 25,090,000 share options were lapsed and no share options had been exercised. As at 30 June 2013, the outstanding share options were 117,570,000.

INTERIM DIVIDEND

The Board had resolved that no interim dividend be paid for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). For the period throughout the six months ended 30 June 2013, the Board is of the view that the Company has complied with the code provisions under the Corporate Governance Code save 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 separated and should not be performed by the same individual. Mr. Pan Jun is the chairman 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 conducive 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as the code of conduct regarding directors’ securities transactions. The Company has made specific enquiry with all Directors whether the Directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2013 and all Directors confirmed that they have complied with the Model Code throughout such period.

AUDIT COMMITTEE

The Company 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 four independent non-executive Directors, including Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan, while Mr. Ho Man is the chairman of the 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 has reviewed the accounting policies and practices adopted by the Group and discussed,

among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2013. In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the six months ended 30 June 2013 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

The Company established a remuneration committee with specific written terms of reference in compliance with the Corporate Governance Code. The remuneration committee currently comprises an executive Director, Mr. Pan Jun, and four independent non-executive Directors, Mr. Huang Ming, Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP and Mr. Xu Quan, while Mr. Huang Ming is the chairman of the remuneration committee. The remuneration committee is responsible for making recommendations to the Board on the Company’s remuneration policy and structure for all Directors’ and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

NOMINATION COMMITTEE

The Company established a nomination committee with specific written terms of reference in compliance with the Corporate Governance Code. The nomination committee currently comprises two executive Directors, Mr. Pan Jun and Ms. Zeng Jie, Baby, and four independent non-executive Directors, Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan, while Mr. Pan Jun is the chairman of the committee. The nomination committee is responsible for reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment and re-appointment of Directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

The Company is empowered by the applicable laws of the Cayman Islands and its articles of association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company’s listed shares during the six months ended 30 June 2013.

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.hkex.com.hk) and the Company (www.cnfantasia.com). The interim report of the Company for the six months ended 30 June 2013 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 our staff, shareholders, investors and partners that have been struggling side by side with us to help the Company grow healthy and strong. We hereby wish to express our sincere gratitude to all the shareholders, Directors and partners for their confidence placed on us and their support to the development direction of the Group. Last but not least, we also would 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, 16 August 2013

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; and the independent non-executive Directors are Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan.