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 2014

HIGHLIGHTS

– The spin-off and separate listing of Colour Life on the Main Board of the Stock Exchange has been successfully completed on 30 June 2014. After deducting the listing expenses, a total of approximately RMB710 million was raised on the first day of the listing. The successful spin-off and the listing of Colour Life has demonstrated the achievement of the light assets of Fantasia.

– The Group's revenue for the Period was approximately RMB2,917 million, which increased by 6.03% from approximately RMB2,751 million for the corresponding period in 2013.

– The Group's gross profit margin for the Period maintained at a high level of 34.7%.

– The Group's profit for the Period was approximately RMB123 million (the corresponding period in 2013: RMB325 million), and the profit arising from core businesses (excluding exchange gains and losses and changes in fair value of investment properties) was approximately RMB184 million (the corresponding period in 2013: RMB228 million).

– As at 30 June 2014, the Group's total cash (including restricted bank deposits) was approximately RMB4,802 million, which increased by 32.21% from approximately RMB3,632 million as at 31 December 2013.

- The Group's gearing ratio (being aggregated bank borrowings and senior notes net of bank balances and cash and restricted cash over the total equity) as at 30 June 2014 was 84.5%, which substantially decreased by 20.3 percentage points from 104.8% as at 31 December 2013.

- In January 2014, the Company issued senior notes in the amount of US$300 million at an interest rate of 10.625% due 2019.

- In January 2014, the Company issued 863,600,074 new shares to T.C.L. Industries Holdings (H.K.) Limited, and a total of approximately RMB940 million was raised.

- The Group's contracted sales for the Period decreased to approximately RMB1,800 million from approximately RMB3,668 million for the corresponding period in 2013.

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 2014 (the "**Period**") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
		2014	2013
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**2,916,567**	2,750,966
Cost of sales and services		**(1,905,864)**	(1,720,724)
Gross profit		**1,010,703**	1,030,242
Other income, gains and losses	*4*	**(57,756)**	140,629
Change in fair value of investment properties		**35,144**	58,883
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		**–**	7,820
Selling and distribution expenses		**(99,923)**	(130,970)
Administrative expenses		**(279,798)**	(254,340)
Finance costs	*5*	**(155,087)**	(150,915)
Share of profit of associates		**346**	203
Share of losses of joint ventures		**(3,984)**	–
Profit before tax		**449,645**	701,552
Income tax expense	*6*	**(326,600)**	(376,573)
Profit for the period	*7*	**123,045**	324,979

	NOTES	Six months ended 30 June **2014** *RMB'000* **(unaudited)**	2013 *RMB'000* (unaudited)
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of properties		**–**	3,840
Deferred taxation liability arising from revaluation of properties		**–**	(1,514)
Other comprehensive income for the period (net of tax)		**–**	2,326
Total comprehensive income for the period		**123,045**	327,305
Profit for the period attributable to:			
Owners of the Company		**101,420**	316,996
Non-controlling interests		**21,625**	7,983
		123,045	324,979
Total comprehensive income attributable to:			
Owners of the Company		**101,420**	319,322
Non-controlling interests		**21,625**	7,983
		123,045	327,305
Earnings per share *(RMB)*			
– Basic	*9*	**0.02**	0.06
– Diluted	*9*	**0.02**	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

	NOTES	**30 June 2014 RMB'000 (unaudited)**	31 December 2013 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,180,401**	905,241
Investment properties		**4,398,516**	4,012,828
Interests in associates		**1,912**	1,566
Interests in joint ventures		**450,843**	71,084
Available-for-sale investment		**38,910**	38,910
Goodwill		**79,267**	79,267
Intangible assets		**453**	907
Prepaid lease payments		**1,804,751**	1,233,811
Premium on prepaid lease payments		**384,606**	390,032
Land development expenditure		**667,020**	666,131
Other receivables		**376,841**	376,841
Deposits paid for acquisition of a joint venture		**871,676**	–
Deposits paid for acquisition of subsidiaries		**58,100**	150,000
Deposits paid for acquisition of a property project		**132,346**	132,346
Deposits paid for acquisition of land use rights		**1,011,477**	435,423
Deferred tax assets		**412,184**	393,454
		11,869,303	8,887,841
CURRENT ASSETS			
Properties for sale		**14,891,111**	14,191,479
Prepaid lease payments		**42,723**	30,828
Premium on prepaid lease payments		**10,853**	10,853
Trade and other receivables	*10*	**4,436,801**	3,583,659
Amounts due from joint ventures		**151,388**	139,190
Amounts due from customers for contract works		**141,067**	41,059
Tax recoverable		**35,016**	46,114
Restricted/pledged bank deposits		**1,867,737**	855,564
Bank balances and cash		**2,934,077**	2,776,879
		24,510,773	21,675,625

	NOTES	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	*11*	**4,826,555**	2,453,629
Deposits received for sale of properties		**3,245,666**	4,678,224
Amounts due to customers for contract works		**10,370**	54,318
Amount due to a shareholder		**342,025**	–
Amounts due to joint ventures		**409,925**	–
Amounts due to related parties		**31**	506
Tax liabilities		**2,617,640**	2,784,573
Borrowings – due within one year		**2,342,548**	2,053,357
Obligations under finance leases		**20,941**	26,003
Senior notes		**746,955**	–
		14,562,656	12,050,610
NET CURRENT ASSETS		**9,948,117**	9,625,015
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,817,420**	18,512,856
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**4,155,807**	4,942,036
Amount due to a shareholder		**643,584**	–
Obligations under finance leases		**130,881**	140,418
Senior notes		**6,035,516**	4,843,390
Deferred tax liabilities		**781,958**	719,916
Provision		**30,006**	29,591
Redeemable shares		**–**	6,177
		11,777,752	10,681,528
		10,039,668	7,831,328
CAPITAL AND RESERVES			
Share capital		**497,482**	429,575
Reserves		**7,859,295**	6,890,876
Equity attributable to owners of the Company		**8,356,777**	7,320,451
Perpetual capital instrument		**700,000**	–
Non-controlling interests		**982,891**	510,877
		10,039,668	7,831,328

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation to HKFRSs issued by HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

Amendments to HKAS 36 *Recoverable Amount Disclosure for Non-Financial Assets*

The Group has applied the amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" for the first time in the current interim period. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 "Fair Value Measurement".

Except for discussed above, 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.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective. The following amendments and interpretation have been issued after the date of the consolidated financial statements for the year ended 31 December 2013 were authorised for issuance and are not yet effective:

New or revised standards and interpretations that have been issued but not yet effective

HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2016

The directors of the Company anticipate that the application of HKFRS 15 may affect the revenue recognition of the Group and may have an impact on amounts reported in respect of the Group's revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Except as discussed above, the directors of the Company anticipate that the application of the above HKFRSs will have no material impact on the results and the financial position of the Group.

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 2014

	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	2,598,854	60,235	7,552	207,360	42,566	2,916,567	–	2,916,567
Inter-segment sales	56,396	–	–	32,743	–	89,139	(89,139)	–
Total	2,655,250	60,235	7,552	240,103	42,566	3,005,706	(89,139)	2,916,567
Segment profit (loss)	608,755	36,269	6,500	101,854	(4,586)	748,792	–	748,792

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

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, 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	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Segment profit	**748,792**	837,675
Unallocated amounts:		
Net foreign exchange (loss) gain	**(83,779)**	67,547
Unallocated income	**19,455**	7,936
Unallocated corporate expenses	**(76,098)**	(60,894)
Finance costs	**(155,087)**	(150,915)
Share of profit of associates	**346**	203
Share of losses of joint ventures	**(3,984)**	–
Profit before tax	**449,645**	701,552

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Property development	**22,357,226**	20,300,865
Property investment	**5,640,043**	4,334,570
Property agency services	**4,915**	3,912
Property operation services	**1,155,519**	937,689
Hotel operations	**825,336**	570,952
Total segment assets	**29,983,039**	26,147,988
Total unallocated assets	**6,397,037**	4,415,478
Group's total assets	**36,380,076**	30,563,466

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income	**19,455**	7,936
Government grant *(note)*	**500**	15,155
Net foreign exchange (loss) gain	**(83,779)**	67,547
Gain on land development project	**–**	49,274
Others	**6,068**	717
	(57,756)	140,629

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	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on:		
– borrowings	**272,194**	163,726
– senior notes	**376,485**	248,704
– finance leases	**3,252**	–
– consideration payable	**20,081**	–
Less: Amount capitalised in		
– properties under development for sale	**(467,316)**	(226,786)
– investment properties under development	**(43,690)**	(12,153)
– construction in progress	**(5,919)**	(2,976)
– land development expenditure	**–**	(19,600)
	155,087	150,915

During the six months ended 30 June 2014, borrowing costs capitalised arising on the general borrowing pool amounted to RMB408,417,000 (six months ended 30 June 2013: RMB199,599,000) and were calculated by applying the capitalisation rate of 11.3% (six months ended 30 June 2013: 12.3%) per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The income tax expense comprises:		
PRC taxes		
Enterprise income tax	**155,513**	217,099
Land appreciation tax	**161,104**	152,851
	316,617	369,950
Deferred tax		
Current period	**9,983**	6,623
	326,600	376,573

For the six months ended 30 June 2014, the relevant tax rate for the Company's subsidiaries in the PRC is 25% (six months ended 30 June 2013: 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 AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit and total comprehensive income for the period has been arrived at after charging:		
Release of prepaid lease payments	**12,742**	16,803
Release of premium on prepaid lease payments	**5,426**	15,983
Depreciation of property, plant and equipment	**39,459**	21,208
Amortisation of intangible assets	**454**	–
Staff costs (including in administrative expenses)	**97,701**	84,895

8. DIVIDENDS

During the period, a final dividend of HK6.68 cents per share in respect of the year ended 31 December 2013 (2013: HK5.50 cents) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the period amounted to approximately RMB306,054,000 (2013: RMB228,578,000).

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2014.

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	
	2014	2013
	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)	**101,420**	316,996
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**5,738,142,711**	5,207,221,750
Effect of dilutive potential ordinary shares:		
Share options	**15,804,453**	24,654,592
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,753,947,164**	5,231,876,342

10. 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 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**740,253**	661,721
Prepayments and other deposits	**115,374**	116,237
Prepayments to suppliers	**249,594**	226,028
Prepayments for construction work	**2,104,679**	1,511,936
Consideration receivable on disposal of a subsidiary in 2013	**102,685**	205,369
Consideration receivable on disposal of partial interests in subsidiaries resulting in loss of control	**388,990**	–
Amount due from Pixian Government	**135,830**	375,989
Other tax prepayments	**220,548**	207,522
Other receivables	**378,848**	278,857
	4,436,801	3,583,659

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 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 30 days	**142,381**	300,701
31 to 90 days	**236,063**	97,072
91 to 180 days	**84,924**	45,825
181 to 365 days	**145,530**	143,666
Over 1 year	**131,355**	74,457
	740,253	661,721

The trade receivables as at 30 June 2014 included the receivables from the property sales of approximately RMB561,949,000 (31 December 2013: RMB536,501,000) 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 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**2,300,310**	1,660,348
Deposits received	**25,034**	24,067
Other payables	**2,196,182**	515,233
Other taxes payables	**67,534**	61,559
Payroll payable	**78,382**	74,103
Welfare payable	**3,250**	2,620
Retention payable	**58,403**	60,400
Consideration payable	**–**	19,462
Accruals	**97,460**	35,837
	4,826,555	2,453,629

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 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 60 days	**1,765,238**	1,217,018
61 to 180 days	**302,608**	223,488
181 to 365 days	**202,629**	153,212
1 to 2 years	**50,724**	42,320
2 to 3 years	**18,612**	80,116
Over 3 years	**18,902**	4,594
	2,358,713	1,720,748

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Property Development

Contracted Sales and Project Development

As the property market in China developed too rapidly in 2013, the property prices in certain cities in China increased so tremendously that part of the demand was exhausted on the one hand, and on the other hand, the purchasing power of potential home-owners could not be sustained. After over a decade of development, the property market gradually overcame the problem of shortage in supply. Currently, except for some first-tier cities, the supply is rather adequate in most of the cities while some cities even face the risk of oversupply. During the first half of 2014, the favorable environment of the overall domestic property market could not be sustained. The unfavorable market environment has aggravated the competition among enterprises and the industry has entered into a brand new period of massive integration and overall sales is lower than expected. After almost two years of boom, the domestic property prices has begun to adjust. Companies in the property industry have launched more properties to the market and the level of inventory in most of the cities remains high; consequently, the pressure of destocking increases. Due to the general situation in the property market and the adjustment in the value of the properties, sales of the Group for the first half of the year is lower than expected. However, some projects achieved outstanding results even in the adverse environment and realized some breakthroughs in sales.

In the first half of 2014, the Group adhered to its steady and prudent business strategies in order to ensure that its cash flows and capital were cautiously managed and its product combinations were proactively adjusted, as well as its pace of launching new products was properly maintained. In view of the limited numbers of new projects, the Group focused on making breakthroughs on destocking through a variety of means and strategies so as to be well-prepared for the intensive launches of new properties in the second half of the year.

Chengdu-Chongqing Economic Zone

Chengdu-Chongqing Economic Zone is one of the most important drivers for economic growth in China. Driven by its systematic planning for transport development, Chengdu will become the strategic economic region for modern services industry and new and high-technology industry. The Group entered Chengdu market in early 2001. With the brand reputation that the Group has accumulated over the past 12 years, the Group has become one of the strongest property developers in Chengdu. In the second half of 2014, the Group is aiming to actively expand the development of the Group's projects in Chongqing and strive to complete comprehensive expansion of Chengdu-Chongqing Economic Zone.

During the Period, the Group recorded contracted sales area of approximately 99,713.21 sq.m. in Chengdu-Chongqing Economic Zone and contracted sales of approximately RMB585.8815 million, attributing 35.1% and 32.6% of the total contracted sales area and total contracted sales of properties to the Group, respectively.

As at 30 June 2014, the Group had five projects or phases of projects under construction in Chengdu-Chongqing Economic Zone, with a total planned gross floor area ("**GFA**") of approximately 1,418,353 sq.m. and an estimated saleable area of approximately 1,161,510 sq.m.. The Group also had five projects or phases of projects to be developed in Chengdu-Chongqing Economic Zone, with a total planned GFA of approximately 1,403,978 sq.m..

Pearl River Delta Region

Pearl River Delta Region is one of the most important drivers for economic growth in China, and the area in which Fantasia undertook strategic transformation. The Group has put in more efforts to develop the Pearl River Delta Region market, with Shenzhen being the center and Huizhou and Dongguan being the radiated regions, while speeding up the business development in Guilin market. In view of its extensive operational experience in the region's real estate industry, the Group has focused on expanding land reserve within the region in the current year.

During the Period, the Group recorded contracted sales area of approximately 95,210.73 sq.m. in Pearl River Delta Region; and recorded contracted sales of approximately RMB518.0495 million, attributing 33.5% and 28.8% of the total contracted sales area and total contracted sales of properties to the Group, respectively.

As at 30 June 2014, the Group had 12 projects or phases of projects under construction in Pearl River Delta Region, with a total planned GFA of approximately 1,464,613 sq.m. and an estimated saleable area of approximately 1,153,208 sq.m.. The Group also had nine projects or phases of projects to be developed in Pearl River Delta Region, with a total planned GFA of approximately 2,168,703 sq.m..

Beijing-Tianjin Metropolitan Area

Beijing-Tianjin Metropolitan Area, which is the third pole for China's economic growth as well as the core of the Capital Economic Circle and the hinterland of Bohai Economic Rim Region, enjoys a prominent strategic position. This area, being a national political, economic and cultural center, is one of the most attractive areas in China. During the Period, based on the existing projects, the Group actively expanded industry projects, which is the core direction of real estate transformation in the first-tier cities.

During the Period, the Group recorded contracted sales area of approximately 15,892.08 sq.m. and contracted sales of approximately RMB110.8605 million in Beijing-Tianjin Metropolitan Area, attributing 5.6% and 6.2% of the total contracted sales area and total contracted sales of properties to the Group, respectively.

As at 30 June 2014, the Group had three projects or phases of projects under construction in Beijing-Tianjin Metropolitan Area, with a total planned GFA of approximately 150,066 sq.m. and an estimated saleable area of approximately 115,052 sq.m.. The Group also had five projects or phases of projects to be developed in Beijing-Tianjin Metropolitan Area, with a total planned GFA of approximately 766,992 sq.m..

Yangtze River Delta Region

Yangtze River Delta Region is the region which enjoys the strongest integrative strength and the most-balanced development. Due to its extensive geographic coverage and strategic development, the region shall become an important focus for the growth of China's real estate industry. The Group paid continuous attention to the its current projects as well as the key cities that have great growth potential within the region. During the Period, the Group has promoted the implementation of housing industrialization in Suzhou Fantasia Special Town projects and succeeded in the sales of housing industrialization projects.

During the Period, the Group recorded contracted sales area of 57,886.62 sq.m. and contracted sales of approximately RMB429.3542 million in the Yangtze River Delta Region, attributing 20.4% and 23.9% of the total contracted sales area and total contracted sales of properties to the Group, respectively.

As at 30 June 2014, the Group had six projects or phases of projects under construction in Yangtze River Delta Region, with a total planned GFA of approximately 1,034,304 sq.m. and an estimated saleable area of approximately 708,492 sq.m.. The Group also had four projects or phases of projects to be developed in Yangtze River Delta Region, with a total planned GFA of approximately 823,917 sq.m..

Central China

Central China is one of the regions in China that has high economic growth potential. It is the centre of industry and agriculture as well as a transport hub of the country. The region stretches from East to West and enjoys the advantages brought by being the hub that connects all four directions of the country and the pivot of water and land transport. The region plays an important role of linking the eastern, southern, western and northern parts of China. During the Period, the Group used Wuhan city as a strategic point to enter the Central China market and smoothly implemented its strategic planning for the region.

During the Period, the Group recorded contracted sales area of 15,234.09 sq.m. and contracted sales of approximately RMB137.3741 million in Central China, attributing 5.3% and 7.5% of the total contracted sales area and total contracted sales of properties to the Group, respectively.

As at 30 June 2014, the Group had one project or phase of project under construction in Central China, with a total planned GFA of approximately 189,709 sq.m. and an estimated saleable area of approximately 149,279 sq.m.. The Group also had two projects or phases of projects to be developed in Central China, with a total planned GFA of approximately 417,660 sq.m..

Overseas

Singapore is one of the United States dollar centres and one of the most important financial, service and shipping centres in Asia. As the first stop where the Group advanced into overseas real estate market, Singapore has an important strategic meaning to the international development of the Group.

During the Period, the Group recorded contracted sales area of 179 sq.m. and contracted sales of approximately RMB18.4775 million in Singapore, attributing 0.1% and 1.0% of the total contracted sales area and total contracted sales of properties to the Group, respectively.

As at 30 June 2014, the Group had one project in Singapore to be developed, with a total planned GFA of approximately 22,904 sq.m..

Newly Commenced Projects

During the Period, the Group had eight projects or phases of projects which were newly commenced, with a total planned GFA of approximately 491,193 sq.m..

Projects Under Construction

As at 30 June 2014, the Group had 27 projects or phases of projects under construction, with a total planned GFA of 4,257,045 sq.m. and a total planned saleable area of 3,262,541 sq.m., among which the accumulated contracted area was 1,923,426 sq.m..

Projects Held for Development

As at 30 June 2014, the Group had 26 projects or phases of projects held for development, with a total planned GFA of approximately 5,604,155 sq.m..

Colour Life

The spin-off and separate listing of Colour Life Services Group Co., Limited ("**Colour Life**") on the Main Board ("**Main Board**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") has been successfully completed on 30 June 2014. After deducting the listing expenses, a total of approximately RMB710 million was raised on the first day of the listing. The successful spin-off and the listing of Colour Life has demonstrated an achievement of the light assets of Fantasia.

During the Period, the property operation business of the Group maintained rapid growth while Colour Life continued to expand its management areas through engagement and acquisition. As of 30 June 2014, Colour Life had grown its coverage to 90 cities in the PRC where Colour Life was contracted to manage 570 residential communities with an aggregate contracted GFA of approximately 89.2 million sq.m. and entered into consultancy services contracts with 467 residential communities with an aggregate contracted GFA of approximately 72.6 million sq.m.. In the past year, Colour Life also achieved considerable progress in its online services business and further enhanced its competition advantages of online and offline community service platform.

During the Period, the labour cost of the property services industry continued to increase. In order to tackle the challenges posted by such increase and further enhance the efficiency of the property management services, Colour Life has implemented the information-technology-based automation and equipment upgrade in some of the projects under its management. At the same time, Colour Life also launched its Caizhiyun website and its corresponding mobile application with the aim to provide convenience in remittance of fees, requesting repair and maintenance services and submitting complaints on services which strengthened the interactions and communications between Colour Life and the residential community owners. Colour Life believes that this will further boost its capability in catering to demands for community services in an era of mobile network, facilitate replication of its management model applicable to communities, and seamlessly integrate its online and offline businesses, provide strong assurance to its centralised business model of and the quality of its property management service, thereby further sharpening its competitive edge in property management.

In 2014, Colour Life will continue to focus on improving the quality of its property management, further upgrading its property management model in the communities under its management, launch more contents which facilitate interaction between residents on its online platform, thereby strengthening the brand effect of Colour Life community service platform. Colour Life will further enhance its strategic plan of nationwide deployment, enabling better economy of scale of the online and offline community service platforms. Colour Life will also continue to build up and enhance its capability in integrating resources in the commercial circles surrounding its communities, attracting more vendors to provide more goods and services via the Caizhiyun platform to the residents in the communities under its management, thereby strengthening customer cohesion in its service platform and developing Colour Life as a leading operator of community service platforms.

Financial Services

Since its operation from 2013, the financial sector of Fantasia, which is one of the Groups' major sectors, has been operating on China's largest social platform owned by the Group. The financial sector of the Group innovatively adopts the internet finance model and focuses on the development of large scale financial holding system, financial platform and financial ecosystem of the Group so as to establish the financial value chain between major sectors of the Group and develops a distinctive model of "community finance". The financial sector of the Group has formed three major business modules, namely micro credit business, finance leasing business and P2P internet finance platform.

Since obtaining its micro-credit license in May 2013, Shenzhen Hehenian Investments Consultant Company Limited ("**Shenzhen Hehenian**") has adopted an innovative operating module and utilized the Group's social platform to achieve rapid growth. Shenzhen Hehenian has opened 19 branches in four major areas, namely Guangdong, Guangxi, Hubei and Chuanyu district. It is expected that number of branches will reach 25 at the end of the year. The operation of the micro-credit business is sound and has already recorded profit.

Shenzhen Hehenian has obtained approval from the Ministry of Commerce for its finance leasing business to set up three branches in Shenzhen and Chengdu to conduct finance leasing business across the country. The finance leasing business of Shenzhen Hehenian focuses on innovation and has developed three distinctive major business modes: (1) as the first finance leasing services provider in the country that built upon the community-related services in large communities, to fully make use the Group's social community resources so as to provide specialised finance services to businesses within the large communities, which are segment services including cultural consumption, intelligent serviced apartments, transport and logistics, medical care and retirement, education, and subsequently to utilise the information to develop a series of community-related financial service products that generates synergy while providing services to customers within the communities; (2) to integrate the policy advantages of Qianhai District, Shenzhen and the geographical advantages of the nearby Hong Kong to explore a distinctive model of cross-border finance leasing business, and the Group has achieved major breakthrough on several projects; (3) to optimise the Group's structure through cooperation with financial institutions and reform the traditional finance leading business to provide the customers with more economical and convenient specialised financial services.

In the second half of the year, the Group will fully connect its P2P internet finance platform with the Caizhiyun APP from Colour Life and launch its offline promotion in the residential communities. With the in-depth cooperation with social platform and the utilisation of big data, Shenzhen Hehenian will response to the characteristics of the community, develop inclusive financial products that are exclusive to the residential communities, set up marketing team and internet expansion mode that ties in with the characteristics of the community. Based on the prerequisite that risks remain controllable, Shenzhen Hehenian targets on the rapid growth on the scale of the finance platform.

Looking forward, the financial sector of Fantasia will connect the P2P finance platform with the largest social platform in China and allow the business models to complement each other. Meanwhile, it will take proactive actions to obtain new finance licenses so as to provide customers with integrated financial services, and strive to be the largest community financial services provider in China.

Property International

Established in 2010, Fantasia Property Management (International) Company Limited ("**Property International**"), a wholly-owned subsidiary of the Group, focuses on providing property management service to "commercial properties and serviced apartments" ("**International Property Sector**") and is one of the most important business sectors of the Group. The Group has been actively involved in the growing market of providing management services to "commercial properties and serviced apartments" in the property market of China which recorded tremendous growth in the past four years. We currently manage over 30 projects, of which 10 were newly commenced in the first half of 2014, it forms a nationwide strategic layout covering the key regions that embrace Chengdu-Chongqing, Pearl River Delta Region, Yangtze River Delta Region and Bohai Economic Rim Region.

Instead of traditional basic property services, the International Property Sector offers world class professional services based on specific needs. Firstly, the Group integrated market resources and valuable customer resources owned by property services providers. Through the Huabaner (花瓣兒) APP of the International Property Sector, the Group created contents necessary for various platforms such as customers information, housing information and merchant information from offline to online, so as to build an intelligent community. Secondly, as property services became more professional, the Group's property management sector transformed itself into a company that provided integrated management services, leveraging on its management capacity to coordinate professional companies in order to provide professional services to home-owners. In the first half of the year, the Group's International Property Sector established Shenzhen Niutian Electromechanical Equipment Engineering Co., Ltd. and Shenzhen Yicai Space Decoration & Design Engineering Co., Ltd. to commission its maintenance, design and decoration works to professional companies, so that the work of management is gradually distinguished from that of the operational staff. Consequently, the professionalism of the Group's operational staff is enhanced. Thirdly, the Group upgraded its assets operation for property management.

The International Property Sector will continue to enhance its property service system in the future. While providing world class professional property services that "replace the traditional property management model with a hotel-like model", it will also proactively develop new business models and establish its own core service system through intelligent communities, wealth creation platform for small-sized enterprises, star-rated serviced apartments and first class residential services, with a view to provide the target customers a brand new user experience and become a leading platform for business activities.

Business Management Service

Since urban complex is an important category among the real estate products of the Group, and under the Group's corporate mission of pursuing innovative business model and offering a wider coverage of business with its experience accumulated over the past 16 years, Shenzhen Fantasia Business Management Company Limited ("**Fantasia Business Management**"), a subsidiary of the Group, during the Period, successfully attracted numerous industry talents, and actively participated in the operational planning, promotion and operation as well as investment invitation of the Group's certain large scale projects.

The occupancy rate of Guilin Huashengtang, which is developed and operated by Fantasia Business Management, has reached 75%. Guilin Huashengtang has established cooperation relationships with over 60 business partners and built its self-operated brand. Fantasia Business Management strives to establish Guilin Huashengtang as a shopping mall that harnesses the synergy from the three business models, namely leasing, joint operation and self-operation. The occupancy rate of Nanjing Yuhuatai, which is developed and operated by Fantasia Business Management, has reached 90%. With nearly 80 partner merchants, Nanjing Yuhuatai has become a modern shopping mall with a wide range of business activities which combines entertainment and consumption. Nanjing Yuhuatai will commence operation in the near future and pre-opening promotions are in progress. In June 2014, Fantasia Business Management has successfully entered into a strategic cooperation agreement with Cinemark, a world leading brand of cinema complex. Pursuant to the agreement, Fantasia Business Management will join force with Cinemark to achieve common goal. Cinemark has entered into contracts in relation to Chengdu Pixian Project, Hongtang Project and Suzhou Hongtang Project and expressed intention of setting up businesses at these locations. Under the leadership of Fantasia Business Management, the occupancy rate of Chengdu Pixian Project has reached 22%. Shenzhen Fantasia Business Management will work closely with international top brands in shaping the Project into a new outlet lifestyle center. Meanwhile, Beijing Huashengtang and Suzhou and Chengdu Hongtang Projects, which have larger scale, more plentiful business activities and higher position, are intensely preparing to be launched.

As a result, the brand image and recognition of Fantasia's business projects have been improved significantly and gained unique brand influence in the industry. The Group believes that Fantasia Business Management will earn a stable and constantly increasing return in the future.

Hotel Management

In 2014, Fantasia Hotel Management Company Limited continues to expand rapidly. It has seven hotels under its operation, namely Rhombus Fantasia Chengdu Hotel, Shenzhen U Hotel, Arcadia Resort Hotel in Yixing (宜興雲海間度假酒店), Ningbo Kangcheng Sunshine U Hotel (寧波康城陽光有園酒店), Tianjin U Hotel, Chengdu U Hotel and Hotel 373 (373酒店) in the United States. During the Period, Fantasia's hotel projects in cities such as Guilin and Taipei are successfully launched.

In March 2014, standing out from numerous potential hotels participated in the competition, "U Hotel", the sub-brand operated by Fantasia Hotel Management Company Limited, was awarded the "Most Progressing Hotel Brands of China in 2013 (2013中國最具發展潛力酒店品牌)" by China Hotel Starlight Awards.

Meanwhile, Rhombus Fantasia Chengdu Hotel was awarded the "Best Business Hotel 2013-2014" jointly presented by City Traveler and International Channel Shanghai. This brand new award for Fantasia's hotels is the latest honour that the Group's hotels have been granted after the brand "U Hotels" is awarded the "Most Progressing Hotel Brands of China in 2013" this year.

During the second half of 2014, Fantasia will corporate with Starwood Hotels & Resorts Worldwide, Inc., an internationally well-known hotel management enterprise, to develop, construct and manage Guilin Lingui Fantasia Four Points by Sheraton in Lingui New District of Guilin City, manage Lakeside Eden Mansion (麓湖公館), re-position, invest in and renovate the spa resorts that are tailored for "pursuing a relaxed body, mind and soul" in Yixing and create mini five-star arts boutique hotels under the brand "U Hotels" in Taiwan. In the next three to five years, apart from expanding its operations in China, Fantasia also plans to expand its operations to various countries and cities such as Hong Kong, Maldives and South Korea.

Retirement Life Service

In 2014, Shenzhen Futainian Senior Care Investment Management Co., Ltd. ("**Futainian**") achieved success in the trial operation of the country's first 4-in-1 community senior healthcare model, which is community-based and aims at catering the needs of the elderly. Futainian embraces the notion of "An evergreen life leads to a happier family" and develops the systematic community senior healthcare model that integrates home care, day-care centre, retirement home and university for senior citizens ("子悅") to provide the elderly with various basic and value-added services including body checks, home services, post-surgical care, physiotherapy for preserving health, nutritious diets, group activities, retirement houses and health management.

Meanwhile, in the first half of the year, the Group started various back office supporting works such as the establishment of big database for retirement life service, the setting up of talent training base for retirement life, the development and research on products for the elderly as well as the regulation in relation to the "Standards of Elderly Care Services".

In the second half of 2014, the Company will further optimise the work scope of the back office works for retirement life service and focus on the development of "big data" system as well as the talent training base for retirement life service. The Company will also integrate the back office system with community services to create an all rounded product sets. The Company plans to adopt its 4-in-1 community senior healthcare model in Gulou District, Nanjing in late August and use Nanjing as a starting point for the market planning of its retirement life service in the Yangtze River Delta.

Education

The Group's education sector commenced operation in 2014 officially. The education sector will carry out resources integration along the two major directions, namely training for modern service industries and community education.

As far as the first direction is concerned, the Group's education sector will enter the community service and retirement life service industries through its activities in these industries. During the first half of the year, the Group organised and consolidated its education sector by analyzing relevant industrial standards and first class overseas vocational training resources. The Group interviewed several vocational schools on the topic of talent training and conducted site visits to various locations including Shenzhen, Eastern China, Southwest China and Northern China for setting up training centres. The Group has expressed intention of setting up a training centre in Eastern China, which, during its ramp-up period, can effectively meet the demands for talents of the Group's various sectors. Meanwhile, the education sector has also been in discussion with the relevant authorities and industry associations on the joint development and accreditation of occupational skills qualification certificates.

As for the second direction, the education sector will utilise the big data from "Colour Life" to enter the community education market with a focus on study abroad 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 2014, turnover of the Group amounted to approximately RMB2,917 million, representing an increase of 6.03% from approximately RMB2,751 million for the corresponding period in 2013. The slight 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 RMB105 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 RMB57 million.

Property Development

The Group recognizes 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 2.3% to approximately RMB2,599 million for the six months ended 30 June 2014 from approximately RMB2,541 million for the corresponding period in 2013. It was primarily due to the increase in the GFA of properties delivered.

Property Investment

Revenue generated from property investment increased by 5.26% to approximately RMB60 million for the six months ended 30 June 2014 from approximately RMB57 million for the corresponding period in 2013. The increase was primarily due to slight growth of rental income of the investment properties.

Property Agency Services

Revenue derived from property agency services increased by 33% to approximately RMB8 million for the six months ended 30 June 2014 from approximately RMB6 million for the corresponding period in 2013. The increase was primarily due to the increase in number of communities the Group managed in which it provided agency service.

Property Operation Services

Revenue derived from property operation services increased by 103% to approximately RMB207 million for the six months ended 30 June 2014 from approximately RMB102 million for the corresponding period in 2013. This increase was primarily due to a substantial increase in the GFA of properties that the Group managed during the first half of 2014.

Hotel Operation and Related Services

Revenue derived from hotel operation and related services decreased by RMB2 million to approximately RMB43 million for the six months ended 30 June 2014 from approximately RMB45 million for the corresponding period in 2013, basically remaining flat as compared to that in last year.

Gross Profit and Margin

Gross profit of the Group decreased by 1.8% to approximately RMB1,011 million for the six months ended 30 June 2014 from approximately RMB1,030 million for the corresponding period in 2013, while the Group's gross profit margin maintained at a high level of 34.7% for the six months ended 30 June 2014 as compared to a gross profit margin of 37.5% for the corresponding period in 2013. The decrease in gross profit margin was primarily due to the fact that the commercial properties delivered represented a larger proportion of the total properties delivered during the first half of 2013, while the proportion of residential properties delivered increased during the first half of 2014, though the residential properties have a lower gross profit margin than commercial properties, the gross profit margin maintained at a reasonable level.

Other Income, Gain and Losses

Other income, gain and losses decreased by 141% to a net loss of approximately RMB58 million for the six months ended 30 June 2014 from a net gain of approximately RMB141 million for the corresponding period in 2013. The loss was mainly due to an exchange loss of RMB84 million (the corresponding period in 2013: an exchange gain of RMB68 million) resulting from the continuous 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 23.7% to approximately RMB100 million for the six months ended 30 June 2014 from approximately RMB131 million for the corresponding period in 2013. The decrease was mainly due to the amount of the Group's contracted sales during the Period, which decreased by approximately 50% as compared to that during the corresponding period in 2013. Expenses such as advertising and marketing expenses as well as operating expenses of sales offices for the Period were closely related to the amount of contracted sales, and hence the selling expenses decreased significantly.

Administrative Expenses

The Group's administrative expenses increased by 10.2% to approximately RMB280 million for the six months ended 30 June 2014 from approximately RMB254 million for the corresponding period in 2013. This increase was primarily due to the Group's expansion, and the number of staff increased which resulted in an increase in the staff cost.

Finance Costs

The Group's finance costs increased by 2.6% to approximately RMB155 million for the six months ended 30 June 2014 from approximately RMB151 million for the corresponding period in 2013, basically remaining flat as compared to that for the corresponding period.

Income Tax Expenses

The Group's income tax expenses decreased by 13.3% to approximately RMB327 million for the six months ended 30 June 2014 from approximately RMB377 million for the corresponding period in 2013. This decrease was mainly due to the decrease in profit before tax.

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2014, the Group's total cash (including restricted bank deposits) was approximately RMB4,802 million (31 December 2013: approximately RMB3,632 million), representing an increase of 32.21% as compared to that as at 31 December 2013.

Gearing Ratio

The gearing ratio was 84.5% as at 30 June 2014 (31 December 2013: 104.8%). 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 36.5% as at 30 June 2014 (31 December 2013: 38.7%). Due to the unfavorable property market during the Period, 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 so that the Group had a relatively substantial decrease in its gearing ratio 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 2014, the Group had an aggregate bank borrowings and senior notes of approximately RMB6,498 million (31 December 2013: approximately RMB6,995 million) and approximately RMB6,782 million (31 December 2013: approximately RMB4,843 million), respectively. Amongst the bank borrowings, approximately RMB2,342 million (31 December 2013: approximately RMB2,053 million) will be repayable within one year and approximately RMB4,156 million (31 December 2013: approximately RMB4,942 million) will be repayable after one year. The senior notes were repayable between one to six years.

As at 30 June 2014, 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. For the six months ended 30 June 2014, 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 2014, the Group had provided guarantees amounting to approximately RMB4,297 million (31 December 2013: approximately RMB3,163 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 2014 as the default risk is low.

Employees and Remuneration Policies

As at 30 June 2014, the Group had approximately 14,266 employees (31 December 2013: approximately 12,412 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 2014, a total of 142,660,000 share options were granted. Up to 30 June 2014, a total of 28,810,000 share options were lapsed and 90,000 options had been exercised. As at 30 June 2014, the outstanding share options were 113,760,000.

SIGNIFICANT EVENT DURING THE PERIOD

On 6 January 2014, the Company together with certain of its subsidiaries completed the acquisition of all the equity interest in Huizhou TCL Real Estate Development Co., Ltd. and the indebtedness of Huizhou TCL Real Estate Development Co., Ltd. and its subsidiaries due to TCL Corporation, and the subscription by T.C.L. Industries Holdings (H.K.) Limited of 863,600,074 new shares of the Company at a subscription price of HK$1.41 per share. Please refer to the announcements of the Company dated 23 December 2013 and 6 January 2014.

INTERIM DIVIDEND

The Board had resolved that no interim dividend be paid for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 2014, 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 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.

– Under Code A.6.7, the independent non-executive Directors and the non-executive Directors, as equal Board members, should attend the general meetings of the Company. However, due to other business commitment, Ms. Zeng Jie, Baby, the executive Director, Mr. Li Dong Sheng and Mr. Yuan Hao Dong, the non-executive Directors, and Mr. Liao Martin Cheung Kong, JP and Mr. Huang Ming, the independent non-executive Directors, did not attend the annual general meeting of the Company held on 14 May 2014.

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 2014 and all Directors confirmed that they have complied with the Model Code throughout such 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 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 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 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 2014.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in compliance with Rules 3.25 and 3.26 of the Listing Rules 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 has 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 of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2014.

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 six months ended 30 June 2014 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 struggling side by side with the Group to help the Company grow healthy and strong. The Group hereby wishes to express its 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, 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, 13 August 2014

As at the date of this announcement, the executive Directors are Mr. Pan Jun, Ms. Zeng Jie, Baby, Mr. Lam Kam Tong, Mr. Zhou Jinquan and Mr. Wang Liang; 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. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan.