COUNTRY GARDEN HOLDINGS COMPANY LIMITED
碧 桂 園 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2007)

ANNOUNCEMENT OF INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2014

HIGHLIGHTS

- Total revenue for the six months ended 30 June 2014 amounted to approximately RMB38.32 billion, representing an increase of approximately 42.2% compared with the first six months of 2013; recognized GFA reached approximately 5.35 million sq. m., representing an increase of approximately 38.7% compared with the first six months of 2013.
- Profit attributable to owners of the Company amounted to approximately RMB5.42 billion, representing an increase of approximately 25.6% compared with the first six months of 2013.
- Earnings per share amounted to approximately RMB29.54 cents, increased by approximately 24.2% compared with the first six months of 2013.
- As of 30 June 2014, book value per share amounted to approximately RMB2.67, representing an increase of approximately 22.5% compared with the first six months of 2013.
- Successfully issued senior notes twice with aggregate amount of US$800 million during the first six months of 2014.

The board of directors (the "**Board**") of Country Garden Holdings Company Limited ("**Country Garden**" or the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2014.

BUSINESS REVIEW AND OUTLOOK

The Group's total revenue reached approximately RMB38,323.2 million for the first six months of 2014, representing an increase of approximately 42.2% compared to the first six months of 2013, and gross profit reached approximately RMB10,951.4 million, gross profit margin is approximately 28.6%. Profit attributable to owners of the Company rose to approximately RMB5,423.2 million, posting an increase of approximately 25.6% compared to the first six months of 2013. Of which, RMB932.7 million of after-tax gain was related to the fair value change of the investment property portfolio. The Group's core profit[1] amounted to RMB4,712.1 million, representing an increase of approximately 14.1% compared to the first six months of 2013. The Board does not recommend the payment of interim dividend, which maintains the same interim dividend policy as before.

During the period under review, Country Garden, as always, in accordance with national policies, actively responded to the market changes and made timely adjustments to its development and sales plan, offered high value-for-money products to suit the user-oriented demand. Facing the ever-changing market environment, while the Group continued to further enhance the environmental features, ancillary facilities of its projects and its product quality, it also adopted various active and flexible sales strategies and marketing activities which promoted sales and also benefited the Group's long-term sustainable development. For the first half of 2014, the Group achieved contracted sales of approximately RMB58,417.1 million, and contracted gross floor area ("**GFA**") of approximately 8.79 million sq. m., representing year-on-year growth of approximately 73.6% and 73.4% respectively. During the first half of 2014, the Company launched a total of 22 new projects, the majority of which were outside Guangdong Province.

While the Group continued to achieve healthy growth in Guangdong Province, its core market, the recognition of Country Garden's brand name has been continuously rising outside Guangdong. We have become a leading brand in many of our operations outside Guangdong, which not only diversifies the Group's geographical coverage of business, but also sets a solid foundation for the long-term development of the Group. The ratio of the contracted sales from the projects outside Guangdong Province (including overseas) to that of the Group has increased from approximately 23.6% in 2008 to approximately 67.3% in the first half of 2014, which verifies that the Group's successful business model in Guangdong Province is replicable in places outside Guangdong Province. At the same time, the success of Country Garden Danga Bay, located in Johor, Malaysia, has given the Group precious experience and further enhanced its confidence in further overseas business expansion. The Group's first project outside Asia, namely Country Garden Ryde Garden, located in the suburban of Sydney, Australia, has launched in June, and achieved excellent sales performance there. The Group is confident that its overseas business can generate stable and satisfactory returns.

As of 30 June 2014, the Group had 209 projects under different stages of development (including 82 in Guangdong Province). Attributable GFA with land use right certificates, development and operation rights or land title was approximately 75.68 million sq. m. (approximately 35.3% in Guangdong Province), among which attributable GFA with construction permits was around 35.65 million sq. m..

1 Excluding fair value changes on investment properties, exchange gains/losses, and the gains/losses of early redemption of senior notes

Alongside the continuing expansion in property development and sales, the Group's hotel business broadened its recurring income stream from non-residential developments, diversifying the Group's property income portfolio. As of 30 June 2014, the Group operated 39 five-star hotels or five-star standard hotels, as well as 2 four-star hotels, with a total of 11,670 guest rooms, and during the first half of 2014, Hotels income amounted to approximately RMB413.1 million. Most of the Group's hotels are located within the Group's property projects. The development of five-star standard hotels within these property projects assists in sales promotion and enhances the ancillary value of the projects.

To further tap the value of its commercial properties, in late 2013, the Group set up a wholly owned subsidiary Guangzhou Country Garden Commercial Management Company Limited, which is, responsible for the strategic planning and management of the Group's large-size commercial properties as well as community commercial properties. As of 30 June, 2014, the total GFA of Group's investment properties is approximately 757.4 thousand sq. m., with a fair value of approximately RMB5,362.6 million, of which completed GFA is approximately 480.7 thousand sq. m. with a fair value of approximately RMB3,767.9 million. During the first half of 2014, the rental income on investment properties amounted to approximately RMB45.7 million.

In the aspect of internal management, the Group further consolidated and continued to fine-tune its organization structure, management processes and the result-oriented performance appraisal system, meanwhile maintained a close monitoring of the various pre-determined performance indicators imposed on its projects. With a more precise process management, the project execution efficiency and product quality have been greatly enhanced. In addition, the Group has introduced a result-oriented project incentive scheme (including granting cash awards and share options), in order to make it more incentivized and to allow our staff (including executive directors) to better share and enjoy the achievement with the Group together.

In addition, the Company has appointed one executive director and one independent non-executive director in April this year. Mr. WU Jianbin, the executive director and chief financial officer, has a rich financial and business management background, with over thirty years of experience in corporate finance, accounting, investment operations and information management. Before joining the Group, Mr. WU held several senior management posts from China Overseas Holdings Limited and China Overseas Investment Developing Holdings Limited. Mr. YEUNG Kwok On, the independent non-executive director, has experienced knowledge in human resources management. Mr. YEUNG has worked as a consultant and management position in a number of well-known international companies. The Group believes that their joining will further strengthen the board's independence and diversification, which will help the Company to maintain a strict level of corporate governance, effectively protect the legitimate rights and interests of the shareholders, creditors and other stakeholders, and together with other senior management, lead the Group to a new stage of development.

With regards to financial management, on top of its strong bank financing capabilities with major commercial banks, in order to reduce the cost of funding, the Group successfully took advantage of the good market opportunities and issued two senior notes during the first six months of 2014 — the private placement of USD$250 million with 5 years tenor and 7.5% coupon rate, and the public offering of USD$550 million with 5 years tenor and 7.875% coupon rate, of which the USD$550 million senior notes recorded five times oversubscription. In addition, Fitch Ratings initiated its coverage of the Company with BB+ (stable outlook) corporate credit rating and bond credit rating.

Standard & Poor's upgraded our corporate credit rating from BB to BB+ (stable outlook) and bond credit rating from BB- to BB+ (stable outlook), and Moody's maintained our issuer's credit rating and bond credit rating at Ba2 (stable outlook). The Group's operation model and financial strength have been further recognized by the investment community.

Looking forward, with the overall improvement in the global economic environment, the further loosening up of control measures and further marketization in China's real estate industry, the Group will carefully study and continuously adapt to the market, adhere with the national development strategy and macroeconomic environment. At the same time, maintain the continuity of our business concept, continue to adhere with our established steady business strategy, endeavor to perform well in operation and management, and strategically select and develop property projects. Together with our fast track development, strong project execution capabilities, continuously enhanced product quality as well as gardening facilities, property management services with attention to details, we are committed to offering high value-for-money property products and living experience, achieving sales success both in China and overseas, creating value for the society and generating satisfactory returns for our shareholders.

CONSOLIDATED INTERIM BALANCE SHEET

	Note	**Unaudited 30 June 2014** *RMB'000*	Audited 31 December 2013 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	7	**16,763,603**	15,828,290
Investment properties	7	**5,362,634**	112,340
Intangible assets	7	**21,289**	43,477
Land use rights	7	**2,107,890**	1,865,068
Properties under development		**46,772,657**	40,080,095
Investment in an associate		**42,144**	56,791
Investment in a joint venture		**34,729**	33,333
Deferred income tax assets		**2,069,658**	1,800,022
Available-for-sale financial assets		**210,748**	206,329
		73,385,352	60,025,745
Current assets			
Properties under development		**89,607,194**	67,473,799
Completed properties held for sale		**18,514,139**	18,919,822
Inventories		**742,922**	572,863
Trade and other receivables	8	**27,528,276**	26,378,400
Prepaid taxes		**8,116,638**	6,189,210
Restricted cash		**8,538,168**	7,769,870
Cash and cash equivalents		**15,887,047**	18,909,719
		168,934,384	146,213,683
Total assets		**242,319,736**	206,239,428
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	9	**20,169,019**	20,169,019
Other reserves		**3,645,238**	2,194,083
Retained earnings			
— 2013 proposed dividend		**1,598,549**	3,105,759
— others		**23,907,969**	18,484,759
		49,320,775	43,953,620
Non-controlling interests		**5,478,062**	2,057,547
Total equity		**54,798,837**	46,011,167

	Note	**Unaudited 30 June 2014** *RMB'000*	Audited 31 December 2013 *RMB'000*
LIABILITIES			
Non-current liabilities			
Senior notes	11	**22,355,324**	20,711,542
Bank and other borrowings		**24,580,048**	23,103,006
Deferred government grants		**239,520**	239,520
Deferred income tax liabilities		**2,308,297**	1,269,910
		49,483,189	45,323,978
Current liabilities			
Advanced proceeds received from customers		**83,429,713**	63,417,952
Trade and other payables	12	**34,485,068**	30,914,620
Dividend payable	18	**1,507,210**	—
Income taxes payable		**8,040,396**	8,137,481
Senior notes	11	**2,373,228**	2,348,003
Bank and other borrowings		**8,202,095**	10,086,227
		138,037,710	114,904,283
Total liabilities		**187,520,899**	160,228,261
Total equity and liabilities		**242,319,736**	206,239,428
Net current assets		**30,896,674**	31,309,400
Total assets less current liabilities		**104,282,026**	91,335,145

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Revenue	6	**38,323,221**	26,956,994
Cost of sales	14	**(27,371,772)**	(17,813,760)
Gross profit		**10,951,449**	9,143,234
Other gains — net	13	**1,296,148**	29,023
Selling and marketing costs	14	**(1,788,279)**	(1,529,484)
Administrative expenses	14	**(1,523,248)**	(877,814)
Operating profit		**8,936,070**	6,764,959
Finance income	15	**136,816**	399,148
Finance costs	15	**(295,499)**	—
Finance (costs)/income — net	15	**(158,683)**	399,148
Share of results of an associate and a joint venture		**(13,252)**	(28,466)
Profit before income tax		**8,764,135**	7,135,641
Income tax expenses	16	**(3,165,370)**	(2,768,833)
Profit for the period		**5,598,765**	4,366,808
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
— Revaluation gains on properties upon transfer from property, plant and equipment and land use rights to investment properties		**1,429,657**	—
Items that may be reclassified subsequently to profit or loss:			
— Currency translation differences		**462**	(43,263)
— Change in fair value of available-for-sale financial assets		**4,420**	—
Other comprehensive income for the period, net of tax		**1,434,539**	(43,263)
Total comprehensive income for the period, net of tax		**7,033,304**	4,323,545

	Note	Unaudited Six months ended 30 June **2014** ***RMB'000***	 2013 *RMB'000*
Profit attributable to:			
— Owners of the Company		**5,423,210**	4,316,190
— Non-controlling interests		**175,555**	50,618
		5,598,765	4,366,808
Total comprehensive income attributable to:			
— Owners of the Company		**6,863,482**	4,290,863
— Non-controlling interests		**169,822**	32,682
		7,033,304	4,323,545
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
Basic	17	**29.54**	23.78
Diluted	17	**29.54**	23.75

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the "Group") are principally engaged in the property development, construction, fitting and decoration, property investment, property management and hotel operation.

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 April 2007.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated, and was approved by the Board of Directors of the Company for issue on 19 August 2014.

This condensed consolidated interim financial information has been reviewed, not audited.

Key events

(i) Issuance and redemption of senior notes

On 27 May 2014, the Company issued senior notes in an aggregate principal amount of USD550, 000,000. On 5 June 2014, the Company issued senior notes in an aggregate principal amount of USD250,000,000. On 15 June 2014, all the outstanding 2017 Notes in the principal amount of USD550,000,000 were redeemed at a redemption price equal to 105.625% of the principal amount to thereof, plus accrued and unpaid interest. Details of the above issuance and redemption of senior notes are set out in note 11.

(ii) Change in use of certain properties and change in accounting policy on investment properties

Pursuant to a business plan approved by management on 30 June 2014, the Group changed its holding intention of certain properties of the Group from holding for sale or for use to earning long-term rental. The costs of these properties were previously included in "Properties under development", "Properties held for sale", "Property, plant and equipment" and "Land use rights". As a result of the change in intention, they were transferred to "Investment properties" on 30 June 2014. Details of the change are set out in note 7.

On 30 June 2014, the Group changed its accounting policy on investment properties. Prior to 30 June 2014, the Group's investment properties were stated at historical cost less accumulated depreciation and impairment loss. Subsequent to the change in accounting policy, investment properties are carried at fair value. Details of the change are set out in note 3 (iii).

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim Financial Reporting'. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

(i) Amendments and interpretations to existing standards that are effective for the financial year beginning on 1 January 2014 are not expected to have a material impact on or not relevant to the Group.

(ii) New and revised standards and amendments to existing standards have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted:

		Effective for the financial year beginning on or after
Annual improvements 2012 and 2013	Annual improvements projects	1 July 2014
HKFRS 11 (Amendment)	'Accounting for acquisitions of interests in joint operation'	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	'Clarification of acceptable methods of depreciation and amortisation'	1 January 2016
HKFRS15	'Revenue from Contracts with Customers'	1 January 2017
HKFRS 9	'Financial Instruments'	1 January 2018

The Group is yet to assess the impact of the above new and revised standards and amendments to existing standards on the Group's consolidated financial statements.

(iii) Change in accounting policy on investment properties

On 30 June 2014, the Group changed its accounting policy on investment properties. Prior to 30 June 2014, the Group's investment properties were stated at historical cost less accumulated depreciation and impairment loss. They were depreciated using the straight line method over estimated useful life of 20 years. Subsequent to the change in accounting policy, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss in 'other gains — net' (note 13).

If an item of property, plant and equipment or land use rights becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation gain or loss. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss to the extent the impairment provision previous made. For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

Management believes that the new accounting policy for investment properties results in a more relevant presentation of the Group's financial position and also results in a presentation that is more consistent with the industry practices.

The above change in accounting policy should be accounted for retrospectively in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"; however, as the impact to the Group was immaterial, no retrospective adjustments have been made to the Group's prior periods' consolidated financial statements. The cumulative impact was recorded as follows:

	30 June 2014
	RMB'000
Increase in investment properties	**94,477**
Increase in deferred income tax liabilities	**23,619**
Increase in retained earnings	**70,858**

	Six months ended 30 June 2014
	RMB'000
Fair value gains on investment properties	**94,477**
Increase in income tax expenses	**23,619**
Increase in profit attributable to owners of the Company	**70,858**

(iv) Perpetual capital securities

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

(v) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013 except for the below.

Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the total contractual undiscounted cash out flows for financial liabilities.

6 SEGMENT INFORMATION

The executive directors of the Company (the "ED") reviews the Group's internal reporting in order to assess performance and allocate resources. The ED has determined the operating segments based on these reports.

The ED considers the business from product perspective. From a product perspective, ED assesses the performance of:

- Property development;
- Construction, fitting and decoration;
- Property investment (new segment identified in the current period);
- Property management; and
- Hotel operation.

The ED assesses the performance of the operating segments based on a measure of operating profit.

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment properties, properties under development, completed properties held for sale, inventories, receivables and operating cash. They exclude deferred income tax assets and available-for-sale financial assets. Segment liabilities consist primarily of operating liabilities. They exclude bank and other borrowings, senior notes, deferred income tax liabilities and income taxes payable.

Capital expenditure comprises additions to property, plant and equipment, land use rights, investment properties and intangible assets (note 7).

Revenue consists of the following:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Sales of properties	**37,007,550**	25,738,554
Rendering of construction, fitting and decoration services	**370,766**	452,966
Rental income	**45,696**	12,622
Rendering of property management services	**486,157**	325,229
Rendering of hotel services	**413,052**	427,623
	38,323,221	26,956,994

Sales between segments are carried out according to the terms and conditions agreed by both parties.

The Group's entire revenue is attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers; none of whom contributed 5% or more of the Group's revenue.

Following the change of business plan of the Group during the period (note 7), property investment is identified as a separate operating segment in the current period. In addition, rental income included in other gains in the prior period is reclassified to revenue to conform to current period presentation. The segment revenue and results of the property investment segment for the prior period were included in the property development and hotel operation segments.

The segment information provided to the ED for the reportable segments for the six months ended 30 June 2014 is as follows:

	Property development *RMB'000*	**Construction, fitting and decoration** *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Hotel operation** *RMB'000*	**Total Group** *RMB'000*
Six months ended 30 June 2014						
Total revenue	**37,007,550**	**8,238,540**	**45,696**	**486,157**	**456,167**	**46,234,110**
Inter-segment revenue	**—**	**(7,867,774)**	**—**	**—**	**(43,115)**	**(7,910,889)**
Revenue (from external customers)	**37,007,550**	**370,766**	**45,696**	**486,157**	**413,052**	**38,323,221**
Depreciation and amortisation	**181,278**	**14,400**	**15,214**	**5,389**	**166,737**	**383,018**
Operating profit/(loss)	**7,686,712**	**70,904**	**1,277,945**	**31,949**	**(131,440)**	**8,936,070**
At 30 June 2014						
Total segment assets	**213,612,480**	**8,166,386**	**5,362,634**	**1,206,161**	**11,691,669**	**240,039,330**
Capital expenditure	**1,514,186**	**14,370**	**—**	**11,659**	**1,181,879**	**2,722,094**
Total segment liabilities	**113,569,962**	**4,619,519**	**—**	**943,023**	**529,007**	**119,661,511**

The segment information provided to the ED for the reportable segments for the six months ended 30 June 2013 was as follows:

	Property development *RMB'000*	Construction, fitting and decoration *RMB'000*	Property management *RMB'000*	Hotel operation *RMB'000*	Total Group *RMB'000*
Six months ended 30 June 2013					
Total revenue	25,751,176	5,558,578	325,229	500,223	32,135,206
Inter-segment revenue	—	(5,105,612)	—	(72,600)	(5,178,212)
Revenue (from external customers)	25,751,176	452,966	325,229	427,623	26,956,994
Depreciation and Amortisation	119,595	4,529	3,942	145,121	273,187
Operating profit/(loss)	6,722,817	80,854	16,683	(55,395)	6,764,959
At 31 December 2013					
Total segment assets	184,926,936	5,834,901	1,243,197	12,228,043	204,233,077
Capital expenditure	1,927,732	195,278	22,659	3,174,540	5,320,209
Total segment liabilities	88,453,509	4,589,530	985,474	543,579	94,572,092

As at 30 June 2014, segment assets of the property development segment included the amounts of investments in an associate and a joint venture accounted for using the equity method totalling RMB76,873,000 (31 December 2013: RMB90,124,000).

Reportable operating profits are reconciled to profit for the period as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Total operating profit	**8,936,070**	6,764,959
Financial (cost)/income — net	**(158,683)**	399,148
Share of losses of an associate and a joint venture	**(13,252)**	(28,466)
Profit before income tax	**8,764,135**	7,135,641
Income tax expenses	**(3,165,370)**	(2,768,833)
Profit for the period	**5,598,765**	4,366,808

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	As at	
	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Total segment assets	**240,039,330**	204,233,077
Deferred income tax assets	**2,069,658**	1,800,022
Available-for-sale financial assets	**210,748**	206,329
Total assets	**242,319,736**	206,239,428
Total segment liabilities	**119,661,511**	94,572,092
Deferred income tax liabilities	**2,308,297**	1,269,910
Income taxes payable	**8,040,396**	8,137,481
Bank and other borrowings	**32,782,143**	33,189,233
Senior notes	**24,728,552**	23,059,545
Total liabilities	**187,520,899**	160,228,261

7 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Property, plant and equipment *RMB'000*	Land use rights *RMB'000*	Investment properties *RMB'000*	Intangible assets *RMB'000*
Six months ended 30 June 2013				
Opening net book amount at 1 January 2013	11,613,913	1,390,218	118,329	22,632
Additions	1,472,135	559,487	—	7,448
Disposals	(11,178)	—	—	—
Depreciation/amortisation	(235,488)	(27,329)	(3,817)	(6,553)
Exchange differences	(202)	(38,345)	—	—
Closing net book amount at 30 June 2013	12,839,180	1,884,031	114,512	23,527
Six months ended 30 June 2014				
Opening net book amount at 1 January 2014	**15,828,290**	**1,865,068**	**112,340**	**43,477**
Additions	**2,372,717**	**346,346**	**—**	**3,031**
Transfers	**(1,066,911)**	**(96,868)**	**1,163,779**	**—**
Other transfers	**—**	**—**	**940,477**	**—**
Revaluation gains upon transfers	**—**	**—**	**3,055,378**	**—**
Fair value change	**—**	**—**	**94,477**	**—**
Reclassification	**—**	**18,833**	**—**	**(18,833)**
Disposals	**(39,119)**	**—**	**—**	**—**
Depreciation/amortisation	**(347,326)**	**(25,489)**	**(3,817)**	**(6,386)**
Exchange differences	**15,952**	**—**	**—**	**—**
Closing net book amount at 30 June 2014	**16,763,603**	**2,107,890**	**5,362,634**	**21,289**

Pursuant to a business plan approved by management on 30 June 2014, the Group changed its holding intention of certain properties from holding for sale or self-use to earning long-term rental. The costs of these properties were previously included in "Properties under development", "Completed properties held for sale", "Property, plant and equipment" and "Land use rights". As a result of the above change in intention, approximately RMB645,593,000 of "Properties under development", RMB294,884,000 of "Completed properties held for sale", RMB1,066,911,000 of "Property, plant and equipment" and RMB96,868,000 of "Land use rights" were transferred to "Investment properties" on 30 June 2014.

These properties were re-measured at their respective fair values upon transfer. For the properties transferred from "Properties under development" and "Completed properties held for sale" to "Investment properties", the differences between the fair values and carrying amounts as at 30 June 2014, amounting to RMB1,149,169,000, were recognised in profit or loss within "other gains — net" (Note 13). For those properties transferred from "Property, plant and equipment" and "Land use rights" to "Investment properties", the differences between the fair values and carrying amounts as at 30 June 2014, amounting to RMB1,906,209,000, were recognised directly in equity.

The valuations of the investment properties at 30 June 2014 were carried out by an independent and qualified valuer, Vigers Appraisal and Consulting Limited. Valuations were performed using either the income approach or direct comparison approach (and where applicable, both income and direct comparison approach) based on the terms of any existing leases and other external evidence such as current market rents or sales of similar types of properties in the locality, and using capitalisation rates that reflect current market expectation for the assets being valued. The fair value measurement of the investment properties is categorised within level 3 of the fair value hierarchy. The key assumptions used in the valuation are market rents/prices, capitalisation rates and estimated growth rates.

8 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Trade receivables *(note (a))*	**7,429,385**	6,274,434
Land auction and other deposits	**2,768,424**	2,310,096
Other receivables *(note (b))*	**4,556,257**	3,760,664
Amount due from an associate	**2,139,745**	2,039,745
Amounts due from customers for contract work *(note (c))*	**446,145**	891,484
Prepayments for land *(note (d))*	**6,901,830**	7,570,306
Amount due from a joint venture	**304,612**	304,612
Other prepayments *(note (e))*	**2,981,878**	3,227,059
	27,528,276	26,378,400

(a) Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit of 1 to 6 months. The ageing analysis of trade receivables based on revenue recognition date is as follows:

	As at	
	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Within 90 days	**6,468,942**	5,283,477
Over 90 days and within 180 days	**395,745**	398,542
Over 180 days and within 365 days	**378,378**	338,579
Over 365 days	**186,320**	253,836
	7,429,385	6,274,434

At 30 June 2014 and 31 December 2013, trade receivables were denominated in RMB.

(b) Other receivables mainly represent advances made to outsourced construction and design vendors, which are interest-free, unsecured and repayable on demand.

(c) Amounts due from customers for contract work at the balance sheet date are as follows:

	As at	
	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Cost incurred	**4,043,384**	4,916,387
Recognised profits	**3,334,247**	2,090,478
	7,377,631	7,006,865
Less: progress billings	**(6,931,486)**	(6,115,381)
Amounts due from customers	**446,145**	891,484
Including: Related companies	**138,775**	700,197
Third parties	**307,370**	191,287

(d) Prepayments for land are related to acquisition of land use rights upon successfully bidding at the land auctions conducted by the PRC government. The relevant land use right certificates have not been obtained at 30 June 2014.

(e) Other prepayments mainly represent prepayments for purchases of construction materials and services.

9 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares *HKD'000*	Equivalent nominal value of ordinary shares *RMB'000*	Share premium *RMB'000*	Treasury Shares *RMB'000* *(note (b))*	Total *RMB'000*
Authorised						
Authorised ordinary share of HKD0.10 each at 1 January 2013, 31 December 2013 and 30 June 2014	100,000,000,000	10,000,000	9,905,008			
Issued and fully paid						
Opening balance at 1 January 2013	18,229,660,154	1,822,966	1,771,631	17,977,360	(380,236)	19,368,755
Issue of shares as a result of the scrip dividend scheme *(note (a))*	227,874,023	22,787	18,106	782,158	—	800,264
At 31 December 2013, 1 January 2014 and 30 June 2014	**18,457,534,177**	**1,845,753**	**1,789,737**	**18,759,518**	**(380,236)**	**20,169,019**

Notes:

(a) On 27 May 2013, a scrip dividend scheme was issued whereby shareholders may elect to receive cash dividend of RMB13.86 cents per share or an allotment of such number of new shares credited as fully paid and having an aggregate market value equal to, save for adjustment for fractions, the total amount of 2012 final dividend which such shareholder could receive in cash (the "Maximum Entitlement") or partly new shares not exceeding the Maximum Entitlement and the remainder in cash. On 18 June 2013, 227,874,023 new shares were issued as a result of the above scrip dividend scheme at a price of HKD4.42 per share.

(b) As at 30 June 2014, the number of treasury shares was 101,132,563 (31 December 2013: 101,132,563).

10 PERPETUAL CAPITAL SECURITIES

In April and May 2014, certain subsidiaries ("Issuing Subsidiaries") of the Group issued subordinated unlisted perpetual capital securities (the "Perpetual Capital Securities") with an aggregated principal amount of RMB3,090,000,000 to certain financial institutions in the PRC.

The Perpetual Capital Securities are jointly guaranteed by the Company and Issuing Subsidiaries and secured by pledges of the shares of Issuing Subsidiaries. They do not have maturity date and the distribution payments can be deferred at the discretion of Issuing Subsidiaries. The Perpetual Capital Securities are classified as equity instruments and recorded in non-controlling interests in the consolidated balance sheet.

As of 30 June 2014, Issuing Subsidiaries has distributed RMB35,296,000 to the holders of the Perpetual Capital Securities.

11 SENIOR NOTES

	Six months ended 30 June 2014 *RMB'000*	Year ended 31 December 2013 *RMB'000*
As at 1 January	**23,059,545**	14,213,224
Additions *(note (a) and (b))*	**4,849,502**	9,136,339
Redemptions *(note (c))*	**(3,384,535)**	—
Exchange loss/(gain)	**199,797**	(593,909)
Interest expenses	**1,161,526**	2,015,289
Coupon paid	**(1,157,283)**	(1,711,398)
	24,728,552	23,059,545
Less: current portion included in current liabilities	**(2,373,228)**	(2,348,003)
Included in non-current liabilities, as at 30 June 2014 and 31 December 2013	**22,355,324**	20,711,542

Note:

(a) On 27 May 2014, the Company issued senior notes in an aggregate principal amount of USD550,000,000 (the "2019 Notes I"). The 2019 Notes I are listed on the Singapore Exchange Securities Trading Limited and carry interest at the rate of 7.875% per annum, payable semi-annually on 27 May and 27 November in arrears, and will mature on 27 May 2019, unless redeemed earlier.

(b) On 5 June 2014, the Company issued senior notes in an aggregate principal amount of USD250,000,000 (the "2019 Notes II"). The 2019 Notes II were issued by way of private placement and carry interest at the rate of 7.5% per annum, payable semi-annually on 5 June and 5 December in arrears, and will mature on 5 June 2019, unless redeemed earlier.

(c) On 15 June 2014 ("Redemption Date"), all the outstanding senior notes maturing in 2017 in the principal amount of USD550,000,000 (the "2017 Notes") were redeemed at a redemption price equal to 105.625% of the principal amount to thereof, plus accrued and unpaid interest of USD590,218,500 to the Redemption Date. The total redemption price paid by the Company on the Redemption Date was USD590,218,500. The difference between the redemption price and the carrying amount of the 2017 Notes on the Redemption date, amounting to approximately RMB189,493,000, was recognised in profit or loss under 'finance cost' (note 15).

(d) The Company has options to redeem all senior notes in whole or in part prior to their maturity at the redemption price as defined in the indenture agreements of these senior notes.

12 TRADE AND OTHER PAYABLES

	As at 30 June 2014 *RMB'000*	As at 31 December 2013 *RMB'000*
Trade payables	**22,647,407**	18,045,410
Other payables	**8,979,964**	9,153,619
Other taxes payable	**1,507,183**	1,663,780
Salaries payable	**826,247**	1,534,448
Accrued expenses	**524,267**	517,363
	34,485,068	30,914,620

The ageing analysis of trade payables at the balance sheet dates is as follows:

	As at	
	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Within 90 days	**21,136,394**	16,696,591
Over 90 days and within 180 days	**789,956**	745,092
Over 180 days and within 365 days	**471,752**	309,170
Over 365 days	**249,305**	294,557
	22,647,407	18,045,410

13 OTHER GAINS — NET

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Fair value gains recognised upon transfer of properties from properties under development and completed properties held for sale to investment properties *(note 7)*	**1,149,169**	—
Fair value change on investment properties *(note 7)*	**94,477**	—
Income from forfeiture of deposits	**33,781**	18,143
Gains on disposal of property, plant and equipment	**1,407**	602
Others	**17,314**	10,278
	1,296,148	29,023

14 EXPENSES BY NATURE

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Advertising costs	**580,637**	752,472
Amortisation of intangible assets *(note 7)*	**6,386**	6,553
Business taxes and other levies	**2,384,006**	1,701,311
Costs of completed properties sold	**24,318,081**	15,833,811
Donations	**90,424**	70,285
Depreciation *(note 7)*	**351,143**	239,305
Employee benefit expenses	**1,872,074**	1,157,654
Land use rights amortisation *(note 7)*	**25,489**	27,329
Surveillance charges	**—**	16,059
Rental expenses	**81,982**	40,987
Impairment loss on completed properties held for sale	**147,283**	—
Others	**825,794**	375,292
Total cost of sales, selling and marketing costs and administrative expenses	**30,683,299**	20,221,058

15 FINANCE (COSTS)/INCOME — NET

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Finance income:		
— Interest income on short-term bank deposits	**136,816**	150,586
— Net foreign exchange gain on financing activities	**—**	248,562
	136,816	399,148
Interest expenses:		
— Bank and other borrowings	**(1,262,920)**	(940,793)
— Bond	**—**	(13,297)
— Senior notes *(note 11)*	**(1,161,526)**	(957,978)
	(2,424,446)	(1,912,068)
Net foreign exchange loss on financing activities	**(106,006)**	—
Loss on early redemption of senior notes *(note 11)*	**(189,493)**	—
Less: amounts capitalised on qualifying assets	**2,424,446**	1,912,068
Finance costs	**(295,499)**	—
Finance (costs)/income — net	**(158,683)**	399,148

16 INCOME TAX EXPENSES

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax *(note (a))*	**1,972,126**	1,430,300
— Land appreciation tax *(note (b))*	**901,045**	1,156,534
	2,873,171	2,586,834
Deferred income tax		
— PRC corporate income tax	**261,296**	93,913
— Withholding income tax *(note (c))*	**30,903**	88,086
	292,199	181,999
	3,165,370	2,768,833

Notes:

(a) PRC enterprise income tax is provided at the rate of 25% (2013: 25%) of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purpose.

(b) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

(c) According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding income tax rate is reduced from 10% to 5%.

17 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held as treasury shares (note 9).

	Six months ended 30 June	
	2014	2013
Profit attributable to owners of the Company *(RMB'000)*	**5,423,210**	4,316,190
Weighted average number of ordinary shares in issue *(thousands)*	**18,356,402**	18,147,198
Basic *(RMB cents per share)*	**29.54**	23.78

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the period, the Company has only one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2014	2013
Profit attributable to owners of the Company/profit used to determine diluted earnings per share *(RMB'000)*	**5,423,210**	4,316,190
Weighted average number of ordinary shares in issue *(thousands)*	**18,356,402**	18,147,198
Adjustments — conversion of the bond *(thousands)*	**—**	27,407
Adjustments — share options *(thousands)*	**479**	318
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**18,356,881**	18,174,923
Diluted *(RMB cents per share)*	**29.54**	23.75

18 DIVIDENDS

The Board of Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2014 (2013: nil).

A final dividend in respect of 2013 of RMB16.83 cents (equivalent to HKD21.15 cents) per share, totalling RMB3,105,759,000 was declared in the Annual General Meeting on 9 May 2014. On 16 June 2014, a scrip dividend scheme was issued whereas shareholders may elect to receive cash dividend of RMB16.83 cents per share or an allotment of such number of new shares credited as fully paid and having an aggregate market value equal to, save for adjustment for fractions, the total amount of 2013 final dividend which such shareholder have received in cash (the "Maximum Entitlement") or partly new shares not exceeding the Maximum Entitlement and the remainder in cash.

As a result of the above scrip dividend scheme, and as at 30 June 2014, shareholders have elected to be allotted a total of 622,296,869 new shares at a price of HKD3.222 per share. These new shares were subsequently issued on 11 July 2014 and remaining dividends totalling RMB1,507,210,000 were paid in cash in July 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group was primarily comprised of the proceeds from the sales of properties and provision of services after the elimination of transactions among subsidiaries of the Company. Revenue was primarily generated from its business segments: property development, construction, fitting and decoration, property management, hotel operation and property investment. Revenue increased by 42.2% to approximately RMB38,323.2 million in the first half of 2014 from approximately RMB26,957.0 million for the corresponding period in 2013, primarily attributable to the increase in sales of properties. Revenues generated from property development, construction, fitting and decoration, property management, hotel operation and investment properties are approximately RMB37,007.6 million, RMB370.8 million, RMB486.1 million, RMB413.0 million and RMB45.7 million, respectively.

Property development

Revenue generated from property development increased by 43.8% to approximately RMB37,007.6 million for the six months ended 30 June 2014 from approximately RMB25,738.6 million for the corresponding period in 2013; primarily attributable to a 38.7% increase in total gross floor area ("GFA") recognized to 5,351,238 sq.m. in the first half of 2014 from 3,856,849 sq.m. for the corresponding period in 2013. Meanwhile, recognized average selling price increased by 3.6% from approximately RMB6,673 per sq.m. for the six months ended 30 June 2013 to approximately RMB6,916 per sq.m. for the corresponding period in 2014.

Construction, fitting and decoration

Revenue generated from construction, fitting and decoration decrease by 18.1% to approximately RMB370.8 million for the six months ended 30 June 2014 from approximately RMB453.0 million for the corresponding period in 2013, primarily due to a decrease in the volume of construction, fitting and decoration services rendered to third parties of the Group.

Property management

Revenue generated from property management increased by 49.5% to approximately RMB486.1 million for the six months ended 30 June 2014 from approximately RMB325.2 million for the corresponding period in 2013, primarily due to an increase in the cumulative GFA under management resulting from construction completion and delivery of our properties in line with the expansion of our operations.

Hotel operation

Revenue generated from hotel operation slightly decrease by 3.4% to approximately RMB413.0 million for the six months ended 30 June 2014 from approximately RMB427.6 million for the corresponding period in 2013.

Property Investment

During the first half year of 2014, management of the Group approved a business plan, changed the holding intention of certain properties from holding for sale or self use to earning long-term rental. As a result of the above change in intention, approximately RMB2,104.2 million of properties was transferred from "Properties under development" "Completed properties held for sale", "Property, plant and equipment" and "Land use rights" to "Investment properties". The valuations of these investment properties were carried out by an independent and qualified valuer. As at 30 June 2014, the fair value of these investment properties amounts to RMB5,362.6 million, including RMB3,767.8 million of completed properties held for sale and RMB1,594.8 million of properties under development. The after-tax gains on fair value change amounts to RMB932.7 million. Rental income from these properties for the six months ended 30 June 2014 amounts to RMB45.7 million.

Cost of sales

Cost of sales of the Group represented primarily the costs incurred directly by the property development activities which included construction, decoration and design costs, land use rights cost and business taxes.

Cost of sales increased by 53.7% to approximately RMB27,371.8 million for the six months ended 30 June 2014 from approximately RMB17,813.8 million for the corresponding period in 2013. The increase in cost of sales was in line with the increase in revenue.

Gross profit

Gross profit (before land appreciation tax provision) of the Group increased by 19.8% to approximately RMB10,951.4 million for the six months ended 30 June 2014 from approximately RMB9,143.2 million for the corresponding period in 2013. The gross profit margin for the six months ended 30 June 2014 decreased to 28.6% from 33.9% for the corresponding period in 2013, primarily attributable to the increase of average land cost per sq.m. and the increase in construction costs as a result of the increase in the percentage of properties sold with renovation or decoration.

Other gains — net

Other gains — net of the Group increased to approximately RMB1,296.1 million for the six months ended 30 June 2014 from approximately RMB29.0 million for the corresponding period in 2013. The increase is primarily attributable to the fair value gains of RMB1,149.2 million recognised upon transfer from properties under development and completed properties held for sale to investment properties, and the fair value change of RMB94.5 million on investment properties. Meanwhile, the forfeiture of deposits received from customers increased from RMB18.1 million for the first six months ending 30 June 2013 to RMB33.8 million for the corresponding period in 2014.

Selling and marketing costs

Selling and marketing costs of the Group increased by 16.9% to approximately RMB1,788.3 million for the six months ended 30 June 2014 from approximately RMB1,529.5 million for the corresponding period in 2013. The increase was attributable to an increase in salary we offered to our sales staff from RMB497.4 million in the first half of 2013 to RMB707.7 million in the corresponding period of 2014.

Administrative expenses

Administrative expenses of the Group increased by 73.52% to approximately RMB1,523.2 million for the six months ended 30 June 2014 from approximately RMB877.8 million for the corresponding period in 2013, primarily attributable to a newly recognized impairment on completed properties held for sale of RMB147.3 million and the increase of employee benefit cost during this period. The employee benefits increased by 115.5% to approximately RMB508.6 million for the six months ended 30 June 2014 from approximately RMB236.0 million for the corresponding period in 2013. This increase was primarily attributable to the increase in the average number of employee increased to 67,130 for the six months ended 30 June 2014 from 45,498 for the corresponding period of 2013, as well as the increase in salaries and bonuses for our employees during this period.

Finance costs/income — net

The Group recorded finance cost — net of approximately RMB158.7 million for the six months ended 30 June 2014, compared to finance income — net of approximately RMB399.1 million for the corresponding period in 2013, primarily due to the fluctuation of the RMB exchange rate and the cost of the redemption of the 2017 Notes. The Group recorded the net exchange loss of approximately RMB106.0 million for the six months ended 30 June 2014, compared to the net exchange gain of approximately RMB248.6 million for the corresponding period in 2013. In addition, in the first half of 2014, the Group redeemed the 2017 Notes prior to their maturity, resulting in an addition of finance cost amounted to RMB189.5 million.

Income tax expenses

Income tax expenses of the Group comprised of PRC enterprise income tax, land appreciation tax ("LAT") and withholding income tax. The enterprise income tax, LAT and withholding income tax for the six months ended 30 June 2014 were RMB2,233.4 million, RMB901.0 million and RMB30.9 million, respectively. Effective income tax rate decreased to 35.9% for the six months ended 30 June 2014 from 38.8% for the corresponding period of 2013, which was primarily attributable to the decrease of effective LAT rate as the property development costs increased and the gross profit ratio decreased. The ratio of LAT over sales of properties decreased to 2.43% for the six months ended 30 June 2014 from 4.49% for the corresponding period of 2013.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2014 increased by 25.6% to approximately RMB5,423.2 million from approximately RMB4,316.2 million for the corresponding period in 2013. The net profit margin decreased to approximately 14.6% in the first half of 2014 from approximately 16.2% for the corresponding period in 2013. After deduction of the after-tax fair value gains on investment properties, loss on early redemption of Senior Notes, and exchange gains/losses, the core profit attributable to owners of the Company for the first half of 2014 was RMB4,712.1 million, increased by 14.1% when compared to RMB4,129.8 million for the corresponding period in 2013.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

The Group's cash and bank deposits (including the restricted cash) amounted to approximately RMB24,425.2 million as at 30 June 2014 (31 December 2013: approximately RMB26,679.6 million). As at 30 June 2014, 95% and 5% of the Group's cash and bank deposits were denominated in Renminbi and other currencies (mainly US dollars, HK dollars and Malaysian Ringgit), respectively.

As at 30 June 2014, the carrying amount of the restricted cash was approximately RMB8,538.2 million (31 December 2013: approximately RMB7,769.9 million). Pursuant to relevant regulations, certain of the project companies were required to deposit a portion of proceeds from pre-sales of properties into designated bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts could only be used for the restricted purposes of purchasing construction materials, equipments, making interim construction payments and paying tax, with the prior approval of the relevant local authorities.

Net current assets and current ratio

The Group had net current assets of approximately RMB30,896.7 million as at 30 June 2014 (31 December 2013: approximately RMB31,309.4 million). The current ratio being current assets over current liabilities was approximately 1.2 as at 30 June 2014, which decreased from approximately 1.3 as at 31 December 2013.

Debt and charges on group assets

The Group had an aggregated debt as at 30 June 2014 of approximately RMB57,510.7 million, including bank borrowings of approximately RMB32,782.1 million, and senior notes of approximately RMB24,728.6 million.

For bank borrowings, approximately RMB8,202.1 million will be repayable within 1 year, approximately RMB23,774.6 million will be repayable between 2 and 5 years and the remaining approximately RMB805.4 million to be repayable beyond 5 years. As at 30 June 2014, a substantial part of the bank borrowings are secured by land use rights and properties of the Group and guaranteed by group companies.

Gearing ratio

The gearing ratio is measured by the net debt (total debt net of disposable cash and cash equivalents) over the equity attributable to owners of the Company. As at 30 June 2014, the gearing ratio was 67.1% (31 December 2013: 67.3%).

Interest rate risk

The weighted average interest rate of the Group's bank borrowings decreased to approximately 7.17% in the first half of 2014 from approximately 7.34% in 2013. The Group has implemented certain interest rate management which includes, among the others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

Risk of exchange rate fluctuation

The Group mainly operates in the PRC, so most of its revenue and expenses are measured in Renminbi. In the first half of 2014, due to the changes of the exchange rates of Renminbi to HK Dollars, US Dollars, and Malaysian Ringgit decreased, there was an exchange loss of approximately RMB106.0 million. The directors of the Company (the "Directors") expect that any fluctuation of Renminbi's exchange rate will not have material adverse effect on the operation of the Group.

Land appreciation tax

According to relevant regulations and laws of the State Administration of Taxation, in the past, the Group has made full provision of land appreciation tax ("LAT") but paid provisional LAT calculated according to certain rates (varying from 0.5% to 5%) over sales amounts assessed by local tax bureau. For the six months ended 30 June 2014, the Group's LAT expenses were approximately RMB901.0 million.

Contingent liability

As at 30 June 2014, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB44,098.1 million (31 December 2013: approximately RMB31,443.7million).

The above guarantees represent the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. As at 30 June 2014, the amount of approximately RMB60.3 million (31 December 2013: approximately RMB85.1 million) was to be discharged two years from the day when the mortgaged loans become due; and approximately RMB44,037.9 million (31 December 2013: approximately RMB31,358.6 million) was to be discharged upon earlier of (i) issuance of the real estate ownership certificate which are generally to be available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgage loan by the purchasers of properties.

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

In addition, of the total contingent liabilities as at 30 June 2014, approximately RMB2,224.3 million represented the guarantee provided to Guangzhou Li He Property Development Company Limited and Zhongshan Yahong Property Development Company Limited for their borrowings.

Capital and property development commitments

As at 30 June 2014, the commitments in connection with capital and property development expenditures amounted to approximately RMB51,052.6 million (31 December 2013: approximately RMB49,056.6 million). This amount primarily arose from contracted construction costs and land premium for future property developments. The Group expects to fund these commitments principally from pre-sale proceeds of the properties and partly from bank borrowings.

Employees and remuneration policy

As at 30 June 2014, the Group had approximately 69,488 full-time employees (31 December 2013: 64,772).

The remuneration package of the employees includes salary, bonus and other cash subsidies. The Company has designed an annual review system to assess the performance of the employees, which forms the basis of the determination on salary increase, bonus and promotion. The Group is subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, the Group is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. The Group believes the salaries and benefits that the employees received are competitive in comparison with market rates. The employees do not negotiate their terms of employment through any labor unions or by way of collective bargaining agreements. The Group believes its relationship with the employees is good. As at the date of this announcement, there were no significant labor disputes which adversely affect or likely to have an adverse effect on the operations of the Group.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in December 2006 with written terms of reference, which are posted on the websites of the Stock Exchange and the Company respectively, in compliance with Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The principal duties of the Audit Committee include, among other things, overseeing the relationship with the Company's auditor; reviewing the Company's financial information; and reviewing the Company's financial reporting system and internal control procedures. All members of the Audit Committee are the independent non-executive Directors, namely Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham, Mr. TONG Wui Tung, Ronald, Mr. HUANG Hongyan and Ms. HUANG Xiao. Mr. LAI Ming, Joseph is the chairman of the Audit Committee.

The Audit Committee has reviewed with management 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. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim results for the six months ended 30 June 2014 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 HKICPA.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules as the code (the "**Model Code**") for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard of dealings set out in the Model Code for six months ended 30 June 2014. No incident of non-compliance was noted by the Company to date in 2014. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2014, the Company has complied with the code provisions of the Corporate Governance Code as set out in the Appendix 14 of the Listing Rules (the "**Code**"), except for the deviation from the code provision E.1.2 of the Code. Under the first part of code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting. The chairman of the Board was unable to attend the annual general meeting of the Company held on 21 May 2014 (the "**Meeting**") due to another business engagement. Mr. MO Bin, the president and executive Director of the Company, chaired the Meeting on behalf of the chairman of the Board and was available to answer questions.

SHARE OPTION SCHEME

On 20 March 2007, a share option scheme (the "**Scheme**") was adopted and approved by their then shareholders of the Company for a period of 10 years commencing on the adoption date. Since the adoption date, the Board may, at its discretion, grant share options to any eligible person to subscribe for the shares in the Company subject to the terms and conditions as stipulated in the Scheme.

During the six months ended 30 June 2014, no share options have been granted, exercised, cancelled or lapsed in accordance with the terms of the Scheme.

EMPLOYEE INCENTIVE SCHEME

The trust deed in respect of the employee incentive scheme ("**Employee Incentive Scheme**") for the benefit of the senior management and employees of the Group which excludes any connected persons of the Company has been approved in principle, while the scheme rules are under preparation for the Board's approval. The purpose of the Employee Incentive Scheme is to provide the participants with an opportunity to hold a personal stake in the Company so as to motivate such participants and to enhance performance and efficiency. During the period, the Company had not purchased any shares of the Company from the market and had not acquired any shares by way of scrip dividend. As of 30 June 2014, the cumulative total number of the shares acquired under the Employee Incentive Scheme was 101,132,563 shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

INTERIM DIVIDEND

The Board resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The interim results announcement is published on the Company's websites (http://www.countrygarden.com.cn) and the Stock Exchange's website (http://www.hkexnews.hk).

By Order of the Board
Country Garden Holdings Company Limited
MO Bin
President and Executive Director

Hong Kong, 19 August 2014

As of the date of this announcement, the executive Directors of the Company are Mr. YEUNG Kwok Keung (Chairman), Ms. YANG Huiyan (Vice Chairman), Mr. MO Bin (President), Mr. ZHU Rongbin (Associate President), Ms. YANG Ziying, Mr. YANG Erzhu, Mr. SU Rubo, Mr. OU Xueming, Mr. YANG Zhicheng, Mr. XIE Shutai, Mr. SONG Jun, Mr. LIANG Guokun, Mr. SU Baiyuan and Mr. WU Jianbin. The independent non-executive Directors of the Company are Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham, Mr. TONG Wui Tung, Ronald, Mr. HUANG Hongyan, Ms. HUANG Xiao, Mr. LIU Hongyu, Mr. MEI Wenjue and Mr. YEUNG Kwok On.