花样年
FANTASIA

Fantasia Holdings Group Co., Limited
花樣年控股集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 01777)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

– The Group's total sales for the six months ended 30 June 2010 amounted to RMB1,918 million, an increase of 42.8% from RMB1,343 million in the corresponding period in 2009.

– Gross profit margin for the period increased to 49.7% from 41.4% in the corresponding period in 2009.

– Profit for the period attributable to the owners of the Company amounted to RMB411 million, increased by 74.5% from RMB236 million in the corresponding period in 2009.

– Earnings per share for the period amounted to RMB0.08, an increase of 33.3% from RMB0.06 in the corresponding period in 2009.

The Board of Directors (the "Board") of Fantasia Holdings Group Co., Limited (the "Company") are pleased to announce the unaudited financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	**Six months ended 30 June 2010 RMB'000 (unaudited)**	2009 RMB'000 (audited)
Revenue	3	**1,917,520**	1,342,994
Cost of sales		**(965,244)**	(786,858)
Gross profit		**952,276**	556,136
Other income, gains and losses	4	**4,843**	7,601
Change in fair value of investment properties		**133,861**	(10,019)
Selling and distribution expenses		**(57,811)**	(34,561)
Administrative expenses		**(121,046)**	(89,899)
Finance costs	5	**(67,576)**	(15,127)
Share of results of associates		**–**	(1,227)
Profit before taxation		**844,547**	412,904
Income tax expense	6	**(414,875)**	(195,537)
Profit and total comprehensive income for the period	7	**429,672**	217,367
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**411,324**	235,650
Non-controlling interests		**18,348**	(18,283)
		429,672	217,367
Earnings per share – Basic (RMB)	9	**0.08**	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	**30 June 2010 RMB'000 (unaudited)**	31 December 2009 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**307,883**	163,530
Investment properties		**1,114,223**	581,368
Interests in associates		**14,759**	12,941
Advance to an associate		**72,374**	72,396
Prepaid lease payments		**783,520**	164,457
Premium on prepaid lease payments		**592,792**	45,794
Prepayment		**54,521**	70,586
Deposit paid for acquisition of land use rights		**10,000**	–
Deposits paid for acquisition of subsidiaries		**239,998**	423,000
Deposits paid for acquisition of a property project		**–**	352,056
Deferred tax assets		**149,146**	88,818
Goodwill		**5,375**	–
		3,344,591	1,974,946
CURRENT ASSETS			
Properties for sales		**5,276,002**	4,576,936
Prepaid lease payments		**15,106**	4,704
Premium on prepaid lease payments		**9,645**	1,428
Deposits paid for acquisition of land use rights		**616,600**	–
Trade and other receivables	10	**858,166**	987,961
Amounts due from customers for contract works		**3,957**	3,808
Tax recoverable		**43,694**	17,503
Restricted bank deposits		**53,630**	189,712
Bank balances and cash		**3,577,640**	3,696,488
		10,454,440	9,478,540
CURRENT LIABILITIES			
Trade and other payables	11	**953,007**	873,797
Deposits received for sale of properties		**2,004,166**	2,380,242
Amount due to a related party		**100,522**	1,519
Tax payable		**871,536**	544,877
Borrowings-due within one year		**1,430,440**	1,266,320
		5,359,671	5,066,755
NET CURRENT ASSETS		**5,094,769**	4,411,785
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,439,360**	6,386,731

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
NON-CURRENT LIABILITIES		
Amount due to a related party	**–**	99,340
Borrowings-due after one year	**3,127,000**	2,173,750
Senior notes	**805,551**	–
Deferred tax liabilities	**68,034**	32,280
	4,000,585	2,305,370
	4,438,775	4,081,361
CAPITAL AND RESERVES		
Share capital	**429,389**	429,389
Reserves	**3,677,094**	3,340,870
Equity attributable to owners of the Company	**4,106,483**	3,770,259
Non-controlling interests	**332,292**	311,102
	4,438,775	4,081,361

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 17 October 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 25 November 2009.

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

2. SIGNIFICANT 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, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except as described below.

Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

Besides, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010. The application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no material impact on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of those new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Sales of properties	**1,853,722**	1,287,470
Rental income from investment properties	**8,402**	5,454
Property agency services	**12,310**	22,396
Property operation services	**40,122**	26,001
Hotel services	**2,964**	1,673
	1,917,520	1,342,994

Included in revenue, which is under property development segment, is an amount of Nil (six months ended 30 June 2009: RMB88,007,000) in respect of completed properties sold in exchange for the advertising spaces provided by the customers. The prepaid advertising spaces of RMB54,521,000 (31 December 2009: RMB70,586,000) and RMB30,471,000 (31 December 2009 : RMB33,599,000) are recorded in prepayment under non-current assets and trade and other receivables under current assets, respectively for such arrangement.

Included in revenue from property operation services is an amount of RMB12,636,000 (six months ended 30 June 2009: RMB8,478,000) in respect of the installation contract revenue.

The segment information reported externally was analysed on the basis of their products and services supplied by the Group's operating divisions which is consistent with the internal information that is regularly reviewed by the directors, the chief operating decision maker, for the purposes of resources allocation and assessment of performance.

Inter-segment revenue are eliminated on consolidation.

The Group has five operating segments as follows:

Property development – developing and selling of properties in the PRC

Property investment – leasing of investment properties

Property agency services – provision of property agency and other related services

Property operation services – provision of property management and other related services

Hotel services – provision of hotel management and other related services

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, interest income, imputed interest income on non-current interest-free advance to an associate, exchange difference, share of results of associates, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

Six months ended 30 June 2010 (unaudited)

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel services RMB'000	Total RMB'000
External segment revenues	**1,853,722**	**8,402**	**12,310**	**40,122**	**2,964**	**1,917,520**
Inter-segment revenues	**4,329**	**–**	**16,467**	**7,736**	**5**	**28,537**
Segment result	**785,531**	**137,706**	**3,996**	**17,777**	**(2,912)**	**942,098**

Inter-segment revenues are charged at prevailing market rate.

Six months ended 30 June 2009 (audited)

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel services RMB'000	Total RMB'000
External segment revenues	1,287,470	5,454	22,396	26,001	1,673	1,342,994
Inter-segment revenues	–	–	5,814	1,569	–	7,383
Segment result	447,898	(5,238)	4,475	7,640	(580)	454,195

Inter-segment revenues are charged at prevailing market rate.

Reconciliation:

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (audited)
Profit or loss:		
Segment result	**942,098**	454,195
Elimination of inter-segment result	**(1,142)**	(754)
Unallocated amounts:		
Unallocated income	**7,048**	1,014
Unallocated corporate expenses	**(35,881)**	(25,197)
Finance costs	**(67,576)**	(15,127)
Share of results of associates	**–**	(1,227)
Profit before taxation	**844,547**	412,904

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

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Assets:		
Property development	**8,120,898**	6,170,342
Property investment	**1,120,260**	938,989
Property agency services	**11,903**	12,022
Property operation services	**94,003**	60,533
Hotel services	**344,251**	193,285
Total segment assets	**9,691,315**	7,375,171
Total unallocated assets	**4,107,716**	4,078,315
Group's total assets	**13,799,031**	11,453,486

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (audited)
Interest income	**5,252**	1,014
Imputed interest income on non-current interest-free advance to an associate	**1,796**	–
Government grant (note)	**2,958**	5,868
Net foreign exchange loss	**(5,272)**	(106)
Gain on disposal of property, plant and equipment	**209**	49
Others	**(100)**	577
Fair value change on held-for-trading investments	**–**	199
	4,843	7,601

Note: The amount represents the grants received from the relevant PRC government to encourage the development of real estate industry. The subsidies are unconditional and granted on a discretionary basis to the Group during the period.

5. FINANCE COSTS

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (audited)
Interest on:		
– borrowings wholly repayable within five years	**128,562**	37,317
– borrowings not wholly repayable within five years	**–**	2,833
– senior notes	**15,771**	**–**
– amount due to a related party	**3,526**	1,522
– loans from shareholders	**–**	40,991
Less: Amount capitalised in properties for sales under development	**(72,864)**	(67,536)
Amount capitalised in construction in progress under property, plant and equipment	**(7,419)**	–
	67,576	15,127

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
The income tax expenses comprises:		
PRC taxes		
Enterprise income tax	**204,894**	122,877
Land appreciation tax	**234,555**	102,396
	439,449	225,273
Deferred tax		
Current year	**(20,465)**	(25,912)
Overprovision in prior years	**(4,109)**	(3,824)
	(24,574)	(29,736)
	414,875	195,537

For the six months ended 30 June 2010, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 22% to 25% (six months ended 30 June 2009: ranged from 20% to 25%).

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

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Profit for the period has been arrived at after charging:		
Release of prepaid lease payments	**3,056**	56
Release of premium on prepaid lease payments	**1,878**	–
Depreciation of property, plant and equipment	**4,211**	4,413

8. DIVIDENDS

Final dividend of HK$1.75 cents per share for the year ended 31 December 2009, amounting to approximately RMB75,100,000, was paid during the six months ended 30 June 2010.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2010.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Earnings:		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	**411,324**	235,650
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,873,889**	3,645,000

No diluted earnings per share is presented as the Company did not have any potential ordinary shares in issue during both periods or at the end of the reporting period.

For the six months period ended 30 June 2009, the weighted average number of ordinary shares has been adjusted to reflect shares issued pursuant to the capitalisation issue on 27 October 2009.

10. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables	**256,695**	105,301
Other receivables	**123,798**	85,048
Deposit for the auction in respect of the sale of land	**60,000**	143,000
Deposit for acquisition of properties for sales	**–**	352,056
Prepayments and other deposits	**190,656**	99,591
Prepayments of construction materials for properties for sales under development	**129,591**	143,433
Other tax prepayment	**97,426**	59,532
	858,166	987,961

Other than cash sales, the Group generally allows an average credit period of 30 days to 90 days to its trade customers.

The following is an aged 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 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
0 – 30 days	**153,969**	86,481
31 – 90 days	**83,999**	10,634
91 days – 180 days	**14,053**	4,082
181 days – 365 days	**3,820**	1,465
Over 1 year	**854**	2,639
	256,695	105,301

11. TRADE AND OTHER PAYABLES

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Trade payables	**688,683**	652,710
Other payables	**160,676**	111,253
Other taxes payables	**51,208**	34,906
Payroll payable	**18,999**	26,503
Welfare payable	**2,760**	2,813
Retention payable	**26,268**	27,996
Accruals	**4,413**	17,616
	953,007	873,797

The following is an aged 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 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
0 – 60 days	**340,039**	536,031
61 – 180 days	**189,787**	50,392
181 days – 365 days	**78,484**	66,287
1 – 2 years	**104,403**	26,283
2 – 3 years	**1,156**	275
Over 3 years	**1,082**	1,438
	714,951	680,706

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operation

Contract Sales

During the reporting period, the new policies promulgated by the central government in April has made the property market become more prudent and the transaction volume has reduced in the property market of the People's Republic of China (the "PRC"), and its impact on the property market in the first-tier cities was more significant. Residential property market was seriously affected while the impact on commercial properties was relatively less. Benefited from the edges on the Group's multi product lines of "urban complexes and boutique upscale residences", its target positioning in the high-end market as well as the flexible sales strategy, the Group recorded an outstanding achievement in the sales of urban complexes and this has driven the overall sales results. In the first half of 2010, the Group realized a contract sales of RMB 1,393 million and a contract sales area of 117,861 square meters, in which RMB 1,036 million and 76,091 square meters were attributable to the sales of urban complexes. The high-end value of urban complexes has allowed the Group to achieve a year-on-year growth in the value of contract sales by 29% in the first half of 2010, notwithstanding the year-on-year decrease of contract sales area of 17%.

On top of its multi-product lines, benefited from the market diversification, the Group also achieved outstanding sales results. For the first half of 2010, the sales was mainly attributable to the sales of Love Forever and Future Plaza in Shenzhen, Meinian International Plaza and Hailrun Plaza in Chengdu and Hailrun Plaza in Tianjin. The brilliant sales in Chengdu and Tianjin has highlighted our further enhancement in our brand profile in regions beyond Shenzhen. In addition, the contribution of the four major regions has become more balanced. As compared with 2009, the share of the revenue of contract sales from the Yangtze River Delta and Beijing-Tianjin Metropolitan Area has increased to 17% in the first half of 2010 from 11%.

Project Development

In the first half of 2010, the Group has achieved steady progress in the project development under the schedule of project sales and delivery. With the expansion of the scale of construction projects, the Group has further improved its professional standard of project planning, cost control and project management.

During the reporting period, the Group had an area of 75,824 square meters for new development projects and an area of 60,743 square meters for completed projects. The total gross floor area of projects under construction (representing the projects under construction or completed in the first half of 2010) was 1,384,584 square meters and provided approximately 1,248,545 square meters of saleable areas.

Our Land Bank

During the reporting period, the Company continued to implement scientific and prudent approach in its land bank strategy and further extended the strategic region coverage of its land bank. During the first half of 2010, land-use permit has been obtained for the Group's Suzhou project, the gross planned construction area of which is 533,121 square meters. The Group also acquired a total of 8 land plots in Dali, Wuxi, Tianjin, Dongguan and Guilin, the gross planned construction area of which is 1,412,267 square meters. Such an initiative has further extended the strategic coverage of the 4 regions. Meanwhile, the Company has entered into a framework agreement with respect to a project with total planned construction area of 1,631,736 square meters. The above projects with confirmed rights and under framework agreements are expected to provide saleable area of approximately 3,349,005 square meters.

As at 30 June 2010, the total area of the Group's land bank amounted to approximately 13,470,610 square meters, and the entitled construction area of land bank amounted to approximately 13,354,552 square meters. Included in the above were properties with a planned gross floor area of approximately 6,813,757 square meters and the land use right certificates of which have been granted, while framework agreements in respect of properties with a planned gross floor area of approximately 6,656,853 square meters have been entered into.

The breakdown of our land bank by regions as at 30 June 2010

Region	Projects under construction	Projects for future development	Projects under framework agreements	Aggregate gross floor area of land bank	Proportion
	sq.m.	*sq.m.*	*sq.m.*	*sq.m.*	
Chengdu-Chongqing Economic Zone				**8,469,268**	62.9%
Chengdu	925,109	2,565,808	3,917,332	7,408,249	
Dali		64,488	996,531	1,061,019	
The Pearl River Delta				**3,654,980**	27.1%
Shenzhen	132,336	67,908		200,244	
Dongguan	122,983	333,400		456,383	
Huizhou		754,545		754,545	
Guilin	12,072	600,000	1,631,736	2,243,808	

Region	Projects under construction	Projects for future development	Projects under framework agreements	Aggregate gross floor area of land bank	Proportion
	sq.m.	*sq.m.*	*sq.m.*	*sq.m.*	
Beijing-Tianjin metropolitan region				**418,907**	3.1%
Tianjin	131,341	232,566		363,907	
Beijing			55,000	55,000	
The Yangtze River Delta				**927,455**	6.9%
Suzhou		533,121	56,254	589,375	
Wuxi		338,080		338,080	
Total	**1,323,841**	**5,489,916**	**6,656,853**	**13,470,610**	**100.0%**

Note: Aggregate gross floor area of land bank refers to the aggregate planned gross floor area of projects under construction, future development projects and framework agreement projects.

Property Operation Services

As at 30 June 2010, the Group managed a total of 179 projects in four major cities and regions, namely Shenzhen, Chengdu, Huizhou and Dongguan, the area contracted for management and under management totaled 12 million square meters, representing a year-on-year growth of 15%. With the Group's effort in extending the coverage of property management business to regions beyond Shenzhen, during the reporting period, we have committed to optimize the regionalized operation, and strengthen the application of intelligence technologies in property management and the construction of informationalized platform while persistently improving the operation efficiency. In terms of regional expansion, the Group has initiated the expansion of property management business in the Yangtze River Delta and has established a property management branch office in Shanghai. Meanwhile, to further enhance the service capability of the Group's two core property products, the Group has also initiated the work in building a multiple-brand system for property management services. Fantasia International as the brand name for providing top-notch property management services is being established with a view to providing first-class property management services to high-end customers.

Property Agency Business

During the reporting period, the Group's property agency business was subject to serious pressure under the shrinkage of the transaction volume of the property market. Nevertheless, we have proactively expanded our business by extending our business coverage to areas with strong development potential, such as Zhongshan and Guiyang in the Pearl River Delta and the South-western regions and we have undertaken 34 new projects during the first half of the year. The Group has acted as the agent for a total of 27 projects in Chengdu, Shenzhen, Dongguan and several cities in Anhui Province. The sales area under our agency services was approximately 204,955 square meters while the amount of which has exceeded RMB 1,478 million. Besides, we have fully initiated the application of CRM system and intelligence management system and we believe that such an initiative would enhance our services provided to customers and our capability in information management, and thereby improve our competitive edges.

Hotel Management Business

During the reporting period, the Group's hotel management business has achieved steady progress and has devised initial plans on the formulation of Group's hotel brand name and on the hotel management system. While acquiring the talents on hotel management, the Group has also expanded the hotel management team with the expansion of business. The Group expects that Town on the Water, a boutique hotel in Yixing, will commence trial operation in the second half of the year and the design and renovation work for another two hotels will be undertaken during the year. Nine boutique hotels will be developed under boutique upscale residences and urban complexes projects developed by the Group within three years. We believe that the commencement of the operation of various boutique hotels will not only allow the Group to have a more balanced source of revenue and sustainable cash inflow, but will also enhance the Group's capability in providing high-end services which would in turn improve the Group's integrative competitive edges in high-end products.

Construction of Informationalized System

During the period, the Group has reformulated the plan on the construction of its informationalized system for establishing an integrative and highly-efficient information management platform. Currently, we are in progress of formulating the construction of major system models, such as office automation, financial management, cost management, contract purchase, sales management and customer services.

Business Outlook

Notwithstanding the uncertainties prevailing in the property market in the second half of 2010, we see the bottoming-out of the low transaction volume resulted from the macro-control policies and the market has gradually resumed confidence from the panic.

In the second half of 2010, the Group expects that six projects or project phases, with a planned total floor area of 486,000 square meters will be completed, including Phase 1 of Love Forever in Shenzhen, Phase 2.1 of Grand Valley, Phase 1 of Mont Conquerant in Chengdu, Phase 1.1 and 1.2 of Meinian International Plaza in Chengdu, Phase 1 of Hailrun Plaza in Tianjin and Guilin Zhongding Project.

Supported by the ready availability of cash, the Group will steadily increase the area under construction and launch new projects to the market in the second half of the year and it is expected that the total planned floor area of the new projects undertaken in the second half of the year shall reach approximately 900,000 square meters and the aggregate saleable area for the projects launched to the market in the second half of the year shall be approximately 700,000 square meters.

In terms of land bank, the Group, while maintaining a prudent approach, will closely monitor the land development opportunities in the four strategic regions. Meanwhile, the Group will selectively acquire prime land projects at competitive prices on the basis of its business development and market conditions.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly consists of revenue derived from (i) the sales of our developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services and (v) the provision of hotel management and related services. For the six months ended 30 June 2010, turnover of the Group amounted to approximately RMB1,918 million, representing an increase of 42.8% from approximately RMB1,343 million for the corresponding period in 2009. Profit and total comprehensive income for the six months ended 30 June 2010 attributable to the owners of the Company was approximately RMB411 million, representing an increase of 74.5% from approximately RMB236 million for the corresponding period in 2009.

Property Development

We recognize revenue from the sale of a property when the significant risks and rewards of ownership have been transferred to the purchaser, which is when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue from property development represents proceeds from sales of our properties held for sales. Revenue derived from property development increased by 44.0% to approximately RMB1,854 million for the six months ended 30 June 2010 from approximately RMB1,287 million for the corresponding period in 2009. This increase was due primarily to an increase in total gross floor area ("GFA") and an increase in the average selling price of properties sold to our customers.

Property Investment

Revenue generated from property investment remained stable at approximately RMB8 million for the six months ended 30 June 2010 (six months ended 30 June 2009: approximately RMB5 million). The rental market was stable during both periods.

Property Agency Services

Revenue derived from property agency services decreased by 45.0% to approximately RMB12 million for the six months ended 30 June 2010 from approximately RMB22 million for the corresponding period in 2009. The decrease was due primarily to the decrease in the aggregate sale price of the properties of other developers in which our property agency services business sold in the first half of 2010 as a result of the stronger fluctuation in general real estate activities in 2010 as compared to corresponding period in 2009.

Property Operation Services

Revenue derived from property operation services increased by 54.3% to approximately RMB40 million for the six months ended 30 June 2010 from approximately RMB26 million for the corresponding period in 2009. This increase was due primarily to an increase in the GFA of properties that we managed during the first half of 2010.

Hotel Management Business

Revenue derived from hotel services increased by 77.2% to approximately RMB3 million for the six months ended 30 June 2010 from approximately RMB2 million for the corresponding period in 2009. This increase was due primarily to an increase in occupancy rate of the hotel during the first half of 2010.

Gross Profit and Margin

Gross profit increased by 71.2% to approximately RMB952 million for the six months ended 30 June 2010 from approximately RMB556 million for the corresponding period in 2009, while our gross margin increased to 49.7% for the six months ended 30 June 2010 from 41.4% for the corresponding period in 2009. This increase was in line with the increase in the total revenue in the six months ended 30 June 2010 and our change in proportion in product mix.

Other Income, Gain and Losses

Other income, gain and losses decreased by 36.3% to approximately RMB5 million for the six months ended 30 June 2010 from approximately RMB8 million for the corresponding period in 2009. This decrease was primarily due to the fact that the increase in foreign exchange loss has offset other income.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 67.3% to approximately RMB58 million for the six months ended 30 June 2010 from approximately RMB35 million for the corresponding period in 2009. This increase was due primarily to an increase in general sales, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold in the first half of 2010 as compared to that in the same period of 2009.

Administrative Expenses

Our administrative expenses increased by 34.6% to approximately RMB121 million for the six months ended 30 June 2010 from approximately RMB90 million for the corresponding period in 2009. This increase was due primarily to an increase in professional fee and other relevant expenses relating to the senior notes issued in May 2010 and the increase in salary expenses resulting from the increase in the size of the Group.

Finance Costs

Our finance costs increased by 346.7% to approximately RMB68 million for the six months ended 30 June 2010 from approximately RMB15 million for the corresponding period in 2009. This increase was due primarily to the interest expenses resulting from the senior notes issued and an increase in bank borrowings.

Income Tax Expenses

Our income tax expenses increased by 112.2% to approximately RMB415 million for the six months ended 30 June 2010 from approximately RMB196 million for the corresponding period in 2009. This increase was due primarily to an increase in enterprises income tax and land appreciation tax as a result of increase in properties sold in the first half of 2010 as compared to that in the same period of 2009.

Profit and Total Comprehensive Income Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased by 74.5% to approximately RMB411 million for the six months ended 30 June 2010 from approximately RMB236 million for the corresponding period in 2009. This increase was due primarily to an increase in properties sold in the first half of 2010 as compared to that in the same period of 2009 and the effect of properties revaluation. Our net profit margin reached 21.5% for the six months ended 30 June 2010.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2010, the Group's bank balances and cash was approximately RMB3,631 million (31 December 2009: approximately RMB3,886 million), representing a slightly decrease of 6.6% as compared to that as at 31 December 2009. A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits would be released upon completion of the development of the relevant properties in which such deposits relate to. As at 30 June 2010, the Group's restricted cash was approximately RMB54 million (31 December 2009: approximately RMB190 million), representing a decrease of 71.7% as compared to that as at 31 December 2009.

Current Ratio and Gearing Ratio

As at 30 June 2010, the Group had current ratio (being current assets over current liabilities) of approximately 1.95 compared to that of 1.87 as at 31 December 2009. The Group had gearing ratio of approximately 0.42 while the Group was in a net cash positions as at 31 December 2009 after the successful listing during November 2009. 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 equity attributable to owners of the Company. The total debt (being aggregated bank borrowings and senior notes) over total assets ratio continued to be healthy, maintaining at 38.9% (31 December 2009: 30.0%) as at 30 June 2010.

Borrowings and Charges on the Group's Assets

As at 30 June 2010, the Group had an aggregate bank borrowings and senior notes of approximately RMB4,557 million and approximately RMB806 million, respectively. Amongst the bank borrowings, approximately RMB1,430 million were repayable within 1 year and approximately RMB3,127 million were repayable between 2 and 5 years. The senior notes were repayable between 2 and 5 years.

As at 30 June 2010, 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 in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. Appreciation in RMB would have a positive effect on the value on paying interest and repayment of foreign currency bank borrowings and senior notes. During the six months ended 30 June 2010, though the exchange rates of RMB against U.S. dollar and the Hong Kong dollar kept on increasing, the directors of the Company (the "Directors") expects that any fluctuation of RMB's exchange rate will not have any material adverse effect on the operation of the Group.

Commitments

As at 30 June 2010, the Group had committed to pay the premium on land acquisitions and on the acquisition of subsidiaries amounted to approximately RMB481 million (31 December 2009: nil).

Contingent Liabilities

As at 30 June 2010, the Group had provided guarantees amounting to approximately RMB2,010 million (31 December 2009: approximately RMB1,626 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 buyer obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts is recognized in the financial statement for the six months ended 30 June 2010 as the default risk is low.

Employees and Remuneration Policies

As at 30 June 2010, the Group has approximately 3,227 employees, of which 502 employees were involved in the property development sector, 376 in the property agency services sector, 2,266 in the property operation services sector and 83 in the hotel services sector. Total staff costs, including directors' emoluments, for the six months ended 30 June 2010 amounted to approximately RMB88 million (six months ended 30 June 2009: approximately RMB49 million). Remuneration is determined by reference to their performance, skill, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme. As at 30 June 2010, no options had been granted, exercised or cancelled under the share option scheme adopted on 27 October 2009.

INTERIM DIVIDEND

The Directors had resolved that no interim dividend be paid for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Code on Corporate Governance") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for the following deviation:

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code regarding directors' securities transactions during the six months ended 30 June 2010 and all Directors confirmed that they have complied with the Model Code.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. 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 to review important accounting policies, supervise the Company's financial reporting processes, monitor the performance of the external auditor and the internal audit department, review and evaluate the effectiveness of the Company's financial reporting procedures and internal control and ensure the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board.

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 2010.

In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the six months ended 30 June 2010 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in compliance with the Listing Rules. 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 committee. The remuneration committee is responsible for advising the Board on the remuneration policy and framework of the Company's Directors and senior management member(s), as well as reviewing and determining the remuneration of all executive Directors and senior management member(s) with reference to the Company's objectives from time to time.

NOMINATION COMMITTEE

The Company has established a nomination committee in compliance with the Listing Rules. The nomination committee currently comprises two executive Directors, Ms. Zeng Jie and Mr. Pan Jun, and four independent non-executive Directors, Mr. Ho Man, Mr. Liao Martin Cheung Kong JP, Mr. Huang Ming and Mr. Xu Quan, while Ms. Zeng Jie is the chairman of the committee. The nomination committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the committee in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company is empowered by the applicable laws of the Cayman Islands and its articles of association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares during the six months ended 30 June 2010.

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

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.cnfantasia.com). The interim report of the Company for the six months ended 30 June 2010 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.

APPRECIATION

The development of Fantasia was attributed to the continued support and trust of our shareholders, investors, partners and customers, and the contribution and creation of the excellent value of all staff of the Group. In the future, we hope to continue to cooperate with our business partners in order to develop Fantasia into a safe, high-growth, high-return and respectful enterprise, which are the enterprise's core value and target that we have always been pursuing.

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

Hong Kong, 25 August 2010

As at the date of this announcement, the executive Directors are Mr. Pan Jun, Ms. Zeng Jie, Mr. Feng Hui Ming and Mr. Chan Sze Hon; the independent non-executive Directors are Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan.