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 2012

HIGHLIGHTS

– The Group's revenue for the period was approximately RMB1,205 million. By end of June 2012, the Group had deposit received for sale of properties amounted to approximately RMB4,450 million (where it was RMB2,619 million as at 31 December 2011), which will be recognized as revenue in the future financial statements.

– Gross profit margin maintained at a high level of 41.7%.

– The Group had land bank of gross floor area of approximately 8.29 million square meters, land premium of which had been fully paid up. The average land bank cost is approximately RMB665 per square meter.

– The Group's contract sales in the period slightly decreased by 2% to approximately RMB3,351 million from approximately RMB3,405 million, whilst the contract sales in July 2012 was approximately RMB670 million. The Group's total gross floor area delivered to purchasers for the six months ended 30 June 2012 was reduced as compared to the corresponding period in 2011, which was in accordance with the Group's development schedule. However, it is expected that the Group's full year plan in 2012 for completion of sale properties for delivery will be completed and delivered to purchasers as scheduled.

The board (the "**Board**") of directors (the "**Directors**") of Fantasia Holdings Group Co., Limited (the "**Company**") announces the unaudited financial results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
		2012	2011
		RMB'000	*RMB'000*
	Notes	**(unaudited)**	(unaudited)
			(restated)
Revenue	*3*	**1,204,752**	2,005,234
Cost of sales		**(702,065)**	(952,369)
Gross profit		**502,687**	1,052,865
Other income, gains and losses	*4*	**13,990**	55,609
Change in fair value of investment properties		**11,082**	70,837
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		**334,822**	8,543
Selling and distribution expenses		**(126,595)**	(130,536)
Administrative expenses		**(154,950)**	(143,115)
Finance costs	*5*	**(32,323)**	(76,948)
Share of results of associates		**(1)**	201
Profit before taxation		**548,712**	837,456
Income tax expense	*6*	**(354,553)**	(373,228)
Profit for the period	*7*	**194,159**	464,228
Other comprehensive income (expense)			
Surplus on revaluation of properties		**29,866**	11,795
Deferred taxation liability arising from revaluation of properties		**(9,180)**	(4,882)
Other comprehensive income for the period (net of tax)		**20,686**	6,913
Total comprehensive income for the period		**214,845**	471,141
Profit for the period attributable to:			
Owners of the Company		**201,028**	498,732
Non-controlling interests		**(6,869)**	(34,504)
		194,159	464,228
Total comprehensive income attributable to:			
Owners of the Company		**217,814**	505,676
Non-controlling interests		**(2,969)**	(34,535)
		214,845	471,141
Earnings per share – Basic *(RMB)*	*9*	**0.04**	0.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Notes	**30 June 2012** *RMB'000* **(unaudited)**	31 December 2011 *RMB'000* (unaudited) (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**567,780**	529,215
Investment properties		**3,150,566**	2,443,694
Interests in associates		**752**	1,077
Prepaid lease payments		**166,530**	163,307
Premium on prepaid lease payments		**434,804**	440,275
Prepayments		**3,370**	11,890
Land development expenditure		**1,497,526**	1,335,848
Deposits paid for acquisition of subsidiaries		**4,608**	8,084
Deposits paid for acquisition of a property project		**121,556**	104,900
Deferred tax assets		**287,009**	220,826
		6,234,501	5,259,116
CURRENT ASSETS			
Properties for sale		**11,072,766**	10,222,320
Prepaid lease payments		**6,601**	6,413
Premium on prepaid lease payments		**11,049**	11,157
Trade and other receivables	*10*	**1,974,570**	1,216,377
Amounts due from customers for contract works		**14,713**	16,359
Amounts due from related parties		**3,525**	3,262
Tax recoverable		**106,507**	51,143
Restricted bank deposits		**364,375**	315,134
Bank balances and cash		**1,073,828**	1,021,355
		14,627,934	12,863,520
CURRENT LIABILITIES			
Trade and other payables	*11*	**2,322,473**	2,268,829
Deposits received for sale of properties		**4,449,688**	2,619,004
Amount due to a related party		**2,957**	2,547
Tax payable		**1,602,577**	1,527,259
Borrowings — due within one year		**1,810,393**	2,100,069
		10,188,088	8,517,708
NET CURRENT ASSETS		**4,439,846**	4,345,812
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,674,347**	9,604,928

	30 June 2012 *RMB'000* (unaudited)	31 December 2011 *RMB'000* (unaudited) (restated)
NON-CURRENT LIABILITIES		
Borrowings — due after one year	**3,481,613**	2,640,933
Senior notes	**756,885**	752,367
Deferred tax liabilities	**604,829**	429,372
	4,843,327	3,822,672
	5,831,020	5,782,256
CAPITAL AND RESERVES		
Share capital	**457,093**	457,093
Reserves	**5,196,239**	5,144,506
Equity attributable to owners of the Company	**5,653,332**	5,601,599
Non-controlling interests	**177,688**	180,657
	5,831,020	5,782,256

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011 except as described below.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA that are mandatorily effective for the current interim period.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

Under the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Accordingly the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group recognised the deferred taxes on changes in fair value of the Group's investment properties in PRC taking into account the land appreciation tax and enterprise income tax payable upon sales of those investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

2. PRINCIPAL SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated statement of comprehensive income is as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Increase in income tax expense and decrease in profit for the period	**78,844**	3,534
Increase in deferred tax charge in other comprehensive income in relation to change in fair value of owner – occupied properties to investment properties	**1,713**	1,902

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 December 2011, is as follow:

	As at 31 December 2011 (originally stated)	**Adjustments**	**As at 31 December 2011 (restated)**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax liabilities and total effect of net assets	212,347	217,025	429,372
Accumulated profits	2,663,549	(166,628)	2,496,921
Special reserve	(15,673)	(48,495)	(64,168)
Property revaluation reserve	8,846	(1,902)	6,944
Total effect on equity	2,656,722	(217,025)	2,439,697

The effect of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, i.e. 1 January 2011, is as follows:

	As at 1 January 2011 (originally stated)	**Adjustments**	**As at 1 January 2011 (restated)**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax liabilities and total effect on net assets	128,121	118,978	247,099
Accumulated profits	1,516,228	(70,483)	1,445,745
Non-controlling interests	464,336	(48,495)	415,841
Total effect on equity	1,980,564	(118,978)	1,861,586

2. **PRINCIPAL SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Impact on basic earnings per share

	Six months ended 30 June	
	2012	2011
	RMB	*RMB*
Basic earnings per share before adjustment	**0.05**	0.10
Adjustments arising from change in accounting policy in relation to application of amendments to HKAS 12 in respect of deferred taxes on investment properties	**(0.01)**	–
Reported basic earnings per share	**0.04**	0.10

3. **REVENUE AND SEGMENT INFORMATION**

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of properties	**1,049,665**	1,914,662
Rental income	**40,241**	11,848
Agency fee from provision of property agency services	**4,218**	9,909
Management fee and installation services from provision of property operation services	**84,684**	60,742
Hotel operations	**25,944**	8,073
	1,204,752	2,005,234

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

Six months ended 30 June 2012

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

Inter-segment revenues charged at prevailing market rate.

3. **REVENUE AND SEGMENT INFORMATION** *(continued)*

Six months ended 30 June 2011

	Property development *RMB'000*	Property investment *RMB'000*	Property agency services *RMB'000*	Property operation services *RMB'000*	Hotel operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
SEGMENT REVENUE (unaudited)							
External sales	1,914,662	11,848	9,909	60,742	8,073	–	2,005,234
Inter-segment sales	3,795	–	3,636	14,040	866	(22,337)	–
Total	1,918,457	11,848	13,545	74,782	8,939	(22,337)	2,005,234
Segment profit (loss)	788,933	87,873	13,738	19,979	(16,357)	–	894,166

Inter-segment revenues charged at prevailing market rate.

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 gain, share of results of associates, gain on disposal of an associate, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Reconciliation:

	Six months ended 30 June	
	2012 *RMB'000* **(unaudited)**	2011 *RMB'000* (unaudited)
Segment profit	**612,369**	894,166
Unallocated amounts:		
Unallocated income	**3,560**	33,633
Unallocated corporate expenses	**(34,893)**	(13,596)
Finance costs	**(32,323)**	(76,948)
Share of results of associates	**(1)**	201
Profit before taxation	**548,712**	837,456

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Property development	**14,970,025**	13,319,848
Property investment	**3,150,564**	2,445,142
Property agency services	**4,542**	2,011
Property operation services	**232,601**	302,290
Hotel operations	**393,824**	422,111
Total segment assets	**18,751,556**	16,491,402
Total unallocated assets	**2,189,924**	1,631,234
Group's total assets	**20,941,480**	18,122,636

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income from bank deposits	**3,900**	4,405
Forfeiture income on deposits received	**584**	202
Government grant *(Note)*	**5,319**	3,371
Gain on disposal of property, plant and equipment	**390**	21
Gain on disposal of a subsidiary	**–**	16,228
Net foreign exchange (loss) gain	**(7,619)**	28,691
Imputed interest income on non-current interest-free advance to an associate	**–**	537
Reversal of accruals and forfeiture of deposit received	**7,310**	–
Others	**4,106**	2,154
	13,990	55,609

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	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on:		
– borrowings wholly repayable within five years	**165,729**	149,879
– borrowings not wholly repayable within five years	**40,395**	7,977
– senior notes	**54,574**	57,361
– amount due to a related party	**–**	2,015
Less: Amount capitalised in		
– properties under development for sale	**(170,303)**	(136,371)
– investment properties under development	**(5,111)**	(3,657)
– construction in progress	**(2,980)**	(256)
– land development expenditure	**(49,981)**	–
	32,323	76,948

During the six months ended 30 June 2012, certain amount of borrowing costs capitalised arose on the general borrowing pool and were calculated by applying the capitalisation rates of 8.58% per annum to expenditure on qualifying assets. During the six months ended 30 June 2011, all the borrowing cost capitalised arose on the specific borrowings.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
		(restated)
The income tax expense comprises:		
PRC taxes		
Enterprise income tax	**135,570**	230,577
Land appreciation tax	**118,889**	184,440
	254,459	415,017
Deferred tax		
Current year	**100,094**	(41,218)
Underprovision of deferred tax assets	**–**	(571)
	100,094	(41,789)
	354,553	373,228

For the six months ended 30 June 2012, the relevant tax rates for the Group's subsidiaries in China is 25% (six months ended 30 June 2011: ranged from 24% 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	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Release of prepaid lease payments	**2,628**	5,031
Release of premium on prepaid lease payments	**5,579**	3,051
Depreciation of property, plant and equipment	**16,576**	16,299

8. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Final dividend in respect of the immediately preceding financial year of HK4.00 cents per share	**168,859**	165,888
Dividend paid to non-controlling shareholders *(Note)*	**–**	4,010

Note: The amount represents dividends paid by China subsidiaries to their non-controlling shareholders.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
		(restated)
Earnings:		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	**RMB201,028,000**	RMB498,732,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,207,221,750**	4,875,740,600

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.

10. TRADE AND OTHER RECEIVABLES

	30 June 2012 *RMB'000* **(unaudited)**	31 December 2011 *RMB'000* (audited)
Trade receivables	**548,354**	410,171
Other receivables	**165,659**	93,568
Prepayments and other deposits *(Note)*	**565,053**	57,032
Prepayments to suppliers	**120,961**	280,925
Prepayment for construction work	**383,665**	293,111
Other tax prepayment	**190,878**	81,570
	1,974,570	1,216,377

Note: During the six months ended 30 June 2012, deposits of approximately RMB434,870,000 is paid for acquisition of a land use right for development of properties for sale. At the date of when announcement of the unaudited interim results were authorised for issue, the acquisition of the land use right has not been completed.

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

The following is an aged analysis of trade receivables of the Group net of allowance for doubtful debts presented based on the delivery date at the end of the Reporting Period:

	30 June 2012 *RMB'000* **(unaudited)**	31 December 2011 *RMB'000* (audited)
0 – 30 days	**176,185**	214,728
31 – 90 days	**25,168**	150,069
91 days – 180 days	**135,492**	25,401
Over 180 days	**211,509**	19,973
	548,354	410,171

11. TRADE AND OTHER PAYABLES

	30 June 2012 *RMB'000* **(unaudited)**	31 December 2011 *RMB'000* (audited)
Trade payables	**1,628,203**	1,696,289
Other payables	**332,645**	254,332
Other taxes payables	**173,849**	104,674
Payroll payable	**12,800**	50,403
Welfare payable	**4,053**	695
Retention payable	**37,064**	29,330
Consideration payable in respect of acquisition of subsidiaries	**127,945**	128,267
Accruals	**5,914**	4,839
	2,322,473	2,268,829

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 2012 *RMB'000* **(unaudited)**	31 December 2011 *RMB'000* (audited)
0 – 60 days	**1,217,634**	1,325,615
61 – 180 days	**89,353**	261,680
181 days – 365 days	**225,900**	23,344
1 – 2 years	**83,024**	94,931
2 – 3 years	**36,660**	16,238
Over 3 years	**12,696**	3,811
	1,665,267	1,725,619

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Contract Sales

During the six months ended 30 June 2012 (the "**Reporting Period**"), in order to maintain the success in the macro control over the real estate market, the central government of China remained firm on its attitude to the macro control over the real estate market and required local governments to strictly implement the control measures of "purchase restriction, loan restriction, price restriction" for curbing the speculative demands for properties. The Group carries out immediate adjustment and management on its development and sales strategies based on the changes of the real estate market from time to time. Also, to keep in line with the Group's operating strategy of "stable and prudent", the Group has complied with its schedule to slow down the development of projects for completion in the first half of 2012 to avoid the most significant market fluctuation at the beginning of the year.

In the first half of 2012, the Group recorded contract sales of approximately RMB3,351 million and contract sales area of approximately 388,921 square meters, representing a decrease of 2% and an increase of 11% respectively over the same period in the last year, in which approximately RMB1,677 million and 138,128 square meters were attributable to the sales of urban complex projects, representing a decrease of 14% and 8% respectively over the same period in the last year, and approximately RMB633 million and 118,397 square meters were attributable to the sales of boutique upscale residence projects, representing an increase of 7% and 91% respectively over the same period in the last year.

During the Reporting Period, the number of projects that provided sales contribution decreased as scheduled. In the first half of 2012, the contract sales were mainly derived from 12 projects in nine core cities, whilst there were 17 projects in eight core cities as in the corresponding period in 2011. Among the projects, in Guilin, phase one of Guilin Lakeside Eden, the Guilin CBD chief luxury lake-side villas, launched tiered villa units in June 2012, 70% of which was sold during the first month of its launch.

Project Development

In the first half of 2012, the Group strictly followed the three-level project management and control system to ensure the smooth progress in the project development. During the Reporting Period, only one new property development project was completed which was consistent with the pace of the Group's schedule for the full year of 2012. The Group had an area of approximately 608,000 square meters for newly developed projects and an area of approximately 21,000 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 2012) was approximately 2.87 million square meters, the saleable area of which amounted to approximately 2.11 million square meters in total.

Newly Developed Projects

In the first half of 2012, the Group had six projects or phases of projects which were newly developed, with a total gross floor area of approximately 608,000 square meters.

Completed Projects

In the first half of 2012, Blocks 1 to 3 of Suzhou Lago Paradise Land Plot No. 6 were completed with a total gross floor area of approximately 21,000 square meters.

Projects under Construction

As at 30 June 2012, the Group had 17 projects or phases of projects under construction, with a total planned gross floor area of approximately 2.85 million square meters and a planned gross saleable area of approximately 2.09 million square meters. As at 30 June 2012, the Group recorded cumulated contract sales of approximately 780,078 square meters with respect to the above projects, and contract sales area sold during the first half of 2012 was approximately 337,444 square meters.

Projects to be Developed

As at 30 June 2012, the Group had 12 projects or phases of projects to be developed, with a planned gross floor area of approximately 5.44 million square meters, of which, the total planned gross floor area of four projects in the Pearl River Delta was approximately 2.09 million square meters, with a proportion of approximately 38%; and the total planned gross floor area of the three projects in Chengdu-Chongqing Economic Zone was approximately 2.21 million square meters, with a proportion of approximately 41%; and the three projects in Yangtze River Delta had a total planned gross floor area of approximately 0.5 million square meters, with a proportion of approximately 9% and the two projects in Beijing-Tianjin Metropolitan Area had a total planned gross floor area of approximately 0.64 million square meters, with a proportion of approximately 12%.

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 2012, turnover of the Group amounted to approximately RMB1,205 million, representing a decrease of 39.9% from approximately RMB2,005 million for the corresponding period in 2011. The decrease is primarily attributable to the reduction in the Group's total gross floor area delivered to purchasers as compared to the corresponding period in 2011, which was consistant with the Group's development schedule. However, it is expected that the Group's full year plan in 2012 for completion of sale properties for delivery will be completed and delivered to purchasers as scheduled.

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, i.e., when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue from property development represents proceeds from sales of our properties held for sales. Revenue derived from property development decreased by 45.2% to approximately RMB1,050 million for the six months ended 30 June 2012 from approximately RMB1,915 million for the corresponding period in 2011. During the period, only one new property development project was completed and this led to a significant decrease in total gross floor area ("**GFA**") delivered to our customers.

Property Investment

Revenue generated from property investment increased by 239.6% to approximately RMB40 million for the six months ended 30 June 2012 from approximately RMB12 million for the corresponding period in 2011. The increase was primarily due to the continuing growth of the investment properties and the increase in occupancy rate.

Property Agency Services

Revenue derived from property agency services decreased by 57.4% to approximately RMB4 million for the six months ended 30 June 2012 from approximately RMB10 million for the corresponding period in 2011. Due to the restructuring of the Company's business, the property agency services business has been disposed of in January 2011 in order for the management to concentrate on the major business, but we maintained the property agency services business in the second hand market as a value added service in the property operation business team.

Property Operation Services

Revenue derived from property operation services increased by 39.4% to approximately RMB85 million for the six months ended 30 June 2012 from approximately RMB61 million for the corresponding period in 2011. This increase was primarily due to an increase in the GFA of properties that we managed during the first half of 2012.

Hotel Services

Revenue derived from hotel services increased by 221.4% to approximately RMB26 million for the six months ended 30 June 2012 from approximately RMB8 million for the corresponding period in 2011. This increase was primarily due to an increase in the number of hotels and occupancy rate of the hotels during the first half of 2012.

Gross Profit and Margin

Gross profit decreased by 52.3% to approximately RMB503 million for the six months ended 30 June 2012 from approximately RMB1,053 million for the corresponding period in 2011, while our gross profit margin maintained at a high level of 41.7% for the six months ended 30 June 2012 whereas it was 52.5% for the corresponding period in 2011. This decrease in gross profit was in line with the decrease in the total revenue for the six months ended 30 June 2012. On the other hand, the high gross margin for the six months ended 30 June 2011 was resulted from the contribution from our two Shenzhen projects, which were completed in 2011.

Other Income, Gain and Losses

Other income, gain and losses decreased by 74.8% to approximately RMB14 million for the six months ended 30 June 2012 from approximately RMB56 million for the corresponding period in 2011. The decrease was primarily due to the exchange loss resulting from the translation of our US senior notes, although there was an exchange gain resulting from the translation of our US senior notes and a gain from the disposal of a subsidiary in 2011.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 3.0% to approximately RMB127 million for the six months ended 30 June 2012 from approximately RMB131 million for the corresponding period in 2011. The decrease was in line with our decrease in contract sales during the reporting period.

Administrative Expenses

Our administrative expenses increased by 8.3% to approximately RMB155 million for the six months ended 30 June 2012 from approximately RMB143 million for the corresponding period in 2011. This increase was primarily due to the increase in number of offices and staff cost in new locations following our expansion.

Finance Costs

Our finance costs decreased by 58.0% to approximately RMB32 million for the six months ended 30 June 2012 from approximately RMB77 million for the corresponding period in 2011. Most of our bank loans were used for projects construction and the decrease in finance costs represented the increase in capitalization rate.

Income Tax Expenses

Our income tax expenses decreased by 5.0% to approximately RMB354 million for the six months ended 30 June 2012 from approximately RMB373 million for the corresponding period in 2011. This decrease was in line with the decrease in our total revenue, which in turn reduced the income tax and land appreciation tax in the first half of 2012.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company decreased by 59.7% to approximately RMB201 million for the six months ended 30 June 2012 from approximately RMB499 million for the corresponding period in 2011. This decrease was primarily due to a decrease in the accounting recognition of turnover for the six months ended 30 June 2012.

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2012, the Group's bank balance and cash was approximately RMB1,438 million (31 December 2011: approximately RMB1,336 million), representing an increase of 7.6% as compared to that as at 31 December 2011. A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties which such deposits relate to. As at 30 June 2012, the Group's restricted cash was approximately RMB364 million (31 December 2011: approximately RMB315 million), representing an increase of 15.6% as compared to that as at 31 December 2011.

Current Ratio and Gearing Ratio

As at 30 June 2012, the Group has current ratio (being current assets over current liabilities) of approximately 1.44 compared to that of 1.51 as at 31 December 2011. The gearing ratio was 81.6% as at 30 June 2012 (31 December 2011: 74.2%). 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 29.0% (31 December 2011: 30.3%) as of 30 June 2012.

Borrowings and Charges on the Group's Assets

As at 30 June 2012, the Group had an aggregate bank borrowings and senior notes of approximately RMB5,292 million (31 December 2011: approximately RMB4,741 million) and approximately RMB757 million (31 December 2011: approximately RMB752 million), respectively. Amongst the bank borrowings, approximately RMB1,810 million (31 December 2011: approximately RMB1,896 million) will be repayable within one year, approximately RMB3,070 million (31 December 2011: approximately RMB2,153 million) will be repayable between two to five years and approximately RMB412 million (31 December 2011: approximately RMB692 million) will be repayable after five years. The senior notes were repayable between two to five years.

As at 30 June 2012, a substantial part of the bank borrowings were secured by land use rights and properties of the Group. The senior notes were jointly and severally guaranteed by certain subsidiary companies of the Group and by pledge of their shares.

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. Appreciation in RMB would have a positive effect on the value on paying interest and repayment of foreign currency bank borrowings and senior notes. During the six months ended 30 June 2012, though the exchange rates of RMB against U.S. dollar and the Hong Kong dollar kept on increasing, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Commitments

As at 30 June 2012, the Group had committed payment for the land development expenditure and acquisition of subsidiaries amounting to approximately RMB43 million (31 December 2011: RMB98 million) and RMB9 million (31 December 2011: RMB5 million), respectively.

The Group did not have any committed payment for the land premium on land acquisition as at 30 June 2012 and as at 31 December 2011.

Contingent Liabilities

As at 30 June 2012, the Group had provided guarantees amounting to approximately RMB1,863 million (31 December 2011: approximately RMB2,479 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the six months ended 30 June 2012 as the default risk is low.

Employees and Remuneration Policies

As at 30 June 2012, the Group had approximately 6,691 employees (31 December 2011: approximately 6,929 employees). Total staff costs, including directors' emoluments, for the six months ended 30 June 2012 amounted to approximately RMB63 million (six months ended 30 June 2011: approximately RMB87 million). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice. Apart from salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for Chinese employees), a discretionary bonus program and a share option scheme.

The Company adopted a share option scheme on 27 October 2009. During the six months ended 30 June 2012, no share option was granted. Up to 30 June 2012, no share option had lapsed or been exercised. As at 30 June 2012, the outstanding share options were 74,230,000.

INTERIM DIVIDEND

The Directors had resolved that no interim dividend be paid for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with the code provisions set out in the Code on Corporate Governance Practices ("**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and with the revised Corporate Governance Code from 1 April 2012 to 30 June 2012 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry with all Directors whether the Directors have complied with the required standard set out in the Model Code during the six months ended 30 June 2012 and all Directors confirmed that they have complied with the Model Code throughout such period.

AUDIT COMMITTEE

The Company established an audit committee with specific written terms of reference as amended on 12 March 2012. The audit committee of the Company currently comprises four independent non-executive Directors, including Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan, while Mr. Ho Man is the chairman of the committee. The audit committee is responsible for the engagement of external auditor, review of the Group's financial information and oversight of the Group's financial reporting system and internal control and risk management procedures and reviewing the Group's financial and accounting policies and practices. The audit committee together with the management of the Company has reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2012. In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the six months ended 30 June 2012 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

The Company established a remuneration committee with specific written terms of reference as amended on 12 March 2012. The remuneration committee currently comprises an executive Director, Mr. Pan Jun, and four independent non-executive Directors, Mr. Huang Ming, Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP and Mr. Xu Quan, while Mr. Huang Ming is the chairman of the remuneration committee. The remuneration committee is responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

NOMINATION COMMITTEE

The Company established a nomination committee with specific written terms of reference as amended on 12 March 2012. The nomination committee currently comprises two executive Directors, Mr. Pan Jun and Ms. Zeng Jie, Baby, and four independent non-executive Directors, Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan, while Mr. Pan Jun is the chairman of the committee. The nomination committee is responsible for reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment and re-appointment of Directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company is empowered by the applicable laws of the Cayman Islands and its articles of association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares during the six months ended 30 June 2012.

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 2012 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

ACKNOWLEDGEMENT

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

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

Hong Kong, 16 August 2012

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