



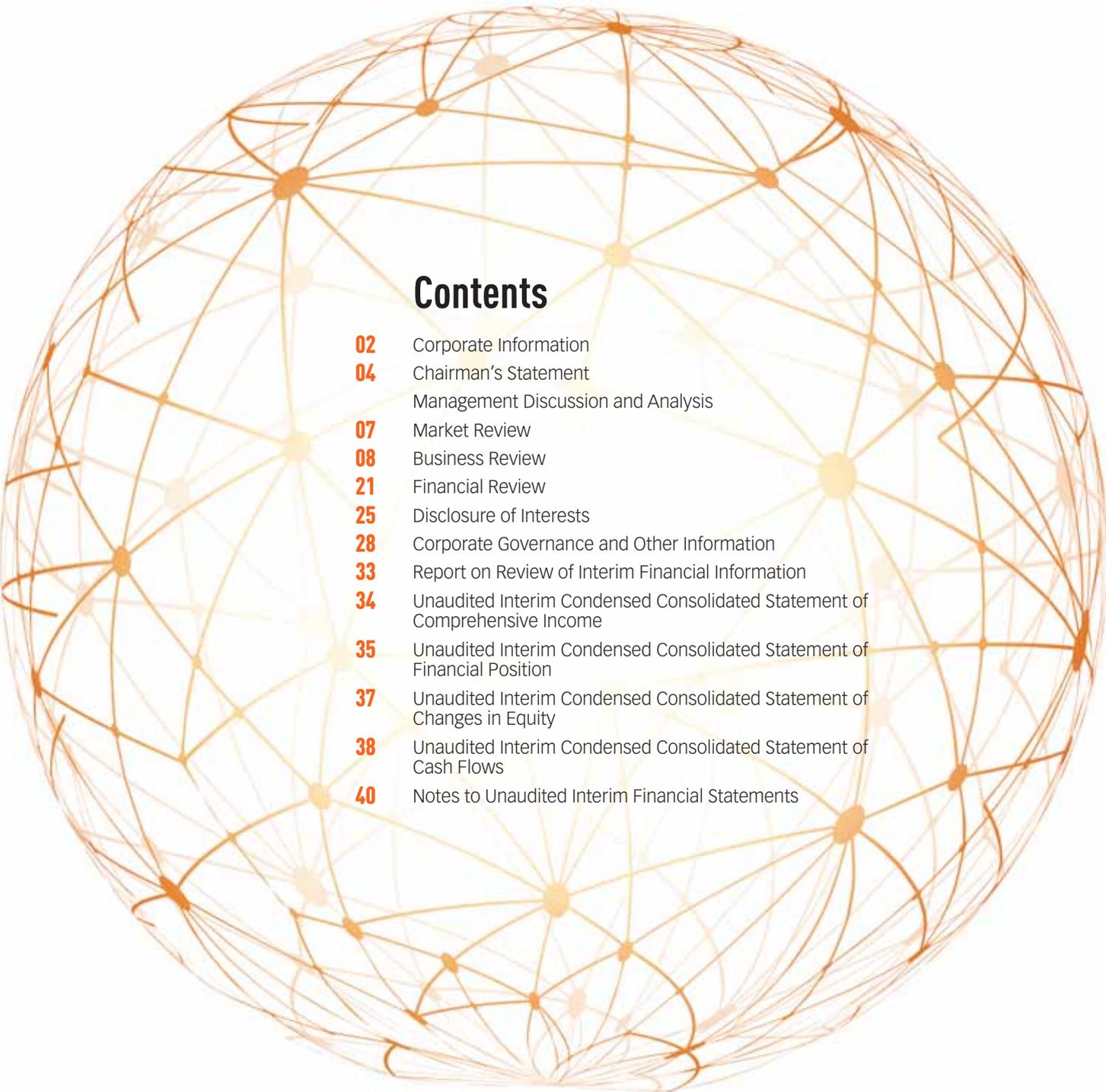
(Incorporated in the Cayman Islands with limited liability)
Stock code : 01369

INTERIM REPORT 2015

WUZHOU INTERNATIONAL
HOLDINGS LIMITED
五洲國際控股有限公司







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Corporate Information

DIRECTORS

Executive Directors

Mr. Shu Cecheng (Chairman)
 Mr. Shu Cewan (Chief Executive Officer)
 Mr. Shu Ceyuan
 Ms. Wu Xiaowu
 Mr. Zhao Lidong

Non-Executive Director

Mr. Wang Wei

Independent Non-Executive Directors

Dr. Song Ming
 Mr. Lo Kwong Shun, Wilson
 Prof. Shu Guoying

COMPANY SECRETARY

Mr. Cheung Man Hoi

AUTHORIZED REPRESENTATIVES

Mr. Cheung Man Hoi
 Mr. Shu Cecheng

AUDIT COMMITTEE

Mr. Lo Kwong Shun, Wilson (Committee Chairman)
 Dr. Song Ming
 Prof. Shu Guoying

REMUNERATION COMMITTEE

Dr. Song Ming (Committee Chairman)
 Mr. Shu Cewan
 Prof. Shu Guoying

NOMINATION COMMITTEE

Mr. Shu Cecheng (Committee Chairman)
 Dr. Song Ming
 Mr. Lo Kwong Shun, Wilson

AUDITORS

Ernst & Young
 Certified Public Accountants

COMPLIANCE ADVISOR

Octal Capital Limited

PRINCIPAL BANKERS

Bank of China Limited
 Bank of Communications Co., Ltd
 Industrial and Commercial Bank of China Limited
 Xiamen International Bank

LEGAL ADVISORS

As to Hong Kong Law

Shearman & Sterling

As to PRC Law

Global Law Office

As to Cayman Islands Law

Walkers

REGISTERED OFFICE

Cricket Square
 Hutchins Drive
 P.O. Box 2681
 Grand Cayman KY1-1111
 Cayman Islands

CORPORATE HEAD OFFICE IN HONG KONG

Unit 5105, 51/F
 The Center
 99 Queen's Road Central
 Central
 Hong Kong

CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

19th Floor
 Wuzhou International Columbus Plaza Tower B
 287 Guangyi Road
 Wuxi
 China

Corporate Information

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION

Share Listing

The Company's ordinary shares
The Stock Exchange of Hong Kong Limited
Stock Code: 01369

Senior Notes Listing

The Company's 13.75%, 5 years senior notes due 2018
The Stock Exchange of Hong Kong Limited
Stock code: 05970

WEBSITE

<http://www.wz-china.com>



Chairman's Statement

Leveraging Wuzhou International abundant brand resources and its own expertise, Wuzhouhui provided one-stop services covering the entire business process from project investment and development consultancy, sales agency planning and commercial operations and management, with full integration of resources in the industry chain, such as storage and logistics, e-commerce, and integrated finance.



Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Wuzhou International Holdings Limited ("Wuzhou International" or the "Company"), I hereby present the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015.

REVIEW OF RESULTS

Revenue of the Group for the six months ended 30 June 2015 was RMB2,182 million, representing a decrease of 13.0% compared to RMB2,508 million for the same period of 2014. Profit of the Group attributable to equity owners of the Company for the six months ended 30 June 2015 amounted to RMB164 million. To better address requirements of the Group's business development, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2015.

Confronted with complicated situations at home and elsewhere during the first half of 2015, the Chinese economy showed stability amid a slowdown in growth and moved along within a reasonable range. There were improvements in the growth rates for major economic indicators in recent months, underpinned by a positive momentum in new employment figures for cities and townships, further increase in domestic demand and ongoing optimization of the industry mix, as individual income grew in tandem with economic development. Moves by the People's Bank of China to lower interest rates as well as the reserve requirement ratio, reflecting relative easing in the monetary policy, has further improved liquidity in the market for a positive macro-environment in general.

For the period under review, the Group achieved contracted sales of RMB3,278 million, representing an increase of 8.8% over the same period of the previous year and a 47% completion of the annual sales target set by the Group. Benefitting from the strategy to pursue vigorous expansion in other fast-growing cities beyond Jiangsu Province, the Group reported a more balanced regional mix of revenue. As at 30 June 2015, the Group owned 37 projects across 11 provinces/municipalities in China, and its contracted sales involved 33 development projects in 11 provinces/municipalities.

Chairman's Statement

BUSINESS DEVELOPMENT STRATEGIES

The real estate sector has been rapidly changing under the impact of Internet finance. While the market was concerned with how the prospects of traditional commercial properties would be affected, Wuzhou International had commenced moves for transformation into an "asset-light" business model, such as the building of an end-to-end commercial and trade logistics business chain and the introduction of one-stop, comprehensive asset management and operation.

On the one hand, Wuzhou International continued to fortify its business of commercial and trade logistics centres and build integrated commercial and trade logistics centres catering to market demands, with a special emphasis on the development of "manufacturer-oriented" commercial and trade logistics markets and industry parks, which was essentially the construction in industrial manufacturing hubs of efficiently integrated commercial and trade logistics centres which facilitate industrialization and urbanization and serve a full range of functions. The Wuzhou Leqing Project located in Leqing, the largest hub in China for the electrical appliance sector, was one such project resulting from vigorous implementation of the Group's strategy of the "manufacturing-base market." The project provided under one roof a wide array of functions, such as ancillary services, trade fairs, storage and logistics, financial settlement and integrated commercial services, and facilitated intensive integration of commodity flow, information flow, flow of human resources and cash flow, thereby creating added value in the development of industries, booming of trade, generation of tax income and job creation. Centrally planned, leased and operated, the commercial and trade logistics parks developed by Wuzhou are closely catered to market demands, as the implementation of the Wuzhou operating system on modernized hardware assured that markets came into shape quickly in ongoing prosperity.

On the other hand, Wuxi Wuzhouhui Technology Co., Ltd. ("Wuzhouhui"), a wholly-owned subsidiary of Wuzhou International, was making major efforts in the development of the "asset-light" model, seeking to provide smart project operation systems and all-rounded services for a variety of customers on the industry chain through the implementation of one-stop, comprehensive asset management and operation. Its core businesses covered the entire business chain of commercial and trade logistics, comprising the operation and management of commercial properties, management services, storage and logistics management, e-commerce and integrated finance. In effect, it provided integrated solutions in commercial and trade logistics.

Leveraging Wuzhou International abundant brand resources and its own expertise, Wuzhouhui provided one-stop services covering the entire business process from project investment and development consultancy, sales agency planning and commercial operations and management, with full integration of resources in the industry chain, such as storage and logistics, e-commerce, and integrated finance. The operation of the meticulously created end-to-end industry chain comprising "commerce and trade + logistics + e-commerce + finance" has assured smooth passages in the channels for sales, logistics, information flow and financing, providing a stronger driving force for corporate development and generating benefits for both the industry and the market.

Based on the new standards prevailing in the modern commercial and trade logistics sector, Wuzhouhui introduced the innovative business model of "replicable development," which can be extensively applied to serve the entire commercial and trade logistics sector while helping Wuzhouhui to achieve organic expansion, thereby driving the industry as a whole to a new level. Currently, Wuzhouhui has commenced joint venture projects in core regions for activities in commercial and trade logistics, such as Jiangsu, Zhejiang, Guangdong, Shandong, Henan and Guizhou. With ongoing rapid expansion underway, the service model of Wuzhouhui has become a successful replicable business model for the commercial and trade logistics sector.



Chairman's Statement

DIVERSIFIED FINANCING PLATFORMS

The Group continued to actively explore new financing instruments by fully utilizing its access to the international capital markets. In June 2015, Wuzhou International successfully issued new shares with an amount of HK\$460 million (accounting for 6.6% of its enlarged share capital). As the first share issue of the Company since its listing in 2013, it enjoyed overwhelming response from investors, which included over 10 international institutions renowned for long-term investments. In July 2015, the Group completed another successful issue in the form of 2018 senior notes to raise US\$100 million, which further evidenced the bond market's confidence in the Company. The exploration of various financing means and recognition by the capital markets have allowed the Group to seize market opportunities more effectively, as well as to enhance its financial flexibility.

BROAD RECOGNITION BY THE PUBLIC AND IN THE INDUSTRY

The development of Wuzhou International in adherence to its mission of pursuing "Responsible Real Estate and Healthy Commercial Business" has earned the respect of and commendation from its shareholders, clients, business partners and industry peers. The Group has been named among the "Top 500 Private Enterprises in China," "16th Ranking Property Developer," "2015 Top 10 Hong Kong Listed PRC Real Estate Companies by Investment Value," "2015 Consolidated Commercial Property Developers in China (8th ranking)" and "31st Ranking Commercial Property Developers in China by Value."

APPRECIATION

In the real estate industry, goodwill, sound cooperation with and enthusiastic support from stakeholders are paramount to the success of an enterprise. We would like to take this opportunity to thank our partners as well as our shareholders and investors for their loyal support. Sincere gratitude also goes to customers who have purchased our products and testified to their value and quality. Gaining the confidence of customers is essential to brand building and shows the genuine value of a company in the market. Last but not least, we must thank our Directors, senior management and employees for their total commitment and dedication, which has provided the driving force for our development and a strong foundation for our soaring growth in future. The people mentioned above have helped to assure ongoing stable development for Wuzhou International in the first half of 2015. Once again, may I express my profound gratitude to our Directors and senior management for their able leadership and to all employees for their relentless hard work.

Wuzhou International Holdings Limited

Shu Cecheng

Chairman

27 August 2015

Management Discussion and Analysis



MARKET REVIEW

In the first half of 2015, the Chinese economy was stable and improved under perplexing economic conditions domestically and globally, and kept operating within a reasonable growth range. Certain key performance indices have picked up in the last few months, rate of urban job creation has become positive, domestic demand has further expanded, industrial structure has continued to optimize and the growth in national income has been in line with the economic development. The economic growth in the past two quarters maintained at 7% which was very close to market anticipation, mirroring a stabilization of Chinese economy with moderate but stable and sound momentum of development.

In addition, a relatively loose monetary policy has been maintained by the People's Bank of China by simultaneously adopting the policy of reduction in both interest rate and reserve requirement ratio. Further release of liquidity and benign macroeconomic conditions in the first half of 2015 significantly narrowed down the decrease in gross floor area ("GFA") sold of commodity properties as compared to the decrease in GFA sold at the beginning of 2015. Progressive reduction in interest rate has been simulating the demand of buyers for house purchase, and demand for properties is expected to rise stronger.

Management Discussion and Analysis



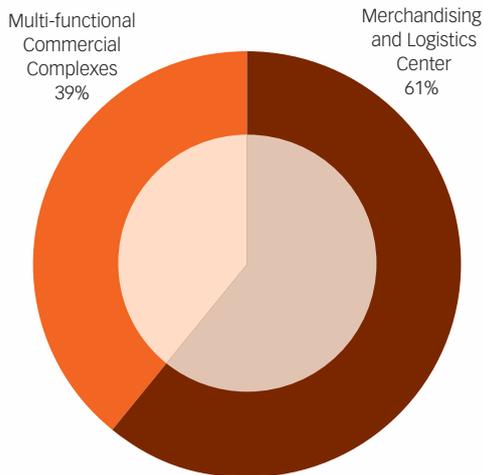
BUSINESS REVIEW

I. Contracted sales

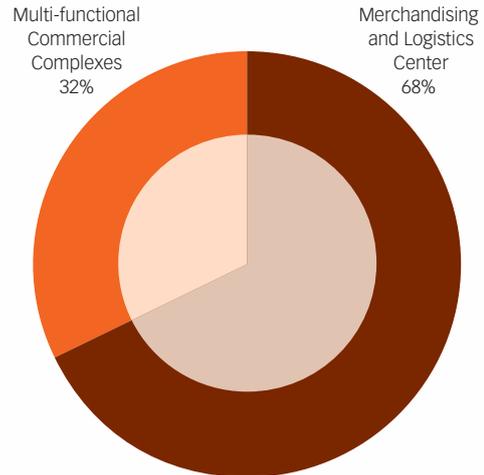
During the period under review, the Group recorded contracted sales and contracted sales area of approximately RMB3,278 million and approximately 547,000 square metres ("sq.m."), representing increases of 8.8% and 25.1% as compared with the same period of the previous year, respectively. Approximately RMB2,014 million and 374,000 sq.m. were from the sales of the merchandising and logistics centers. Approximately RMB1,264 million and 173,000 sq.m. were from the sales of multi-functional commercial complexes.

Management Discussion and Analysis

Percentage of contract sales amount by categories



Percentage of contract sales area by categories



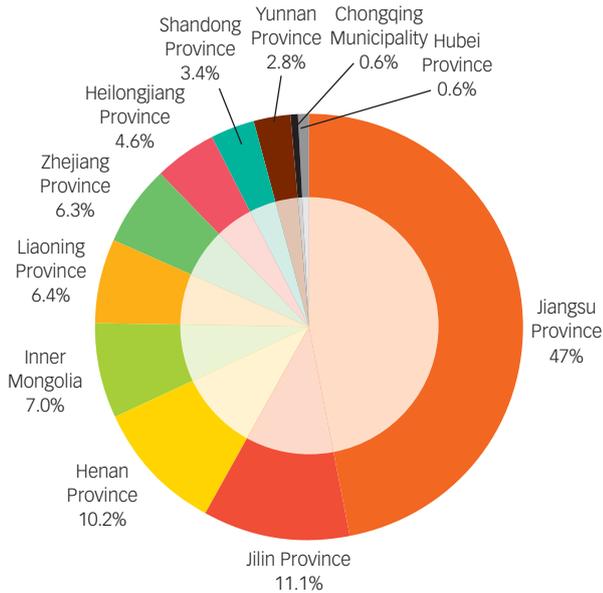
Contracted sales of the Group, by geographical location, were mainly from Jiangsu Province, Jilin Province and Henan Province. The contracted sales and contracted sales area were approximately RMB1,540 million, RMB363 million and RMB335 million, and approximately 254,000 sq.m., 42,000 sq.m. and 55,000 sq.m., respectively, accounting for 47%, 11% and 10%, and 46%, 8% and 10% of the total contracted sales amount and the total contracted sales area, respectively. Attributable to the market expansion strategy of the Group in other rapidly-developing cities, the contracted sales from other provinces and cities increased continuously, resulting in a more balanced income source in terms of geographical locations.



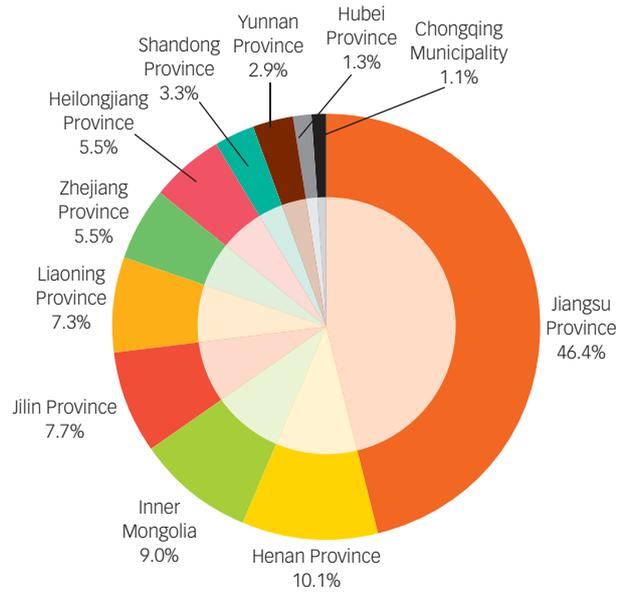
Management Discussion and Analysis

Region	Contracted sales amount		Contracted sales area	
	RMB million	Percentage (%)	'000 Sq.m.	Percentage (%)
Jiangsu Province	1,540	47.0	254	46.4
Jilin Province	363	11.1	42	7.7
Henan Province	335	10.2	55	10.1
Inner Mongolia	228	7.0	49	9.0
Liaoning Province	210	6.4	40	7.3
Zhejiang Province	207	6.3	30	5.5
Heilongjiang Province	150	4.6	30	5.5
Shandong Province	113	3.4	18	3.3
Yunnan Province	91	2.8	16	2.9
Chongqing Municipality	21	0.6	6	1.1
Hubei Province	20	0.6	7	1.3
Total	3,278	100.0	547	100.0

Percentage of contract sales amount by regions



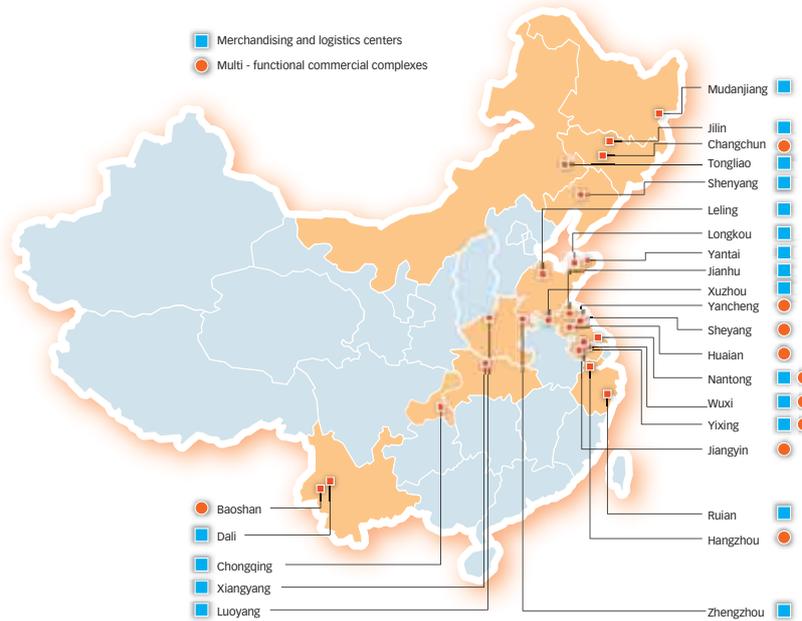
Percentage of contract sales area by regions



Management Discussion and Analysis

II. Project development

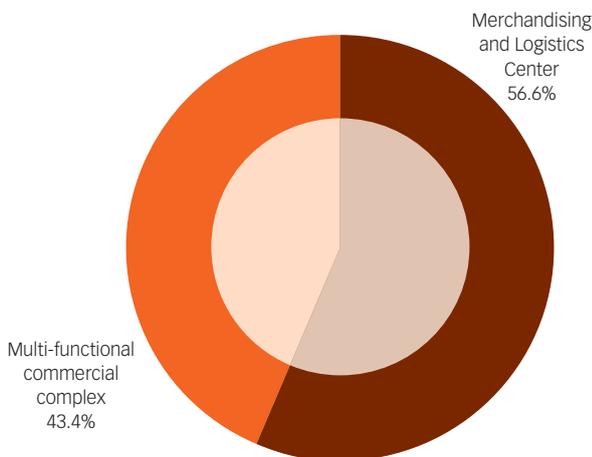
As at 30 June 2015, the Group had 37 development projects in Jiangsu Province, Zhejiang Province, Shandong Province, Hubei Province, Yunnan Province, Heilongjiang Province, Jilin Province, Henan Province, Liaoning Province, Chongqing Municipality and Inner Mongolia Autonomous Region, including 20 merchandising and logistics centers and 17 multi-functional commercial complexes.



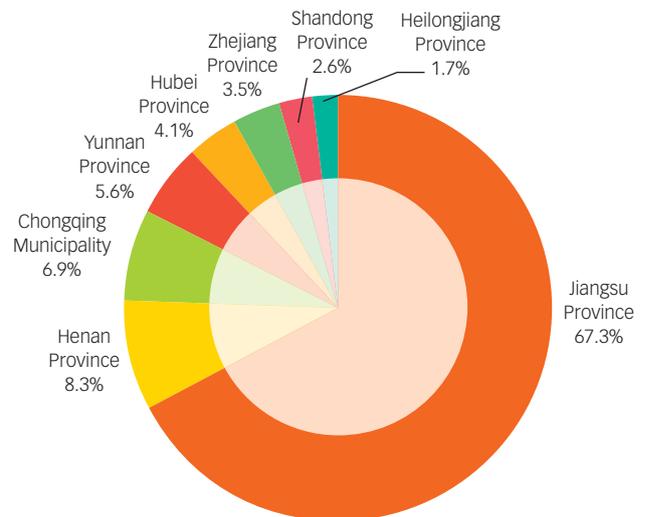
Completed projects

During the period under review, the Group completed a total of 27 projects or project phases with a total GFA of approximately 4,035,000 sq.m., including approximately 2,072,000 sq.m. of GFA sold and delivered and approximately 642,000 sq.m. of GFA held for lease.

Total GFA of completed projects by categories



Total GFA of completed projects by regions



Management Discussion and Analysis

List of completed projects:

Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)	
Jiangsu Province									
1	Wuxi	Wuzhou International Ornamental City	Merchandising and Logistics Center	100%	392	340	230	7	103
2	Wuxi	Wuxi Wuzhou International Industrial Exhibition City	Merchandising and Logistics Center	100%	440	395	322	3	70
3	Wuxi	Wuxi Wuzhou International Columbus Plaza	Multi-functional commercial complex	64.3%	212	168	106	18	44
4	Wuxi	Wuxi Wuzhou International Chinese Food Culture Exposition City	Multi-functional commercial complex	62%	191	154	75	33	46
5	Wuxi	Meicun Wuzhou International Plaza	Multi-functional commercial complex	90%	54	40	17	–	23
6	Wuxi	Yangjian Wuzhou International Plaza	Multi-functional commercial complex	100%	142	105	70	18	17
7	Wuxi	Wuxi New District Columbus Plaza	Multi-functional commercial complex	100%	91	71	29	19	23
8	Wuxi	Luoshe Wuzhou International Columbus Dragon City	Multi-functional commercial complex	100%	52	38	15	8	15
9	Jianhu	Jianhu Wuzhou International Trade City	Merchandising and Logistics Center	100%	107	105	72	33	–
10	Yancheng	Yancheng Wuzhou International Plaza	Multi-functional commercial complex	100%	55	55	27	13	15
11	Huaian	Huaian Wuzhou International Plaza	Multi-functional commercial complex	100%	147	110	50	6	54
12	Nantong	Wuzhou International Automobile Exhibition City	Merchandising and Logistics Center	75%	109	108	48	60	–
13	Nantong	Nantong Wuzhou International Plaza	Multi-functional commercial complex	51%	360	254	139	50	65
14	Jiangyin	Jiangyin Wuzhou International Plaza	Multi-functional commercial complex	90%	230	183	93	56	34
15	Yixing	Yixing Wuzhou International Huadong Trade City	Merchandising and Logistics Center	100%	64	64	17	47	–
16	Sheyang	Sheyang Wuzhou International Plaza	Multi-functional commercial complex	100%	68	66	45	21	–
Subtotal					2,714	2,256	1,355	392	509

Management Discussion and Analysis

Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)
Yunnan Province								
17 Dali Wuzhou International Trade City	Dali	Merchandising and Logistics Center	100%	153	152	142	10	-
18 Baoshan Wuzhou International Plaza	Baoshan	Multi-functional commercial complex	61%	73	70	27	17	26
Subtotal				226	222	169	27	26
Chongqing Municipality								
19 Rongchang Wuzhou International Trade City	Chongqing	Merchandising and Logistics Center	94%	280	278	117	76	85
Subtotal				280	278	117	76	85
Hubei Province								
20 Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Merchandising and Logistics Center	100%	167	167	150	17	-
Subtotal				167	167	150	17	-
Shandong Province								
21 Longkou Wuzhou International Trade City	Longkou	Merchandising and Logistics Center	95%	51	51	32	19	-
22 Yantai Wuzhou International Industrial Exhibition City (Fushan)	Yantai	Merchandising and Logistics Center	95%	55	55	54	1	-
Subtotal				106	106	86	20	-
Zhejiang Province								
23 Hangzhou Wuzhou International Plaza	Hangzhou	Multi-functional commercial complex	100%	76	59	32	5	22
24 Ruian Wuzhou International Trade City	Ruian	Merchandising and Logistics Center	100%	64	63	46	17	-
Subtotal				140	122	78	22	22

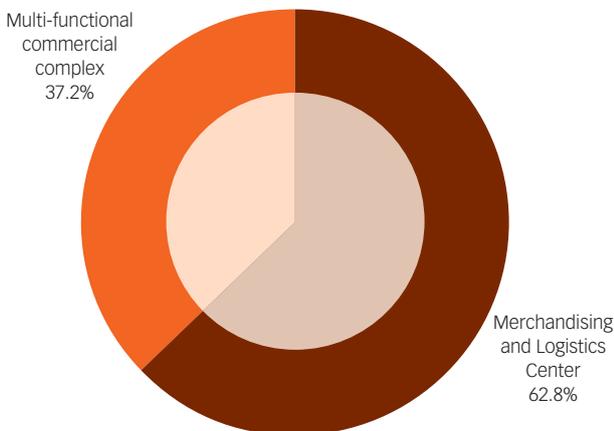
Management Discussion and Analysis

Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)
Heilongjiang Province								
25 Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Merchandising and Logistics Center	100%	68	66	36	30	-
Subtotal				68	66	36	30	-
Henan Province								
26 Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Merchandising and Logistics Center	51%	144	143	85	58	-
27 Zhengzhou Wuzhou International Industrial Exhibition City	Zhengzhou	Merchandising and Logistics Center	100%	190	161	155	6	-
Subtotal				334	304	240	64	-
Total				4,035	3,521	2,231	648	642

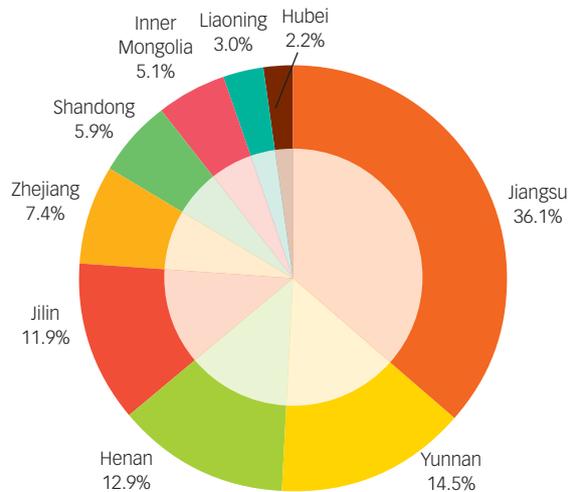
Projects under development

As at 30 June 2015, the Group had a total of 23 projects or project phases under development with a total planned GFA of 2,304,000 sq.m., including approximately 451,000 sq.m. of GFA pre-sold and approximately 389,000 sq.m. of GFA held for lease.

Total GFA of projects under development by categories



Total GFA of projects under development by regions



Management Discussion and Analysis

List of projects under development:

Project name	City	Category	Interests of the Company	Estimated construction completion date	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA pre-sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)	
Jiangsu Province										
1	Wuxi	Wuzhou International Industrial Exhibition City Phase II Hall D	Merchandising and Logistics Center	100%	2015	83	69	9	17	43
2	Wuxi	Wuzhou International Ornamental City Phase V Hall F	Merchandising and Logistics Center	100%	2016	34	26	-	26	-
3	Wuxi	Qianzhou Wuzhou International Plaza	Multi-functional commercial complex	80%	2015	74	60	9	33	18
4	Nantong	Wuzhou International Automobile Exhibition City	Merchandising and Logistics Center	75%	2015	180	123	51	72	-
5	Jiangyin	Jiangyin Wuzhou International Plaza	Multi-functional commercial complex	90%	2015	28	27	17	10	-
6	Yixing	Yixing Wuzhou International Plaza	Multi-functional commercial complex	51%	2016	118	93	19	74	-
7	Yancheng	Yancheng Wuzhou International Plaza	Multi-functional commercial complex	100%	2015	73	44	22	12	10
8	Sheyang	Sheyang Wuzhou International Plaza	Multi-functional commercial complex	100%	2016	67	63	-	63	-
9	Huaian	Huaian Wuzhou International Plaza	Multi-functional commercial complex	100%	2016	85	73	17	56	-
10	Xuzhou	Xuzhou Road-port	Merchandising and Logistics Center	70%	2015	89	72	-	-	72
Subtotal						831	650	144	363	143
Yunnan Province										
11	Dali	Dali Wuzhou International Trade City	Merchandising and Logistics Center	100%	2016	197	194	25	85	84
12	Baoshan	Baoshan Wuzhou International Plaza	Multi-functional commercial complex	61%	2015	137	115	29	86	-
Subtotal						334	309	54	171	84
Hubei Province										
13	Xiangyang	Xiangyang Wuzhou International Industrial Exhibition City	Merchandising and Logistics Center	100%	2015	50	48	1	47	-
Subtotal						50	48	1	47	-

Management Discussion and Analysis

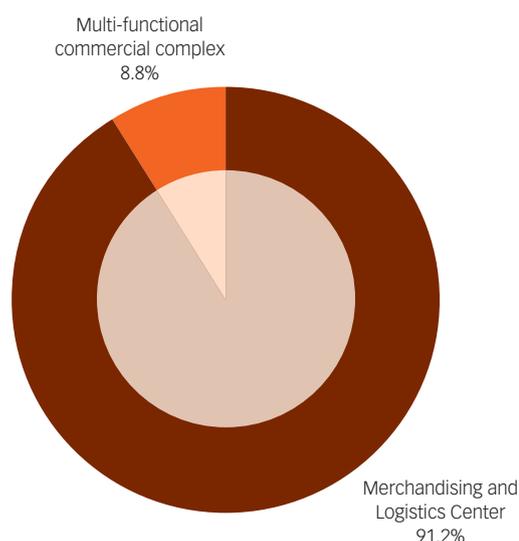
Project name	City	Category	Interests of the Company	Estimated construction completion date	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA pre-sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)	
Shandong Province										
14	China Longkou Wuzhou International Trade City	Longkou	Merchandising and Logistics Center	95%	2016	74	74	3	46	25
15	Leling Wuzhou International Exhibition City	Leling	Merchandising and Logistics Center	51%	2015	39	38	25	13	-
16	Yantai Wuzhou International Industrial Exhibition City	Yantai	Merchandising and Logistics Center	95%	2015	23	23	12	11	-
					Subtotal	136	135	40	70	25
Zhejiang Province										
17	Ruian Wuzhou International Trade City	Ruian	Merchandising and Logistics Center	100%	2016	170	143	9	37	97
					Subtotal	170	143	9	37	97
Heilongjiang Province										
18	Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Merchandising and Logistics Center	100%	2016	23	23	5	18	-
					Subtotal	23	23	5	18	-
Henan Province										
19	Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Merchandising and Logistics Center	51%	2015	66	63	7	56	-
20	Zhengzhou Wuzhou International Industrial Exhibition City	Zhengzhou	Merchandising and Logistics Center	100%	2016	231	205	45	160	-
					Subtotal	297	268	52	216	-
Jilin Province										
21	Changchun Wuzhou International Plaza	Changchun	Multi-functional commercial complex	100%	2016	275	235	41	154	40
					Subtotal	275	235	41	154	40
Liaoning Province										
22	Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Merchandising and Logistics Center	100%	2015	70	69	56	13	-
					Subtotal	70	69	56	13	-
Inner Mongolia Autonomous Region										
23	Tongliao Wuzhou International Trade City	Tongliao	Merchandising and Logistics Center	100%	2016	118	117	49	68	-
					Subtotal	118	117	49	68	-
					Total	2,304	1,997	451	1,157	389

Management Discussion and Analysis

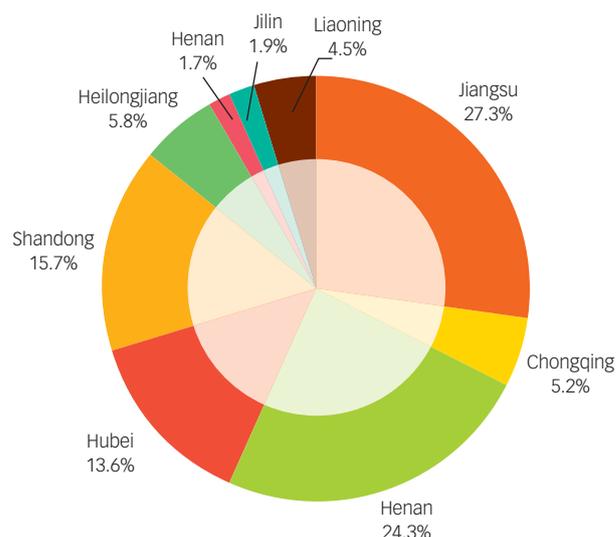
Projects planned for development

As at 30 June 2015, the Group had a total of 17 projects or project phases planned for development, with a total planned GFA of approximately 3,778,000 sq.m.

Total planned GFA of projects planned for development by categories



Total planned GFA of projects planned for development by provinces and cities



List of projects planned for future development:

Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)
Jiangsu Province				
1 Wuxi Wuzhou International Industrial Exhibition City Product Exhibition Hall B and Building Complex	Wuxi	Merchandising and Logistics Center	100%	144
2 Qianzhou Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	80%	27
3 Jianhu Wuzhou International Trade City Phase II	Jianhu	Merchandising and Logistics Center	100%	114
4 Jianhu China Green Light Exposition City	Jianhu	Merchandising and Logistics Center	100%	94
5 Sheyang Wuzhou International Plaza	Sheyang	Multi-functional commercial complex	100%	307
6 Wuzhou International Automobile Exhibition City	Nantong	Merchandising and Logistics Center	75%	134
7 Yixing Wuzhou International Huadong Trade City	Yixing	Merchandising and Logistics Center	100%	211
			Subtotal	1,031

Management Discussion and Analysis

Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)
Chongqing Municipality				
8 Rongchang Wuzhou International Trade City Phase II	Chongqing	Merchandising and Logistics Center	94%	197
Subtotal				197
Yunnan Province				
9 Dali Wuzhou International Trade City Phase III	Dali	Merchandising and Logistics Center	100%	917
Subtotal				917
Hubei Province				
10 Xiangyang Wuzhou International Industrial Exhibition City (Phase II)	Xiangyang	Merchandising and Logistics Center	100%	512
Subtotal				512
Shandong Province				
11 Leling Wuzhou International Exhibition City	Leling	Merchandising and Logistics Center	51%	414
12 China Longkou Wuzhou International Trade City	Longkou	Merchandising and Logistics Center	95%	116
13 Yantai Wuzhou International Industrial Exhibition City	Yantai	Merchandising and Logistics Center	95%	65
Subtotal				595
Heilongjiang Province				
14 Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Merchandising and Logistics Center	100%	221
Subtotal				221
Henan Province				
15 Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Merchandising and Logistics Center	51%	64
Subtotal				64

Management Discussion and Analysis

Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)
Jilin Province				
16 Jilin Wuzhou International Trade City	Jilin	Merchandising and Logistics Center	100%	70
			Subtotal	70
Liaoning Province				
17 Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Merchandising and Logistics Center	100%	171
			Subtotal	171
			Total	3,778

III. Land bank

The Group considers that acquiring ample land bank at reasonable costs is crucial to its long-term development and profitability. It carried out in-depth studies on local urban planning and acquired lands of substantial development potential in order to build new commercial areas and design projects in line with market demand. During the period under review, the Group strived to consolidate its existing land bank and selectively expanded and developed into other areas, including Heilongjiang Province, for more extensive land bank across China.

As at 30 June 2015, the total planned GFA of land bank amounted to approximately 7,403,000 sq.m., including approximately 1,321,000 sq.m. for completed projects, approximately 2,304,000 sq.m. for projects under development and approximately 3,778,000 sq.m. for projects planned for future development. The land bank is sufficient for the development of the Group in the future three to five years.

Management Discussion and Analysis

As at 30 June 2015, the breakdown of land bank by regions is as follows:

Region	Completed projects ('000 sq.m.)	Projects under development ('000 sq.m.)	Projects planned for future development ('000 sq.m.)	Total planned GFA of land bank ('000 sq.m.)
Jiangsu province	924	831	1,031	2,786
Yunnan province	45	334	917	1,296
Hubei province	25	50	512	587
Shandong province	27	136	595	758
Zhejiang province	49	170	–	219
Heilongjiang province	50	23	221	294
Henan province	112	297	64	473
Jilin province	–	275	70	345
Liaoning province	–	70	171	241
Chongqing Municipality	89	–	197	286
Inner Mongolia Autonomous Region	–	118	–	118
Total	1,321	2,304	3,778	7,403

IV. Centralized operation, management and marketing

Most of the purchasers of the Group's retail stores entered into exclusive operation and management agreements with it under which the Group received management service income from the purchasers for managing and controlling the leases of the retail shops, event organization and ancillary service provision. The Group also provided the purchasers with services such as project positioning, planning, design, construction, marketing, leasing and operation so as to ensure the centralized operation of projects. In addition, the Group also provided general property management services for tenants and occupants.

Outlook

China's fixed-asset investment is forecasted to rise approximately 12% this year with a tendency of slower growth in investments in developing manufacturing industries and real estate but a high growth in investments in infrastructure. Thanks to the effects of the policies promoting spending, the total amount of retail and consumer goods is anticipated to steadily grow in the second half of 2015. In addition, as further release of liquidity and benign macroeconomic conditions were bolstered by the policies of reductions in both interest rate and deposit reserve ratio, steady growth in property market is expected in the second half of 2015. Progressive reduction in interest rate has been simulating the demand of buyers for house purchase, and demand for properties is expected to rise.

In such circumstances, property developers have to give up their conventional business model involving development, construction, operation, property leasing and subdivision, and link an openly comprehensive services chain instead, creating a dynamic industrial ecosystem with business innovation, investment and financing services, enterprise and university collaborations and smart technology development, in order to gain competitive edge over rivals. In the great transformation of the property industry, each property developer has its unique characteristics. Wuzhou International has moved in the direction of developing synergy of trading, logistics and e-commerce, laying a concrete foundation for its "asset-light" transformation.

Management Discussion and Analysis

In March 2015, an “Internet Plus” strategy was delivered in the government work report of the People’s Republic of China (the “PRC”), highlighting the vital role of internet in the course of transformation of economic structure. Such strategy will encourage healthy development of e-commerce, industrial networks and internet banking. Wuzhou International will continue to facilitate integration of the operation of e-commerce platform and mortgage financing, forming a chain linking the sectors of trading, logistics and finance. Wuzhou International has strong offline channel and customer resources, providing it more competitive advantages. In 2015, Wuzhou International will continue to make major efforts in the development of the “asset-light” model, seeking to provide smart project operation systems and all-rounded services for a variety of customers on the industry chain through the implementation of one-stop, comprehensive asset management and operation. Its core businesses cover the entire business chain of commercial and trade logistics, comprising the operation and management of commercial properties, management services, storage and logistics management, e-commerce and integrated finance. In effect, it provides integrated solutions in commercial and trade logistics.

Looking forward, the Company will adhere to the values advocated by the Group, “Create value for the customers. Generate wealth for the society”, so as to provide solid guarantee for the sustainable development of the Group and our projects.

FINANCIAL REVIEW

Revenue

Our revenue comprises mainly income from the sale of properties, rental income, commercial and property management service income, property consulting service income and commissions from concessionaire sales after deduction of allowances for returns and trade discounts.

For the six months ended 30 June 2015, turnover of the Group amounted to approximately RMB2,182 million, representing a decrease of 13.0% from approximately RMB2,508 million for the corresponding period in 2014.

Sale of Properties

Revenue from the sale of properties is recognized (i) when the significant risks and rewards of ownership of the properties are transferred to the purchasers; (ii) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties, are retained; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and (v) the cost incurred or to be incurred in relation to the transaction can be measured reliably. We consider that the significant risks and rewards of ownership are transferred when the construction of relevant properties has been completed and the properties have been delivered to the purchasers.

Revenue from property development represents proceeds from sales of our properties held for sale.

Revenue derived from property development decreased by 14.6% to approximately RMB2,041 million for the six months ended 30 June 2015 from approximately RMB2,389 million for the corresponding period in 2014. This decrease was due primarily to a decrease in the average selling price of properties sold to our customers.

Rental Income

Rental income generated from rental of investment properties increased by 50.8% to approximately RMB42 million for the six months ended 30 June 2015 from approximately RMB28 million for the corresponding period in 2014. The increase was due primarily to the continuing growth of the investment properties.

Management Discussion and Analysis

Commercial Management Service Income and Property Management Service Income

We generate commercial management service income from most purchasers of the retail units at our projects pursuant to our exclusive operation and management agreements. Under these agreements, which we enter into with the purchasers at the pre-sale stage, we typically receive commercial management service income equivalent to the entire rental value of the underlying properties for the initial periods ranging from three to five years, which typically commence upon the opening for operation of the building where the property is located, and then 10% of the rental value for the remaining years. In practice, we collect rents directly from the tenants of the underlying properties, retain our commercial management service fees and remit the remainder, if any, to the purchasers. To attract tenants, we may offer selected tenants rent-free periods ranging from two to six months. We typically secure tenants for the vast majority of the purchasers prior to the commencement of the initial period. Since we charge commercial management service fees based on the rental value of the underlying properties, we will not be able to receive any commercial management service fees in the event we are unable to lease out the underlying properties.

Commercial management service income increased by 10.9% to approximately RMB49 million for the six months ended 30 June 2015 from approximately RMB44 million for the corresponding period in 2014. Property management service income decreased by 10.4% to approximately RMB5 million for the six months ended 30 June 2015 from approximately RMB6 million for the corresponding period in 2014. The increase in commercial management service income was due primarily to the increase in the GFA of the properties operated and managed by us, while the decrease in property management service income was due to the gradual transfer of property management business to other third parties for concentrating in the business of commercial management service.

Property Consulting Service Income

Property consulting service income represents the revenue from consulting and advisory service rendered by the Group to third party companies in their development and construction of commercial properties.

Property consulting service income increased by 29.9% to approximately RMB32 million for the six months ended 30 June 2015 from approximately RMB25 million for the corresponding period in 2014. The increase in property consulting service income was due primarily to the increase in business volume of the services provided by us to third party customers.

Commissions from Concessionaire Sales

Revenue derived from the commissions from concessionaire sales decreased by 53.3% to approximately RMB4 million for the six months ended 30 June 2015 from approximately RMB8 million for the corresponding period in 2014, which was resulted from the decrease of the relevant sales.

Gross Profit and Margin

Gross profit decreased by 34.1% to approximately RMB677 million for the six months ended 30 June 2015 from approximately RMB1,027 million for the corresponding period in 2014. Gross profit margin decreased to 31.0% for the six months ended 30 June 2015 from 40.9% for the corresponding period in 2014. The decrease in gross profit was in line with the decrease in the total revenue for the six months ended 30 June 2015 while the decrease in our gross margin was resulted from the change in product mix.

Other Income and Gain

Other income and gains increased by 186.9% to approximately RMB77 million for the six months ended 30 June 2015 from approximately RMB27 million for the corresponding period in 2014. Other income and gains mainly represented by subsidy income and interest income and certain non-recurring income and gains.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 19.7% to approximately RMB165 million for the six months ended 30 June 2015 from approximately RMB205 million for the corresponding period in 2014. The decrease was due primarily to a decrease in general selling, marketing and advertising activities resulting from fewer number of properties that were pre-sold in the first half of 2015 as compared to that in the same period of 2014.

Management Discussion and Analysis

Administrative Expenses

Our administrative expenses increased by 5.4% to approximately RMB219 million for the six months ended 30 June 2015 from approximately RMB208 million for the corresponding period in 2014. This increase was primarily due to the increase in number of projects of the Group in the first half of 2015.

Finance Costs

Our finance costs decreased by 62.5% to approximately RMB39 million for the six months ended 30 June 2015 from approximately RMB105 million for the corresponding period in 2014. This decrease was due primarily to an increase in numbers of properties under development where the relevant finance costs was capitalized.

Income Tax Expenses

Our income tax expenses decreased by 23.2% to approximately RMB318 million for the six months ended 30 June 2015 from approximately RMB414 million for the corresponding period in 2014. The change was primarily due to the decrease in corporate income tax and decrease in land appreciation tax accrual.

Profit After Tax and Total Comprehensive Income Attributable to Owners of the Company

Profit after tax and total comprehensive income attributable to owners of the Company decreased by 53.5% to approximately RMB164 million for the six months ended 30 June 2015 from approximately RMB352 million for the corresponding period in 2014. This decrease was due primarily to the decrease in gross profit and revaluation gain on the appreciation of our investment properties in the first half of 2015 as compared to that in the same period of 2014. Our net profit margin was 7.5% for the period under review.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2015, the Group's bank balances and cash (including restricted cash and pledged deposits) was approximately RMB1,843 million (31 December 2014: approximately RMB1,802 million), representing an increase of 2.3% as compared to that as at 31 December 2014. 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 in which such deposits relate to. As at 30 June 2015, the Group's restricted cash was approximately RMB82 million (31 December 2014: approximately RMB89 million).

Current Ratio and Gearing Ratio

As at 30 June 2015, the Group has current ratio (being current assets over current liabilities) of approximately 1.05 compared to that of 1.07 as at 31 December 2014. The gearing ratio was 81.4% as at 30 June 2015 compared to that of 86.2% as at 31 December 2014. The gearing ratio was measured by net debt (aggregated bank loans and other borrowings, senior and convertible notes net of cash and cash equivalents, pledged deposits and restricted cash) over the total equity of the Group. The total debt (being aggregated bank loans and other borrowings, senior and convertible notes) over total assets ratio was 29.4% as at 30 June 2015 (31 December 2014: 28.0%).

Borrowings and Charges on the Group's Assets

As at 30 June 2015, the Group had an aggregate interest-bearing bank and other borrowings, senior and convertible notes of approximately RMB5,685 million. Amongst the bank and other borrowings, approximately RMB1,739 million will be repayable within 1 year, approximately RMB1,845 million will be repayable between 2 to 5 years and approximately RMB351 million will be repayable after 5 years. The senior notes were repayable between 2 to 5 years and convertible notes are redeemable on or after 30 September 2017.

As at 30 June 2015, a substantial part of the bank and other borrowings were secured by land use rights and properties of the Group. The senior and convertible notes were jointly and severally guaranteed by certain subsidiary companies of the Group and by pledge of their shares. The bank and other borrowings were denominated in RMB while the senior and convertible notes were denominated in U.S. dollar.



Management Discussion and Analysis

Exchange Rate Risk

The Group mainly operates in the PRC. Apart from fund raising transactions in the capital market, there is limited exposure in foreign exchange risk. In accomplishing the aim of minimizing foreign exchange risk, the Group is closely monitoring the foreign exchange market in order to avoid any material adverse effect on the operation of the Group.

Capital Commitments

As at 30 June 2015, the Group had committed payment for properties under development amounting to approximately RMB2,584 million (31 December 2014: RMB2,950 million).

Contingent Liabilities

As at 30 June 2015, the Group had provided guarantees amounting to approximately RMB1,547 million (31 December 2014: approximately RMB1,083 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 2015 as the default risk is low.

Employees and Remuneration Policies

As at 30 June 2015, the Group had approximately 3,731 employees, of which 2,032 employees involved in the property development sector and 1,699 in the property operation services sector. Total staff costs, including directors' emoluments, for the six months ended 30 June 2015 amounted to approximately RMB172 million (six months ended 30 June 2014: approximately RMB97 million). Remuneration is determined by reference to their performance, skills, 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.

The Company adopted a share option scheme which became effective on 27 May 2013. In September 2013, the Group granted share options to subscribe for an aggregate of 93,119,611 shares of the Company in conformity with the share option scheme to some of the directors and employees of the Group, at an exercise price of HK\$1.27 per share. As at 30 June 2015, the outstanding share options were 55,966,625.

INTERIM DIVIDEND

The Directors resolved that no interim dividend will be paid for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

Disclosure of Interests

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Interest in the ordinary shares of the Company (the "Shares") and underlying Shares

Name of Director/Chief Executive	Long/Short position	Nature of interests	Number of issued Shares held	Interest in underlying Shares	Approximate percentage of shareholding
Mr. Shu Cecheng	Long position	Interest of controlled corporation ⁽¹⁾	3,412,766,295	–	68.39%
Mr. Shu Cewan	Long position	Interest of controlled corporation ⁽¹⁾	3,412,766,295	–	68.39%
Mr. Shu Ceyuan	Long position	Personal	–	3,000,000 ⁽⁵⁾	0.06%
	Long position	Interest of controlled corporation ⁽²⁾	8,384,297	–	0.17%
Ms. Wu Xiaowu	Long position	Personal	–	2,000,000 ⁽⁵⁾	0.04%
	Long position	Interest of controlled corporation ⁽³⁾	8,384,297	–	0.17%
Mr. Zhao Lidong	Long position	Personal	–	1,628,000 ⁽⁵⁾	0.03%
	Long position	Interest of controlled corporation ⁽⁴⁾	3,832,821	–	0.08%
Dr. Song Ming	Long position	Personal	–	2,160,000 ⁽⁵⁾	0.04%
	Long position	Personal	–	500,000 ⁽⁵⁾	0.01%
Mr. Lo Kwong Shun Wilson	Long position	Personal	–	500,000 ⁽⁵⁾	0.01%
Prof. Shu Guoying	Long position	Personal	–	500,000 ⁽⁵⁾	0.01%

Note 1: Boom Win Holdings Limited ("Boom Win") is owned as to 60% by Mr. Shu Cecheng and 40% by Mr. Shu Cewan and Mr. Shu Cecheng and Mr. Shu Cewan are deemed to be interested in the Shares held by Boom Win for the purpose of Part XV of the SFO.

Note 2: Dream Chaser Holdings Limited ("Dream Chaser") is wholly owned by Mr. Shu Ceyuan and Mr. Shu Ceyuan is deemed to be interested in the Shares held by Dream Chaser for the purpose of Part XV of the SFO.

Note 3: Starry Horizon Holdings Limited ("Starry Horizon") is wholly owned by Ms. Wu Xiaowu and Ms. Wu Xiaowu is deemed to be interested in the Shares held by Starry Horizon for the purpose of Part XV of the SFO.

Note 4: Mastery Ventures Holdings Limited ("Mastery Ventures") is wholly owned by Mr. Zhao Lidong and Mr. Zhao Lidong is deemed to be interested in the Shares held by Mastery Ventures for the purpose of Part XV of the SFO.

Note 5: The relevant Director/Chief Executive was granted options to subscribe for such number of Shares under Scheme (as defined under the sub-section headed "Share Option Scheme" in the section headed "Corporate Governance and Other Information") on 24 September 2013.

Disclosure of Interests**(ii) Long position in 13.75% senior notes due 2018 issued by the Company**

The following Director has interests in the 13.75% senior notes due 2018 issued by the Company (the "2018 Senior Notes"). Details of the 2018 Senior Notes held by the Director as at 30 June 2015 were as follows:

Name of Director	Nature of interest	Amount of 2018 Senior Notes in USD held	Percentage to the total 2018 Senior Notes in issue as at 30 June 2015
Wu Xiaowu	Personal interests	1,750,000	0.875%

(iii) Long positions in Associated Corporation

Name of Director	Nature of interest	Name of associated corporation	No. of shares held	Description of shares	Percentage of that associated corporation's issued share capital
Mr. Shu Cecheng	Corporate Interest	Boom Win	30,000 shares	Par value of US\$1.00	60%
Mr. Shu Cewan	Corporate Interest	Boom Win	20,000 shares	Par value of US\$1.00	40%
Mr. Shu Ceyuan	Corporate Interest	Dream Chaser	1 share	Par value of US\$1.00	100%
Ms. Wu Xiaowu	Corporate Interest	Starry Horizon	1 share	Par value of US\$1.00	100%
Mr. Zhao Lidong	Corporate Interest	Mastery Ventures	1 share	Par value of US\$1.00	100%

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executives of the Company had an interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, so far as the Directors or chief executives of the Company were aware, the person(s) or institution(s) (other than a Director or chief executives of the Company) who had interests or short positions in any Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Nature of Interest	Number of Shares/ underlying Shares held	Approximate percentage of interest in our Company as at 30 June 2015
Boom Win	Beneficial interest ⁽¹⁾	3,412,766,295	68.39%
Ping An Insurance (Group) Company of China, Ltd.	Interest of controlled corporation ⁽³⁾	261,573,033 ⁽²⁾	5.62%

Notes:

- (1) Boom Win is owned as to 60% by Mr. Shu Cecheng and 40% by Mr. Shu Cewan. Each of Mr. Shu Cecheng and Mr. Shu Cewan is deemed to be interested in the Shares held by Boom Win for the purpose of Part XV of the SFO.
- (2) Interests in the convertible notes.
- (3) This represents derivative interests in the underlying Shares. Pingan Real Estate (HongKong) Company Ltd. holds a direct interest in the 7.00% convertible notes due 2019 (the "Convertible Notes") which will be convertible into 226,696,629 Shares and is owned as to 100% by Ping An Real Estate Company Ltd.. Ping An Real Estate Company Ltd. is 100% controlled by Ping An Life Insurance Company of China Ltd., Ping An Property Insurance Company of China Ltd., Shenzhen Ping An Venture Capital Investment Company Ltd. and Shenzhen Ping An Property Investment Company Ltd., collectively. Ping An Life Insurance Company of China Ltd. and Ping An Property Insurance Company of China Ltd. is 99.5% controlled by Ping An Insurance (Group) Company of China, Ltd.. Therefore, Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in 226,696,629 underlying Shares represented by the Convertible Notes directly held by Pingan Real Estate (HongKong) Company Ltd.. Ping An UOB Fund Management Company Limited holds a direct interest in the Convertible Notes which will be convertible into 34,876,404 Shares and is 60.63% held by Ping An Trust LLC, which is 99.88% held by Ping An Insurance (Group) Company of China, Ltd.. Therefore, Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in 34,876,404 underlying Shares represented by the Convertible Notes directly held by Ping An UOB Fund Management Company Limited.

Save as disclosed above, as at 30 June 2015, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Corporate Governance and Other Information

The Company is committed to maintaining high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognized the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance.

The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances, and has full and timely access to all relevant information in relation to the Group's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess respectively professional qualifications and related management experience in the areas of financial accounting, law and global economy and have contributed to the Board with their professional opinions.

CORPORATE GOVERNANCE

During the six months ended 30 June 2015, the Company has complied with the code provisions set out in the "Corporate Governance Code and Corporate Governance Report" contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

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 2015 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 three independent non-executive Directors, including Mr. Lo Kwong Shun Wilson, Dr. Song Ming and Prof. Shu Guoying, while Mr. Lo Kwong Shun Wilson is the chairman of the audit committee. The main responsibilities of 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 of the Group for the six months ended 30 June 2015.

In addition, the independent auditors of the Company, Ernst & Young, have reviewed the unaudited interim results of the Group for the six months ended 30 June 2015 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.

Corporate Governance and Other Information

REMUNERATION COMMITTEE

The Company has established a remuneration committee in compliance with the Listing Rules. The remuneration committee currently comprises an executive Director, Mr. Shu Cewan, and two independent non-executive Directors, Dr. Song Ming and Prof. Shu Guoying, while Dr. Song 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 an executive Director, Mr. Shu Cecheng, and two independent non-executive Directors, Mr. Lo Kwong Shun Wilson and Dr. Song Ming while Mr. Shu Cecheng 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") which became effective on 27 May 2013 for the purpose of rewarding eligible participants who have contributed to the Group and to encourage eligible participants to work towards enhancing the value of the Company. Eligible participants of the Scheme include (i) any employee (whether full time or part time) of the Company, its subsidiaries or any entity in which the Group holds any equity interest (the "Invested Entity"), including any executive director of the Company, its subsidiaries or Invested Entity; (ii) any non-executive director (including independent non-executive director) of the Company, its subsidiaries or any Invested Entity; or (iii) any senior management of our Company, its subsidiaries or Invested Entity, who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 6 years from the date of its adoption.

The total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% in nominal amount of the aggregate of Shares in issue when the Scheme was adopted, unless with the prior approval from the Company's shareholders. The maximum number of Shares in respect of which options may be granted under the Scheme to each eligible participant in any 12-month period is not permitted to exceed 1% of the Shares in issue, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to a connected person of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares, in excess of HK\$5 million, such grant of options shall be subject to prior approval by resolutions of the shareholders of the Company (voting by way of poll).

Corporate Governance and Other Information

An offer of the grant of an option under the Scheme shall remain open for acceptance for 15 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK\$1 to the Company as consideration. Options may be exercised in accordance with the terms of the Scheme at any time from the date of grant until the expiry of 6 years from such date. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the date of grant of that option, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant of that option; and (iii) the nominal value of the Shares.

As at 30 June 2015, the total number of Shares in respect of which options were granted under the Scheme remained outstanding was 55,966,625 Shares, representing 1.12% of the total number of Shares in issue. For the six months ended 30 June 2015, no share option has been granted or agreed to be granted to any person and 4,650,000 Shares has been exercised under the Scheme.

The summary below set out the details of options outstanding as at 30 June 2015 which have been granted pursuant to the Scheme.

Name	Date of Grant	Exercise price HK\$	Closing Price of the Shares on the date of grant HK\$	Balance as at 1 January 2015	Grant during the period	Exercise during the period	Lapsed during the period	Cancelled during the period	Balance as at 30 June 2015
Mr. Shu Cewan	24 September 2013	1.270	1.270	3,000,000	-	-	-	-	3,000,000 ^{Note}
Mr. Shu Ceyuan	24 September 2013	1.270	1.270	2,000,000	-	-	-	-	2,000,000 ^{Note}
Ms. Wu Xiaowu	24 September 2013	1.270	1.270	2,000,000	-	372,000	-	-	1,628,000 ^{Note}
Mr. Zhao Lidong	24 September 2013	1.270	1.270	2,600,000	-	440,000	-	-	2,160,000 ^{Note}
Dr. Song Ming	24 September 2013	1.270	1.270	500,000	-	-	-	-	500,000 ^{Note}
Mr. Lo Kwong Shun Wilson	24 September 2013	1.270	1.270	500,000	-	-	-	-	500,000 ^{Note}
Prof. Shu Guoying	24 September 2013	1.270	1.270	500,000	-	-	-	-	500,000 ^{Note}
Other employees of the Group	24 September 2013	1.270	1.270	57,759,712	-	3,838,000	-	8,243,087	45,678,625 ^{Note}
Total				68,859,712	-	4,650,000	-	8,243,087	55,966,625

Notes:

The share options are exercisable during the following periods:

- up to 30% of the share options granted to each grantee at any time after the expiration of 12 months from the date of grant and ending on the expiry date of the option period and after the grantee has satisfied the vesting conditions specified by the Board; and
- up to 30% of the share options granted to each grantee at any time after the expiration of 24 months from the date of grant and ending on the expiry date of the option period and after the grantee has satisfied the vesting conditions specified by the Board; and
- up to 40% of the share options granted to each grantee at any time after the expiration of 36 months from the date of grant and ending on the expiry date of the option period and after the grantee has satisfied the vesting conditions specified by the Board.

The weighted average closing price of Shares immediately before the dates on which the options were exercised during the period was HK\$1.75.

Corporate Governance and Other Information

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

On 4 June 2015, a total of 327,464,000 placing shares (the "Placing Shares") had been placed at the placing price of HK\$1.42 per Placing Share to not less than six placees who were professional investors, each of which, with their ultimate beneficial owners, are independent third parties to the Company, and not connected with the Company and any of its connected persons (as defined in the Listing Rules) or their respective associates (as defined in the Listing Rules) and independent of and not acting in concert with Boom Win and its concert parties (the "Placing").

Further, the subscription of 327,464,000 new Shares by Boom Win (the "Subscription") took place on 15 June 2015. A total of 327,464,000 subscription shares (the "Subscription Shares") (equal to the number of the Placing Shares successfully placed by the joint placing agents pursuant to the placing and subscription agreement) were subscribed by Boom Win at the net issue price per Subscription Share (after deduction of the relevant commission and expenses incurred by Boom Win in relation to the Placing and the Subscription) of HK\$1.42 for each Subscription Share. The Subscription Shares represent approximately 6.56% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares. The Company received total net proceeds from the Subscription of approximately HK\$460 million. For details, please refer to the announcements of the Company dated 1 June 2015 and 15 June 2015.

As at 30 June 2015, the proceeds has been fully utilized in compliance with the intended use of proceeds set out in the announcement of the Company dated 1 June 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company completed the Placing and Subscription on 4 June 2015 and 15 June 2015, respectively. Please refer to the section headed "Placing of Existing Shares and Subscription of New Shares" above for further details.

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities for the six months ended 30 June 2015.

EVENTS AFTER THE REPORTING PERIOD

- (1) On 3 July 2015, the Group, through Wuxi Wuzhou Ornament City Co., Ltd* (無錫五洲國際裝飾城有限公司), an indirect wholly owned subsidiary of the Company, won the bids for the land use rights in respect of four land parcels located at the convenient centre location of Liubai Xincheng* (柳白新城), Yueqing City, Zhejiang Province, the People's Republic of China (the "Target Land Parcel") at RMB450,300,000, through the listing-for-sale processes of the Target Land Parcel as evidenced by the confirmation letter dated 3 July 2015 issued by Yueqing Municipal Bureau of State Land and Resources in respect of the Target Land Parcel.

The Target Land Parcel has a total site area of approximately 222,655 square metres with a total planned gross floor areas of approximately 462,115 square metres. The purpose of such acquisition is to begin the initial development of the China International Electrics & Electronic Appliance City* (中國國際電工電器城). For further details, please refer to the announcement of the Company dated 3 July 2015.

Corporate Governance and Other Information

- (2) On 26 September 2013, the Company issued the 2018 Senior Notes in the aggregate principal amount of US\$100 million ("Original Notes"). On 15 January 2014, the Company further issued the 2018 Senior Notes in an additional aggregate principal amount of US\$100 million ("Additional Notes in the First Tranche"), for the purpose of funding the existing and new real estate projects and general corporate purposes. Both the Original Notes and the Additional Notes in the First Tranche, which form the 2018 Senior Notes, were issued on the same terms and conditions.

On 6 July 2015, the Company issued the additional US\$100 million 13.75% senior notes due 2018 which consolidate and form a single class with the Original Notes and Additional Notes in the First Tranche (the "Additional Notes in the Second Tranche"). The Additional Notes in the Second Tranche were issued on the same terms and conditions as those of the Original Notes and the Additional Notes in the First Tranche, save for the issue date and the purchase price. Please refer to the announcements of the Company dated 25 June 2015 for further details. The net proceeds from the issue of the Additional Notes in the Second Tranche amounted to approximately US\$101.2 million.

Save as disclosed herein, there was no other significant events that might affect the Group since the end of the period under review.

* *for identification purpose only*

Report on Review of Interim Financial Information



To the Board of Directors of
Wuzhou International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 34 to 68, which comprises the condensed consolidated statement of financial position of Wuzhou International Holdings Limited (the "Company") and its subsidiaries as at 30 June 2015 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes.

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
27 August 2015

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
REVENUE	5	2,181,940	2,508,225
Cost of sales		(1,504,775)	(1,481,352)
GROSS PROFIT		677,165	1,026,873
Other income and gains	5	77,058	26,861
Selling and marketing expenses		(164,880)	(205,389)
Administrative expenses		(219,457)	(208,225)
Other expenses		(7,709)	(26,878)
Fair value gain upon transfer to investment properties		232,261	271,615
Change in fair value of investment properties		(88,862)	134,014
Finance costs	6	(39,498)	(105,348)
Share of profits and losses of associates		(2,345)	(1,016)
PROFIT BEFORE TAX	7	463,733	912,507
Income tax expense	8	(317,578)	(413,587)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		146,155	498,920
Attributable to:			
Owners of the parent		163,581	351,604
Non-controlling interests		(17,426)	147,316
		146,155	498,920
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (Cents)	10	3.49	7.55
Diluted (Cents)	10	3.26	7.55

Unaudited Interim Condensed Consolidated Statement of Financial Position

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	269,137	270,867
Investment properties	12	7,556,700	6,936,600
Intangible assets		3,506	3,939
Long-term deferred expense		2,948	2,351
Investments in associates		33,593	35,938
Deferred tax assets		217,889	322,825
Total non-current assets		8,083,773	7,572,520
CURRENT ASSETS			
Inventories		1,098	1,009
Properties under development		4,254,424	4,120,082
Completed properties held for sale		3,229,751	3,817,493
Trade and bills receivables	13	33,374	42,994
Due from related companies	23	8,696	2,881
Prepaid land lease payments		1,011,321	1,083,543
Prepayments, deposits and other receivables		797,553	815,030
Tax recoverable		95,436	114,646
Restricted cash	14	81,886	88,654
Pledged deposits	14	1,065,393	534,145
Cash and cash equivalents	14	695,671	1,179,260
Total current assets		11,274,603	11,799,737
CURRENT LIABILITIES			
Trade and bills payables	15	3,587,411	4,105,273
Other payables, deposits received and accruals		995,934	947,274
Advances from customers		2,901,497	3,208,366
Derivative financial instruments	16	85,327	84,704
Convertible bonds	18	512,425	487,774
Due to a related party	23	800	–
Interest-bearing bank loans and other borrowings	17	1,739,360	1,299,160
Tax payable		870,462	897,907
Total current liabilities		10,693,216	11,030,458
NET CURRENT ASSETS		581,387	769,279
TOTAL ASSETS LESS CURRENT LIABILITIES		8,665,160	8,341,799

Continued/...

Unaudited Interim Condensed Consolidated Statement of Financial Position

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	17	2,195,425	2,409,775
Senior notes	19	1,237,376	1,234,302
Deferred tax liabilities		511,147	486,439
Total non-current liabilities		3,943,948	4,130,516
NET ASSETS		4,721,212	4,211,283
EQUITY			
Equity attributable to owners of the Company			
Issued Capital	20	313,354	293,026
Reserves		3,900,850	3,374,406
		4,214,204	3,667,432
Non-controlling interests		507,008	543,851
TOTAL EQUITY		4,721,212	4,211,283

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the parent									
	Share capital	Share premium*	Capital reserve*	Share option reserve*	Statutory surplus reserve*	Retained profits*	Proposed final dividend	Total	Non-controlling interests	Total equity
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015	293,026	950,085	83,527	15,935	292,703	2,032,156	-	3,667,432	543,851	4,211,283
Issuance of new shares	20,043	343,025	-	-	-	-	-	363,068	-	363,068
Exercise of share options	285	4,377	-	-	-	-	-	4,662	-	4,662
Total comprehensive income for the period	-	-	-	-	-	163,581	-	163,581	(17,426)	146,155
Acquisition of non-controlling interests	-	-	14,172	-	-	-	-	14,172	(19,417)	(5,245)
Equity-settled share option arrangements	-	-	-	1,289	-	-	-	1,289	-	1,289
As at 30 June 2015	313,354	1,297,487	97,699	17,224	292,703	2,195,737	-	4,214,204	507,008	4,721,212

* As at 30 June 2015, these reserve accounts comprised the total consolidated reserves of RMB3,900,850,000 (31 December 2014: RMB3,374,406,000) in the interim condensed consolidated statement of financial position.

	Attributable to owners of the parent									
	Share capital	Share premium*	Capital reserve*	Share option reserve*	Statutory surplus reserve*	Retained profits*	Proposed final dividend	Total	Non-controlling interests	Total equity
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2014	292,893	948,042	51,570	5,124	236,477	1,835,519	128,119	3,497,744	486,331	3,984,075
Total comprehensive income for the period	-	-	-	-	-	351,604	-	351,604	147,316	498,920
Acquisition of non-controlling interests	-	-	31,957	-	-	-	-	31,957	(54,657)	(22,700)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(46,179)	(46,179)
Equity-settled share option arrangements	-	-	-	5,459	-	-	-	5,459	-	5,459
Final 2013 dividend declared	-	-	-	-	-	-	(128,119)	(128,119)	-	(128,119)
As at 30 June 2014	292,893	948,042	83,527	10,583	236,477	2,187,123	-	3,758,645	532,811	4,291,456

Unaudited Interim Condensed Consolidated Statement of Cash Flows

	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		463,733	912,507
Adjustments for:			
Finance costs	6	39,498	105,348
Share of profits and losses of associates		2,345	1,016
Interest income		(10,677)	(6,766)
Depreciation	7	13,784	12,418
Amortisation of intangible assets	7	433	471
Amortisation of long-term deferred expenses	7	612	601
Gain on disposal of items of property, plant and equipment		(104)	(82)
Gain on disposal of a subsidiary		–	(11,734)
Fair value gain upon transfer to investment properties		(232,261)	(271,615)
Change in fair value of investment properties		88,862	(134,014)
Change in fair value of derivative financial instruments	16	623	–
Equity-settled share-based payment expenses	7	1,289	5,459
		368,137	613,609
Decrease/(increase) in inventories		(89)	184
Decrease/(increase) in properties under development and completed properties held for sale		277,027	(1,064,757)
Disposal of investment properties		–	10,398
Additions of long-term deferred expense		(1,209)	(326)
Decrease/(increase) in trade and bills receivables	13	9,620	(10,946)
Decrease in prepayments, deposits and other receivables		17,477	21,752
Decrease in prepaid land lease payments		72,222	294,663
Increase/(decrease) in trade and bills payables		(497,984)	240,284
Decrease in restricted cash	14	6,768	64,818
Increase in pledged deposits		(185,512)	(79,305)
Increase in other payables, deposits received and accruals		60,223	674,250
Decrease in advances from customers		(306,869)	(940,017)
Decrease in investment properties		30,998	–
Cash used in operations		(149,191)	(175,393)
Interest received		10,677	6,766
Interest paid		(310,116)	(291,943)
Tax paid		(196,169)	(276,004)
Net cash flows used in operating activities		(644,799)	(736,574)

Continued/...

Unaudited Interim Condensed Consolidated Statement of Cash Flows

	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(12,401)	(9,444)
Purchases of intangible assets		–	(64)
Proceeds from disposal of items of property, plant and equipment		451	776
Increase in investment properties		(64,609)	(413,721)
Acquisition of non-controlling interests		–	(22,700)
Disposal of a subsidiary		–	19,866
Decrease in an available-for-sale investment		–	10,000
Investment in an associate		–	(2,450)
Advances to related companies	23	(6,044)	(217)
Recovery of advances to related companies	23	229	–
Net cash flows used in investing activities		(82,374)	(417,954)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		367,730	–
Net proceeds from the issuance of senior notes		–	613,214
Foreign exchange gain		185	19,413
Distribution to a non-controlling shareholder		–	(46,179)
Dividends paid		–	(128,119)
Acquisition of non-controlling interests		(5,245)	–
Advances from related companies		800	400
Increase in pledged deposits		(345,736)	–
Proceeds from interest-bearing bank loans and other borrowings		985,150	912,500
Repayment of interest-bearing bank loans and other borrowings		(759,300)	(502,183)
Net cash flows from financing activities		243,584	869,046
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		1,179,260	941,254
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,842,950	1,141,895
Less: Restricted cash		81,886	114,728
Pledged deposits		1,065,393	371,395
Cash and cash equivalents as at 30 June		695,671	655,772

Notes to Unaudited Interim Financial Information

1. CORPORATE INFORMATION

The registered address of Wuzhou International Holdings Limited (the "Company") is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI – 1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together with the Company, referred to as the "Group") are principally engaged in the property development business in the People's Republic of China (the "PRC"). The ultimate holding company of the Company is Boom Win Holding Limited ("Boom Win"). The ultimate controlling party of the Group is Mr. Shu Cecheng and Mr. Shu Cewan (the "Shu Brothers" or "Controlling Shareholders").

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited on 13 June 2013.

The Group was principally involved in property development, property investment and the provision of property management services.

2. BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB").

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2014.

All intra-group transactions and balances have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs", which also include IASs and interpretations) that are relevant to the Group's operation for the preparation of the Group's financial information:

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

Amendments included in *Annual Improvements 2010-2012 Cycle*:

IFRS 8	<i>Operating Segments</i>
IAS 16	<i>Property, Plant and Equipment</i>
IAS 24	<i>Related Party Disclosures</i>
IAS 38	<i>Intangible Assets</i>

Notes to Unaudited Interim Financial Information

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments included in *Annual Improvements 2011-2013 Cycle*:

IFRS 3	<i>Business Combinations</i>
IFRS 13	<i>Fair Value Measurement</i>
IAS 40	<i>Investment Property</i>

The adoption of these new and revised IFRSs has had no significant financial effect on this interim condensed financial information and there have been no significant changes to the accounting policies applied in this interim condensed financial information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the property development segment engages in the development and sale of properties;
- (b) the property management and investment segment engages in providing commercial management services, property management services and investing in properties for their rental income potential and/or for capital appreciation; and
- (c) the others segment engages in department store operation and providing consulting services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit before tax from continuing operations.

No geographical information is presented as the Group's revenue from external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

No information about major customers is presented as no sales to a single customer individually contributed to over 10% of the Group's revenue for the six months ended 30 June 2015 and 2014.

Notes to Unaudited Interim Financial Information

4. OPERATING SEGMENT INFORMATION (continued)

The following tables present revenue, profit and certain expenditure information for the Group's business segments for the six months ended 30 June 2015 and 2014:

Six months ended 30 June 2015	Property development (Unaudited) RMB'000	Property management and investment (Unaudited) RMB'000	Others (Unaudited) RMB'000	Adjustments and eliminations (Unaudited) RMB'000	Consolidated (Unaudited) RMB'000
Segment revenue					
Sales to external customers	2,041,078	98,295	61,255	(18,688)	2,181,940
Segment results	340,258	120,389	26,242	18,688	505,577
<i>Reconciliation:</i>					
Finance costs					(39,498)
Share of profits and losses of associates					(2,346)
Profit before tax					463,733
Other segment information					
Depreciation and amortisation	(10,443)	(1,505)	(2,881)	-	(14,829)
Fair value gain upon transfer to investment properties	-	232,261	-	-	232,261
Change in fair value of investment properties	-	(88,862)	-	-	(88,862)

Notes to Unaudited Interim Financial Information

4. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2014	Property development (Unaudited) RMB'000	Property management and investment (Unaudited) RMB'000	Others (Unaudited) RMB'000	Adjustments and eliminations (Unaudited) RMB'000	Consolidated (Unaudited) RMB'000
Segment revenue					
Sales to external customers	2,389,012	78,242	49,247	(8,276)	2,508,225
Segment results	579,505	395,088	36,002	8,276	1,018,871
<i>Reconciliation:</i>					
Finance costs					(105,348)
Share of profits and losses of associates					(1,016)
Profit before tax					912,507
Other segment information					
Depreciation and amortisation	(9,366)	(1,463)	(2,661)	–	(13,490)
Fair value gain upon transfer to investment properties	–	271,615	–	–	271,615
Change in fair value of investment properties	–	134,014	–	–	134,014

**Notes to Unaudited Interim Financial Information****5. REVENUE, OTHER INCOME AND GAINS**

Revenue, which is also the Group's turnover, represents income from the sale of properties, rental income, commercial management service income, property consulting service income, property management service income and commissions from concessionaire sales for the six months ended 30 June 2015 and 2014.

An analysis of revenue and other income and gains is as follows:

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue		
Sale of properties	2,041,078	2,389,012
Rental income	42,412	28,129
Commercial management service income	49,343	44,487
Property consulting service income	32,275	24,855
Property management income	5,043	5,626
Commissions from concessionaire sales	3,845	8,235
Others	7,944	7,881
	2,181,940	2,508,225
Other income and gains, net		
Subsidy income	51,557	3,219
Interest income	10,677	6,766
Gain on disposal of a subsidiary (note 22)	–	11,734
Gain on disposal of items of property, plant and equipment	119	112
Foreign exchange gains	9,045	–
Others	5,660	5,030
	77,058	26,861

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Interest on bank loans and other borrowings	191,389	193,963
Interest on senior notes	88,225	83,974
Interest on convertible notes	46,479	–
Less: Interest capitalised	(286,595)	(172,589)
	39,498	105,348

Notes to Unaudited Interim Financial Information

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cost of properties sold	1,397,622	1,418,868
Cost of property management service provided	4,469	5,050
Cost of property consulting service provided	12,868	10,699
Depreciation of items of property, plant and equipment	13,784	12,418
Amortisation of intangible assets	433	471
Amortisation of long-term deferred expenses	612	601
Gain on disposal of a subsidiary	–	(11,734)
Gain on disposal of items of property, plant and equipment	(104)	(82)
Direct operating expenses arising from rental earning properties and commercial management service provided	43,165	40,747
Auditors' remuneration	2,600	2,000
Employee benefit expense (including directors' remuneration):		
Wages and salaries	139,786	79,948
Pension scheme and social welfare	31,094	11,241
Equity-settled share-based payment expenses	1,289	5,459
Foreign exchange differences, net	(9,045)	22,156

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and the British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income arising in Hong Kong for the six months ended 30 June 2015.

Subsidiaries of the Group operating in Mainland China are subject to PRC corporate income tax at a rate of 25%.

According to the requirements of the Provisional Regulations of the PRC on land appreciation tax ("LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interest on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

Notes to Unaudited Interim Financial Information

8. INCOME TAX (continued)

In addition, 無錫五洲國際裝飾城有限公司, 無錫中南置業投資有限公司, 無錫市崇安新城龍安置業有限公司 and 大理五洲國際商貿城有限公司 were subject to LAT which is calculated based on 3% to 8.34% of their revenue in accordance with "Wuxi Tax Circular No. 46 (2009)" and "No. 1 (2010) Announcement of Dali tax bureau".

The Group has estimated and made tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current tax:		
PRC corporate income tax	88,603	134,094
LAT	99,330	196,608
Deferred tax	129,645	82,885
Total tax charge for the period	317,578	413,587

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for the six months ended 30 June 2015 and 2014 is as follows:

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Profit before tax	463,733	912,507
At the statutory income tax rate	115,933	228,127
Expenses not deductible for tax	57,631	24,496
Deductible temporary difference not recognised	10,421	—
Tax loss not recognised	56,562	7,690
Profits and losses attributable to associates	586	254
Withholding taxes on undistributed profits of the subsidiaries in the PRC	1,947	5,564
Provision for LAT	99,330	196,608
Tax effect on LAT	(24,832)	(49,152)
Tax charge for the period	317,578	413,587

Notes to Unaudited Interim Financial Information

9. DIVIDEND

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2015 (30 June 2014: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	163,581	351,604
Interest on convertible notes	5,630	–
Add: Fair value loss on the derivative component of the convertible notes	623	–
Profit attributable to ordinary equity holders of the parent before interest on convertible notes	169,834	351,604
Attributable to:		
Continuing operations	169,834	351,604
	For the six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	4,686,026,024	4,655,977,914
Effect of dilution – weighted average number of ordinary shares:		
Convertible notes	520,805,369	–
	5,206,831,393	4,655,977,914

Notes to Unaudited Interim Financial Information

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment at a total cost of RMB12,401,000 (six months ended 30 June 2014: RMB9,444,000) and disposed of or wrote off items of property, plant and equipment with a total net carrying amount of RMB347,000 (six months ended 30 June 2014: RMB694,000).

Certain of the Group's buildings with an aggregate carrying value of approximately RMB122,602,000 as at 30 June 2015 (31 December 2014: RMB122,990,000) were pledged to secure general banking facilities granted to the Group (note 17).

12. INVESTMENT PROPERTIES

The Group's investment properties as at 30 June 2015 were valued by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at RMB7,556,700,000 (31 December 2014: RMB6,936,600,000) on an open market, existing use basis.

Certain of the Group's investment properties with an aggregate carrying value of approximately RMB4,367,210,000 as at 30 June 2015 (31 December 2014: RMB3,417,724,000) were pledged to secure general banking facilities granted to the Group (note 17).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 30 June 2015 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Recurring fair value measurement for:				
Completed commercial properties	–	–	6,152,900	6,152,900
Commercial properties under development	–	–	1,403,800	1,403,800
	–	–	7,556,700	7,556,700

During the six months ended 30 June 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

Notes to Unaudited Interim Financial Information

12. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			30 June 2015	31 December 2014
Commercial properties	Income capitalisation method	Estimated rental value (per sq.m. and per month)	21 to 262	14 to 261
		Discount rate	4.16%	4.30%
Commercial properties under construction	Income capitalisation method	Estimated rental value (per sq.m. and per month)	24 to 75	22 to 54
		Discount rate	4.82%	4.19%

The fair values of investment properties are determined using the income capitalisation method by capitalising the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market monthly rental rate, and negatively correlated to the capitalisation rate.

A significant increase/(decrease) in the estimated rental value per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the capitalisation rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

Notes to Unaudited Interim Financial Information

13. TRADE AND BILLS RECEIVABLES

Trade and bills receivables represent rentals receivable from tenants, sales income and service income receivables from customers which are payable on presentation of invoices or in accordance with the terms of the related sales and purchase agreements. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade and bills receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables and bills receivable approximate to their fair values.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Trade and bills receivables:		
Less than 3 months	31,118	36,836
4 to 6 months	2,256	6,158
	33,374	42,994

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Cash and bank balances	1,842,950	1,802,059
Less: Restricted cash	81,886	88,654
Pledged deposits	1,065,393	534,145
Cash and cash equivalents	695,671	1,179,260

Notes to Unaudited Interim Financial Information

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 30 June 2015 and 31 December 2014, such amounts of restricted cash were amounted to RMB81,886,000 and RMB88,654,000 respectively.

Bank deposits of RMB1,065,393,000 and RMB534,145,000, respectively, were pledged as security for bank loans, as guarantee deposits in respect of mortgage facilities granted to purchasers of the Group's properties, or as collateral for issuance of bank acceptance notes as at 30 June 2015 and 31 December 2014.

At 30 June 2015 and 31 December 2014, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

15. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables, based on the invoice date, is as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Less than 1 year	3,399,065	3,918,198
Over 1 year	188,346	187,075
	3,587,411	4,105,273

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Embedded derivatives in convertible notes	85,327	84,704

The derivative financial liabilities are reported at their fair values.

Notes to Unaudited Interim Financial Information

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2015			31 December 2014		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	2.20–7.80	2016	423,850	6.72–7.80	2015	129,000
Trust financing – secured	13.50	2016	200,000	11.90–20.00	2015	32,000
Trust financing – unsecured	14.40	2015	18,000	–	–	–
Current portion of long term bank loans – secured	5.73–8.84	2016	685,230	6.40–8.84	2015	651,230
Current portion of long term trust financing – secured	10.70–14.50	2016	412,280	10.70–14.50	2015	486,930
			1,739,360			1,299,160
Non-current						
Bank loans – secured	5.73–11.00	2024	1,485,125	6.40–9.53	2024	1,687,775
Trust financing – secured	10.50–13.86	2017	710,300	10.50–13.86	2017	722,000
			2,195,425			2,409,775
			3,934,785			3,708,935

The Group's borrowings are all denominated in RMB.

Notes to Unaudited Interim Financial Information

17. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Analysed into

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Repayable within one year	1,739,360	1,299,160
Repayable in the second year	1,199,525	1,403,400
Repayable in the third to fifth years, inclusive	645,300	609,775
Repayable after five years	350,600	396,600
Subtotal	2,195,425	2,409,775
	3,934,785	3,708,935

The Group's bank loans are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Property, plant and equipment	122,602	122,990
Investment properties	4,367,210	3,417,724
Prepaid land lease payments	202,525	160,881
Properties under development	700,795	1,094,108
Completed properties held for sale	1,262,099	1,666,438
Pledged deposits	1,801	1,801

The fair values of interest-bearing bank loans and other borrowings repayable at the end of the reporting period approximated to their corresponding carrying amounts.

Notes to Unaudited Interim Financial Information

18. CONVERTIBLE NOTES

The carrying values of the host debt components of the convertible notes as at the end of the reporting period are as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Convertible Notes – Tranche 1 (“Tranche 1”) – host debt	250,846	238,285
Convertible Notes – Tranche 2 (“Tranche 2”) – host debt	261,579	249,489
	512,425	487,774

Convertible Notes

On 26 September 2014 and 22 October 2014 (the “Issue Date”), the Company issued respectively two tranches of convertible notes (“Tranche 1” and “Tranche 2”) maturing on 30 September 2019 (the “Maturity Date”), in the aggregate principal amount of US\$50 million of each tranche with an initial conversion price of HK\$1.78 per ordinary share of the Company. Pursuant to the indenture, if the accumulated aggregate site area of new industrial logistic projects invested by the Company and certain of its subsidiaries on the day falling 18 months after the first closing date is less than 600 mu, the initial conversion price shall be deemed to be HK\$1.49 subject to adjustment in the manner provided in the indenture.

The coupon interest rate is 7% per annum, and the interest is payable semi-annually in arrears on 30 March and 30 September in each year. The bondholders have the option to convert Tranche 1 and Tranche 2 to ordinary shares of the Company at any time after the Issue Date to its maturity.

During the six months ended 30 June 2015, no convertible notes were converted into shares of the Company.

19. SENIOR NOTES

On 26 September 2013, the Company issued senior notes in an aggregate principal amount of US\$100,000,000 (the “2013 Notes”). The 2013 Notes are listed on the Stock Exchange of Hong Kong Limited. The 2013 Notes carry interest at the rate of 13.75% per annum, payable semi-annually on 26 March and 26 September in arrears, and will mature on 26 September 2018, unless redeemed earlier.

On 16 January 2014, the Company issued senior notes in an aggregate principal amount of US\$100,000,000 (the “2014 Notes”). The 2014 Notes are listed on the Stock Exchange of Hong Kong Limited and the Singapore Exchange Securities Trading Limited. The 2014 Notes carry interest at the rate of 13.75%, per annum, payable semi-annually on 26 March and 26 September in arrears, and will mature on 26 September 2018, unless redeemed earlier.

Notes to Unaudited Interim Financial Information

19. SENIOR NOTES (continued)

The 2013 Notes and 2014 Notes recognised in the statement of financial position were calculated as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Carrying amount as at the beginning of the period/year	1,234,302	606,050
Additions	–	613,214
Exchange realignment	270	13,128
Interest expenses	88,225	170,977
Coupon paid	(85,421)	(169,067)
Carrying amount as at the end of the period/year	1,237,376	1,234,302

20. SHARE CAPITAL

	30 June 2015 US\$'000 (Unaudited)	31 December 2014 US\$'000
Shares		
Authorised 10,000,000,000 (31 December 2014: 10,000,000,000) ordinary shares of US\$0.01 each	100,000	100,000

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Issued and fully paid 4,990,259,914 (31 December 2014: 4,658,145,914) ordinary shares of US\$0.01 each	313,354	293,026

Notes to Unaudited Interim Financial Information

20. SHARE CAPITAL (continued)

A summary of the transactions during the period with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2014	4,655,977,914	292,893	948,042	1,240,935
Exercise of share options	2,168,000	133	2,043	2,176
At 31 December 2014 and 1 January 2015	4,658,145,914	293,026	950,085	1,243,111
Exercise of share options	4,650,000	285	4,377	4,662
Placement of new shares	327,464,000	20,043	343,025	363,068
At 30 June 2015	4,990,259,914	313,354	1,297,487	1,610,841

On 5 June 2015, 327,464,000 ordinary shares of US\$0.01 each were placed. The proceeds of US\$3,274,640 (equivalent to RMB20,043,089) representing the par value of the shares placed were credited to the Company's issued capital. The remaining proceeds of HK\$439,611,813 (equivalent to RMB343,025,332), after deducting share place expenses, were credited to the Company's share premium account.

21. SHARE-BASED PAYMENT TRANSACTIONS

(a) Pre-IPO share award scheme

Pursuant to the board resolution dated 30 September 2012, the Group established a pre-IPO share award scheme (the "Share Award Scheme"). Under the Share Award Scheme, the Shu Brothers, the Controlling Shareholders and directors of the Group, transferred 1% of the Company's shares (representing 34,221,619 shares, the "Awarded Shares") held by them through Boom Win to 7 employees of the Group. The share transfer was completed on 12 October 2012. The objectives of the Share Award Scheme are to recognise the contributions of certain employees of the Group and to provide incentives.

The Awarded Shares, subject to a vesting period, are being held by the trust on behalf of the grantees. The vesting period is five years, from the beginning of each instalment, during which 24%, 24%, 24%, 14% and 14% of the Award Shares granted to employees will vest on each of the five anniversaries of the first vesting date. The first vesting date is 1 January of the year following the successful listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

The fair value of the Awarded Shares granted under the Share Award Scheme on 30 September 2012 was RMB14,246,971, which was determined by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, using the income approach. The significant input under the approach was the estimated fair value of shares at the grant date. The consideration of the above 1% equity interests of the Company was RMB8,411,805.

The Awarded Shares are contingent at the grant date and are subject to the cancellation in the event of resignation of the grantee; and the vesting conditions of the shares successfully listed on The Stock Exchange of Hong Kong Limited and satisfactory performance of such employee based on his or her annual performance appraisal. During the six months ended 30 June 2015, the Group recognised an expense in relation to the Awarded Shares granted to certain employees of the Group amounting to approximately RMB519,000 (six months ended 30 June 2014: RMB827,000) as the vesting condition has been probable since the Listing Date.

Notes to Unaudited Interim Financial Information

21. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(b) Share option scheme**

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries.

Pursuant to the board resolution dated 24 September 2014, the Company has granted share options under the Scheme adopted on 27 May 2014 to certain directors (including independent non-executive directors) and the employees of the Company and its subsidiaries (the "Grantee(s)") which, subject to the acceptance of the share options by the Grantees, will enable the Grantees to subscribe for an aggregate of 93,119,611 new shares of US\$0.01 each (the "Share(s)") in the share capital of the Company, representing approximately 2% of the issued share capital of the Company.

The following share options were outstanding under the Scheme during the period:

	For the six months ended 30 June			
	2015		2014	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	1.27	68,860	1.27	86,619
Granted during the period	1.27	–	1.27	–
Exercised during the period	1.27	(4,650)	–	–
Forfeited during the period	1.27	(8,243)	1.27	(11,684)
At 30 June		55,967		74,935

Notes to Unaudited Interim Financial Information

21. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

30 June 2015

Number of options '000	Exercise price HK\$ per share	Exercise period
12,018	1.27	13-9-24 to 14-9-23
18,835	1.27	14-9-24 to 15-9-23
25,114	1.27	15-9-24 to 16-9-23
55,967		

The fair value of the share option on the grant date was HK\$33,084,001 (HK\$0.355 each).

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	–
Expected volatility (%)	35.24
Risk-free interest rate (%)	0.9
Expected life of options (year)	4
Weighted average share price (HK\$ per share)	1.27

The expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 4,650,000 share options exercised during the year resulted in the issue of 4,650,000 ordinary shares of the Company and new share capital of RMB285,000 (before issue expenses), as further detailed in note 20 to the financial information.

Notes to Unaudited Interim Financial Information

22. DISPOSAL OF A SUBSIDIARY

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Net assets disposed of		
Cash and bank balances	–	134
Prepayments, deposits and other receivables	–	246,771
Properties under development	–	9,292
Property, plant and equipment	–	109
Intangible assets	–	15
Deferred tax assets	–	1,171
Other payables, deposits received and accruals	–	(249,226)
Total net assets	–	8,266
Gain on disposal of a subsidiary	–	11,734
Satisfied by cash	–	20,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cash consideration	–	20,000
Cash and bank balances disposed of	–	(134)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	19,866

Notes to Unaudited Interim Financial Information

23. RELATED PARTY TRANSACTIONS

(1) Name and relationship

Name of related party	Relationship with the Group
The Shu Brothers	Ultimate controlling shareholders
Boom Win Holding Limited ("Boom Win")	Ultimate holding company
Wuxi Longhe Property Co., Ltd. ("Wuxi Longhe")	Associated company
Wuxi Bonan Property Co., Ltd. ("Wuxi Bonan")	Associated company
Wuxi Wuzhou Xiangjiang Housing Co., Ltd ("Wuxi Xiangjiang")	Associated company
Wuxi Wuzhou Investment Co., Ltd. ("Wuzhou Investment")	Company controlled by the Shu Brothers
Hong Kong Wuzhou International Group Investment Limited ("Wuzhou Int'l Group Investment")	Company controlled by the Shu Brothers
Shenzhen Continent Investment Development Co., Ltd. ("Shenzhen Continent")	Company under significant influence of the Shu Brothers
Ms. Zhu Lijuan	Mr. Shu Cecheng's wife
Ms. Qi Xueqin	Mr. Shu Cewan's wife

(2) Related party transactions

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000
(i) Recovery of advances to related companies: – Wuxi Longhe	229	–
(ii) Advances to related companies: – Wuxi Xiangjiang	6,044	–
Advances from a related party: – Ms. Qi Xueqin	800	–

In addition, the Shu Brothers pledged one property for certain of the Group's bank loans up to RMB80,000,000 (31 December 2014: RMB80,000,000) as at the end of the reporting period.

Notes to Unaudited Interim Financial Information

23. RELATED PARTY TRANSACTIONS (continued)

(3) Outstanding balances with related parties

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Due from related companies:		
– Wuxi Longhe	–	229
– Wuxi Xiangjiang	8,696	2,652
	8,696	2,881
Due to a related party:		
– Ms. Qi Xueqin	800	–

Balances with the related parties are unsecured, non-interest-bearing and have no fixed repayment terms.

24. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases out its investment properties under operating lease arrangements with leases negotiated for terms ranging from 1 to 20 years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Within one year	87,088	102,612
In the second to fifth years, inclusive	392,172	404,647
After five years	1,027,150	912,274
	1,506,410	1,419,533

Notes to Unaudited Interim Financial Information

24. OPERATING LEASE ARRANGEMENTS (continued)

As lessee

The Group leases certain of its office properties under operating lease arrangements, negotiated for terms of one to three years with an option for renewal after the end of the lease terms, at which time all terms will be renegotiated.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Within one year	8,498	8,815
In the second to fifth years, inclusive	4,465	6,700
	12,963	15,515

25. COMMITMENTS

In addition to the operating lease commitments as detailed in note 24 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Contracted, but not provided for: – Properties under development	2,584,449	2,950,202

Notes to Unaudited Interim Financial Information

26. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties	1,547,411	1,082,565

The Group has provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of the individual purchaser's collateral agreement.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to the purchasers of the Group's completed properties held for sale. The directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

Notes to Unaudited Interim Financial Information

27. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and time deposits, held by the Group as at the end of the reporting period:

30 June 2015

	Loans and receivables RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	
Financial assets			
Financial assets included in prepayments, deposits and other receivables	181,721	181,721	
Trade and bills receivables (note 13)	33,374	33,374	
Due from related companies (note 23)	8,696	8,696	
Restricted cash (note 14)	81,886	81,886	
Pledged deposits (note 14)	1,065,393	1,065,393	
Cash and cash equivalents (note 14)	695,671	695,671	
	2,066,741	2,066,741	
	Financial liabilities at fair value through profit or loss RMB'000 (Unaudited)	Financial liabilities at amortised cost RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Financial liabilities			
Trade and bills payables (note 15)	–	3,587,411	3,587,411
Financial liabilities included in other payables, deposits received and accruals	–	430,672	430,672
Derivative financial instruments (note 16)	85,327	–	85,327
Convertible notes (note 18)	–	512,425	512,425
Due to a related party (note 23)	–	800	800
Interest-bearing bank loans and other borrowings (note 17)	–	3,934,785	3,934,785
Senior notes (note 19)	–	1,237,376	1,237,376
	85,327	9,703,469	9,788,796

Notes to Unaudited Interim Financial Information

27. FINANCIAL INSTRUMENTS (continued)

31 December 2014

	Loans and receivables RMB'000	Total RMB'000
Financial assets		
Financial assets included in prepayments, deposits and other receivables	199,125	199,125
Trade and bills receivables (note 13)	42,994	42,994
Due from related companies (note 23)	2,881	2,881
Restricted cash (note 14)	88,654	88,654
Pledged deposits (note 14)	534,145	534,145
Cash and cash equivalents (note 14)	1,179,260	1,179,260
	2,047,059	2,047,059

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities			
Trade and bills payables (note 15)	–	4,105,273	4,105,273
Financial liabilities included in other payables, deposits received and accruals	–	378,492	378,492
Derivative financial instruments (note 16)	84,704	–	84,704
Convertible notes (note 18)	–	487,774	487,774
Interest-bearing bank loans and other borrowings (note 17)	–	3,708,935	3,708,935
Senior notes (note 19)	–	1,234,302	1,234,302
	84,704	9,914,776	9,999,480

Notes to Unaudited Interim Financial Information

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2015 RMB'000	31 December 2014 RMB'000	30 June 2015 RMB'000	31 December 2014 RMB'000
Financial liabilities				
Derivative financial instruments	85,327	84,704	85,327	84,704
Interest-bearing bank borrowings	3,934,785	3,708,935	3,950,799	3,728,201
Senior notes	1,237,376	1,234,302	1,237,154	1,298,048
Convertible notes	512,425	487,774	546,827	492,168
	5,769,913	5,515,715	5,820,107	5,603,121

Management has assessed that the fair values of cash and cash equivalents, restricted cash, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables, deposits received and accruals, amounts due from related companies, amounts due to a related party approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Notes to Unaudited Interim Financial Information

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value:

As at 30 June 2015

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	–	85,327	–	85,327

As at 31 December 2014

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	–	84,704	–	84,704

During the six months ended 30 June 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

Notes to Unaudited Interim Financial Information

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**Liabilities for which fair values are disclosed:***As at 30 June 2015*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank loans and other borrowings	–	3,950,799	–	3,950,799
Senior notes	1,237,154	–	–	1,237,154
Convertible notes – host contract	–	–	546,827	546,827
	1,237,154	3,950,799	546,827	5,734,780

As at 31 December 2014

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank loans and other borrowings	–	3,728,201	–	3,728,201
Senior notes	1,298,048	–	–	1,298,048
Convertible notes – host contract	–	–	492,168	492,168
	1,298,048	3,728,201	492,168	5,518,417

29. EVENTS AFTER THE REPORTING PERIOD

On 6 July 2015, the Company issued an additional US\$100,000,000 13.75% senior notes due 2018 which will be consolidated and will form a single class with the US\$200,000,000 13.75% senior notes due 2018, which were issued on 15 January 2014 and 26 September 2013.

30. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information was approved and authorised for issue by the board of directors on 27 August 2015.