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中駿集团

CHINA SCE GROUP HOLDINGS LIMITED

中駿集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1966)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Contracted sales amount increased by 34.1% to approximately RMB20,810,683,000.
- Revenue increased by 15.3% to approximately RMB9,414,763,000.
- Profit attributable to owners of the parent increased by 99.3% to approximately RMB2,020,225,000.
- Core profit attributable to owners of the parent increased by 27.5% to approximately RMB1,197,578,000.
- Basic earnings per share increased by 78.4% to approximately RMB52.8 cents.
- Gross profit margin and core profit margin were 32.3% and 13.5%, respectively.
- Cash and bank balances increased by 77.0% to approximately RMB17,071,303,000 as at 30 June 2018.
- Net gearing ratio was 69.2% as at 30 June 2018.
- The Board declared an interim dividend of HK7 cents per ordinary share.

The board (the "**Board**") of directors (the "**Directors**") of China SCE Group Holdings Limited (formerly known as "China SCE Property Holdings Limited") (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	**Six months ended 30 June** **2018** **(Unaudited)** ***RMB'000***	2017 (Unaudited) *RMB'000*
REVENUE	*4*	**9,414,763**	8,166,170
Cost of sales		**(6,372,812)**	(5,661,059)
Gross profit		**3,041,951**	2,505,111
Other income and gains	*4*	**133,372**	46,268
Changes in fair value of investment properties, net		**327,419**	271,257
Selling and marketing expenses		**(135,669)**	(267,627)
Administrative expenses		**(424,503)**	(377,303)
Other expenses		**–**	(118,747)
Finance costs	*5*	**(258,724)**	(203,152)
Share of profits and losses of:			
Joint ventures		**552,716**	134,298
Associates		**(3,737)**	(2,658)
PROFIT BEFORE TAX	*6*	**3,232,825**	1,987,447
Income tax expense	*7*	**(1,163,495)**	(776,712)
PROFIT FOR THE PERIOD		**2,069,330**	1,210,735
OTHER COMPREHENSIVE INCOME/(LOSS):			
Other comprehensive income to be reclassified to profit or loss during the period:			
Release of other reserves upon deemed acquisition of subsidiaries		**40,539**	–
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income/(loss) of joint ventures		**(9,355)**	18,201
Share of other comprehensive income/(loss) of associates		**(7)**	114
Exchange differences on translation of foreign operations		**(142,262)**	234,558
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**(151,624)**	252,873
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(111,085)**	252,873
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,958,245**	1,463,608

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
For the six months ended 30 June 2018

	Note	Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
Profit attributable to:			
Owners of the parent		**2,020,225**	1,013,530
Holders of perpetual capital instruments		**26,542**	25,356
Non-controlling interests		**22,563**	171,849
		2,069,330	1,210,735
Total comprehensive income attributable to:			
Owners of the parent		**1,922,909**	1,230,689
Holders of perpetual capital instruments		**26,542**	25,356
Non-controlling interests		**8,794**	207,563
		1,958,245	1,463,608
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**RMB52.8 cents**	RMB29.6 cents
Diluted		**RMB51.3 cents**	RMB29.3 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2018

	Notes	**30 June 2018 (Unaudited)** *RMB'000*	31 December 2017 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**703,868**	104,894
Investment properties		**18,873,800**	10,251,718
Prepaid land lease payments		**3,883,003**	5,414,497
Intangible asset		**3,405**	3,489
Properties under development		**1,167,691**	1,524,085
Contract in progress		**404,578**	340,667
Investments in joint ventures		**1,241,759**	3,308,894
Investments in associates		**111,521**	115,265
Available-for-sale investments		**–**	229,541
Prepayments and deposits		**6,345,516**	2,948,515
Deferred tax assets		**295,661**	344,923
Total non-current assets		**33,030,802**	24,586,488
CURRENT ASSETS			
Properties under development		**22,877,597**	21,740,001
Completed properties held for sale		**3,030,392**	2,967,252
Trade receivables	*10*	**95,477**	57,634
Contract assets		**82,223**	–
Prepayments, deposits and other receivables		**3,302,764**	2,881,509
Financial assets at fair value through profit or loss		**494,487**	–
Due from related parties		**4,993,253**	3,468,627
Prepaid income tax		**1,089,395**	831,372
Restricted cash		**2,146,983**	1,471,342
Pledged deposits		**2,253**	25,300
Cash and cash equivalents		**14,922,067**	8,145,483
Total current assets		**53,036,891**	41,588,520
CURRENT LIABILITIES			
Trade and bills payables	*11*	**6,066,948**	3,152,203
Other payables and accruals		**10,142,677**	20,136,559
Contract liabilities		**14,680,548**	–
Interest-bearing bank and other borrowings		**6,805,492**	4,481,209
Derivative financial instruments		**27,995**	40,364
Senior notes and domestic bonds		**3,480,098**	3,477,192
Due to related parties		**1,822,452**	1,707,222
Tax payable		**2,023,628**	1,643,712
Total current liabilities		**45,049,838**	34,638,461
NET CURRENT ASSETS		**7,987,053**	6,950,059
TOTAL ASSETS LESS CURRENT LIABILITIES		**41,017,855**	31,536,547

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
30 June 2018

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**41,017,855**	31,536,547
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**10,508,450**	8,150,246
Derivative financial instruments	**113,195**	149,031
Senior notes and domestic bonds	**9,376,397**	5,414,433
Deferred tax liabilities	**2,039,640**	1,226,399
Provision for major overhauls	**45,393**	38,568
Total non-current liabilities	**22,083,075**	14,978,677
Net assets	**18,934,780**	16,557,870
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**329,804**	329,804
Reserves	**13,694,177**	12,128,322
	14,023,981	12,458,126
Perpetual capital instruments	**700,000**	700,000
Non-controlling interests	**4,210,799**	3,399,744
Total equity	**18,934,780**	16,557,870

NOTES:

1. BASIS OF PREPARATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). The principal activities of the Group are described in note 3 below.

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties, financial assets at fair value and derivative financial instruments, which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has fully assessed and adopted, to the extent that is relevant to the Group, the following new and revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The Group applies, for the first time, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments* that require restatement of previous financial statements. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have significant impact on the unaudited interim condensed consolidated financial statements of the Group.

HKFRS 15 ***Revenue from Contracts with Customers***

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS15 as an adjustment to the opening balance of retained profits at 1 January 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

Revenue recognition

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

Accounting for revenue from sales of properties and land development

Sales of properties

Prior to the adoption of HKFRS 15, the Group accounted for revenue from sales of properties when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession.

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

The Group has assessed that there is an enforceable right to payment from the customers for performance completed to date for few properties. Thus, majority of revenue from sale of properties will continue to be recognised at a point in time, when the purchasers obtain the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. The adoption of HKFRS 15 has had no significant impact on the timing of revenue recognition.

Land development

Prior to the adoption of HKFRS 15, the Group accounted for revenue from land development when significant risk and reward in connection with the land parcel developed and when the amount of revenue can be measured reliably.

Under HKFRS 15, revenue from land development will continue to be recognised at a point in time, when the customer obtains control of the assets and the Group has present right to payment and the collection of the consideration is probable.

Accounting for significant financing component for sales of properties

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customer in connection with the Group's pre-sales of properties as receipts in advance under other payables and accruals in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognise the effects of a significant financing component with a customer if the time period is one year or less. In addition, reclassifications have been made from other payables and accruals to contract liabilities for the outstanding balance of sales proceeds from customers. The adoption of HKFRS 15 has had no significant impact on the opening retained profits and receipts in advance as at 1 January 2018.

Accounting for sales commission

Prior to the adoption of HKFRS 15, the Group expenses off the sales commission associated with obtaining agreement for sale and purchase with property buyer. Upon adoption of HKFRS 15, sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract assets. Capitalised sales commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as cost of sales at that time.

As a result of this change in accounting policy, the Group has capitalised sales commissions paid/payable related to property sales contracts amounting to RMB68,303,000, decreased deferred tax assets by RMB17,076,000, increased retained profits by RMB50,466,000 and increased non-controlling interests by RMB761,000 at 1 January 2018.

HKFRS 9 ***Financial Instruments***

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which the Group applied prospectively, the group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39. The impacts relating to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

Except for trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("**FVPL**"), amortised cost, or fair value through other comprehensive income ("**FVOCI**"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

Other financial assets are classified and subsequently measured, as follows:

- Financial assets at FVPL comprise unquoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, the Group's unquoted equity instruments were classified as available-for-sale investments ("**AFS investments**"). Upon transition, the AFS investments revaluation reserve relating to unquoted equity instruments, which had been previously recognised under AFS investments revaluation reserve, was reclassified to retained profits.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

The main effects resulting from the application of HKFRS 9 are as follows:

Investments in unlisted equity investments of RMB229,541,000 that were previously classified as AFS investments and measured at fair value at each reporting date under HKAS 39 have been designated as financial assets at FVPL and the accumulated fair value gain of RMB52,051,000 were reclassified from the AFS investments revaluation reserve to retained profits on 1 January 2018.

(b) *Impairment of financial assets*

HKFRS 9 requires an impairment on trade receivables, contract assets and deposits and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present value of all cash shortfalls over the remaining life of all of its deposits and other receivables and trade receivables, respectively. The Group performed a detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

(c) *Hedge accounting*

The requirements related to hedge accounting would better align the accounting treatments with risk management activities and enable entities to better reflect these activities in their financial statements. It relaxes the requirements for assessing hedge effectiveness which more risk management strategies may be eligible for hedge accounting. It also relaxes the rules on using non-derivative financial instruments as hedging instruments and allows greater flexibility on hedged items. Users of the financial statements will be provided with more relevant information about risk management and the effect of hedge accounting on the financial statements. The Group does not have any financial instruments related to hedge accounting throughout the period ended 30 June 2018 and year ended 31 December 2017.

Summary of impact of HKFRS 15 and HKFRS 9 on the consolidated statement of financial position as at 1 January 2018:

	As previously stated	**Reclassification under HKFRS 15**	**Adjustment under HKFRS 15**	**Reclassification under HKFRS 9**	**Adjusted**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated statement of financial position (extract)					
AFS investments	229,541	–	–	(229,541)	–
Deferred tax assets	344,923	–	(17,076)	–	327,847
Contract assets	–	–	68,303	–	68,303
Financial assets at FVPL	–	–	–	229,541	229,541
Other payables and accruals	20,136,559	(15,610,834)	–	–	4,525,725
Contract liabilities	–	15,610,834	–	–	15,610,834
AFS investments revaluation reserve	52,051	–	–	(52,051)	–
Retained profits	9,362,217	–	50,466	52,051	9,464,734
Non-controlling interests	3,399,744	–	761	–	3,400,505

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment, property management, land development and project management. For management purposes, the property development and property investment businesses are monitored as one operating segment on a project basis to allocate resources and assess performance. For financial reporting purposes, the property management segment, land development segment and project management segment are combined with the property development and investment segment as its reported revenue, reported results and assets are less than 10% of the consolidated revenue, consolidated profit and consolidated assets of the Group.

The Group's revenue from external customers from each product or service is set out in note 4 below.

The Group's revenue from external customers is derived solely from its operations in the People's Republic of China (the "**PRC**"), and the non-current assets of the Group are substantially located in the PRC.

During the period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the six months ended 30 June 2018

(Unaudited)	**Sales of properties** *RMB'000*	**Property management fees** *RMB'000*	**Project management income** *RMB'000*	**Total** *RMB'000*
Timing of revenue recognition:				
Goods transferred at a point in time	9,133,627	–	–	9,133,627
Services transferred over time	–	142,650	63,409	206,059
Total revenue	9,133,627	142,650	63,409	9,339,686

4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sales of properties	**9,133,627**	7,971,375
Gross rental income	**75,077**	60,647
Property management fees	**142,650**	124,942
Project management income	**63,409**	9,206
	9,414,763	8,166,170
Other income and gains		
Bank interest income	**24,259**	16,715
Gain on disposal of items of property and equipment, net	**10,179**	1,239
Fair value gain on financial assets at FVPL, net	**2,440**	–
Fair value gain of derivative financial instruments — transactions not qualifying as hedges	**48,936**	–
Gain on deemed acquisition of subsidiaries	**3,182**	–
Others	**44,376**	28,314
	133,372	46,268

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank and other borrowings, senior notes and domestic bonds	**911,125**	763,793
Increase in a discounted amount of provision for major overhauls arising from the passage of time	**1,893**	870
Total interest expense on financial liabilities not at fair value through profit or loss	**913,018**	764,663
Less: Interest capitalised	**(654,294)**	(561,511)
	258,724	203,152

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of properties sold	**6,159,379**	5,538,962
Cost of services provided	**213,350**	122,014
Depreciation	**12,240**	11,918
Amortisation of land lease payments	**6,577**	10,696
Amortisation of an intangible asset	**83**	83
Employee benefit expenses (including directors' remuneration):		
Salaries and other staff costs	**251,942**	154,085
Equity-settled share option expenses	**6,464**	53,965
Pension scheme contributions	**47,894**	21,835
Less: Amount capitalised	**(132,251)**	(63,793)
	174,049	166,092
Foreign exchange differences, net	**62,616**	82,286
Fair value loss of derivative financial instruments — transactions not qualifying as hedges	**–**	118,747
Fair value gain of derivative financial instruments — transactions not qualifying as hedges	**(48,936)**	–
Gain on disposal of items of property and equipment, net	**(10,179)**	(1,239)
Loss on disposal of an investment property	**8,230**	–

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2017: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current charge for the period:		
PRC corporate income tax	**620,088**	588,514
PRC land appreciation tax	**420,352**	205,185
Under/(over)-provision in prior years, net:		
Mainland China	**40,266**	(6,560)
	1,080,706	787,139
Deferred	**82,789**	(10,427)
Total tax charge for the period	**1,163,495**	776,712

8. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interim — HK7 cents (six months ended 30 June 2017: HK6 cents) per ordinary share	**225,993**	178,480

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 3,823,840,000 (six months ended 30 June 2017: 3,423,840,000) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculations	**2,020,225**	1,013,530

	Number of shares	
	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,823,840,000**	3,423,840,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**113,952,564**	41,203,103
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**3,937,792,564**	3,465,043,103

10. TRADE RECEIVABLES

The Group's trade receivables arise from the sales of properties, leasing of investment properties and provision of property management services.

Consideration in respect of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services. The Group generally grants a rent-free period for three months to the lessees of the Group's investment properties, extending up to six months for major customers.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. All trade receivables are non-interest-bearing.

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

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Current to 90 days	**28,687**	33,228
91 to 180 days	**72**	18,022
181 to 365 days	**334**	5,037
Over 365 days	**66,384**	1,347
	95,477	57,634

The ageing analysis of the trade receivables that are not considered to be impaired as at the end of the reporting period is as follows:

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Neither past due nor impaired	**85,000**	57,632
1 to 6 months past due	**2,076**	2
7 to 12 months past due	**325**	–
Over 1 year past due	**8,076**	–
	95,477	57,634

11. TRADE AND BILLS PAYABLES

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

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Within 1 year	**4,685,865**	3,014,497
Over 1 year	**1,381,083**	137,706
	6,066,948	3,152,203

The trade and bills payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2018, the real estate control policies in the PRC continued to tighten, focusing on combating speculative demand and adhering to the principle of "the house is for living instead of speculation". Under the policies of restrictions on property purchase, mortgage, sale and price, the transaction area of most first-tier and popular second-tier cities continued to decline, while transaction of popular third- or fourth-tier cities was still active, with increasing prices and transaction volume. In order to avoid the sharp rise in property prices in third- or fourth-tier cities, more and more third- or fourth-tier cities also implemented more stringent control policies. However, due to the strong demand for commodity housing, the sales area and sales amount of commodity housing still increased as compared with the corresponding period of last year. According to the data from the National Bureau of Statistics, in the first half of 2018, the sales area of commodity housing sold in the PRC was approximately 771 million sq.m., representing a year-on-year growth of 3.3%, of which the sales area of residential housing increased by 3.2%, while the sales amount of commodity housing amounted to approximately RMB6,694.5 billion, representing an increase of 13.2%, of which the sales amount of residential housing increased by 14.8%.

BUSINESS OVERVIEW

Contracted Sales

Although the real estate control policies continued to deepen, the Group was still able to achieve impressive contracted sales results. In the six months ended 30 June 2018, contracted sales amounts of the Group together with its joint ventures and associates reached another record-high. Accumulated contracted sales amount was approximately RMB20.811 billion (including the contracted sales amount of approximately RMB6.584 billion from the joint ventures and associates), and accumulated contracted sales area was about 1.65 million sq.m. (including the contracted sales area of approximately 521,000 sq.m. from the joint ventures and associates), representing a year-on-year growth of 34.1% and 93.1% respectively. The average selling price of properties during the period was RMB12,648 per sq.m. The Group constantly refreshes its sales records by implementing visionary development strategy. Projects in cities relatively new to the Group such as Chongqing, Jinan, Foshan, Huizhou and Dezhou have been launched gradually, and in conjunction with flexible sales strategies to cope with the impact of control policies, satisfactory sales results were achieved.

In the first half of 2018, the Group together with its joint ventures and associates had an aggregate of over 60 projects for sale in 23 cities, among which 15 projects were newly launched in the period, namely Parkview Manor in Tianjin, Parkview Bay in Hangzhou, Cullinan Mansion in Suzhou, Royal Bay Phase I in Chongqing, Royal Terrace in Nanjing, SCE Uptown and Royal Palace in Jinan, Imperial Manor, Parkview Bay and Enjoy City in Quanzhou, Sunshine City (Changtai) in Zhangzhou, Metropolis in Nantong, Royal Terrace in Huizhou, Golden Riviera in Xuzhou and The Royal Bay Phase I in Dezhou.

The contracted sales realised by the Group together with its joint ventures and associates during the period are set out below:

By City

City	Contracted Sales Area *(sq.m.)*	Contracted Sales Amount *(RMB Million)*	Percentage of Contracted Sales Amount *(%)*
Beijing	70,374	3,228	15.5
Shanghai	30,578	622	3.0
Tianjin	207,750	3,489	16.8
Hangzhou	10,767	192	0.9
Suzhou	20,677	285	1.4
Chongqing	31,289	192	0.9
Nanjing	68,674	908	4.4
Jinan	103,823	1,719	8.3
Nanchang	107,329	1,030	4.9
Quanzhou	225,774	2,155	10.4
Zhangzhou	129,595	1,668	8.0
Shangqiu	198,057	1,078	5.2
Nantong	41,039	448	2.2
Huizhou	117,788	1,232	5.9
Xuzhou	25,856	230	1.1
Foshan	33,762	792	3.8
Dezhou	85,633	626	3.0
Linfen	112,691	672	3.2
Others	23,935	245	1.1
Total	**1,645,391**	**20,811**	**100.0**

Due to the maturity of the Group's various projects in Beijing and Tianjin, the Group has continued to demonstrate its excellent contracted sales performance in these two cities by means of the realised contracted sales amounts amounting to approximately RMB3.228 billion and RMB3.489 billion respectively. Moreover, the Group also recorded satisfying sales performance in non-popular second-tier and strong third- and fourth-tier cities, including Jinan, Quanzhou, Zhangzhou and Huizhou, accounting for 8.3%, 10.4%, 8.0% and 5.9%, respectively, of the total contracted sales amount during the period.

By Region

Region	Contracted Sales Area *(sq.m.)*	Contracted Sales Amount *(RMB Million)*	Percentage of Contracted Sales Amount *(%)*
Bohai Rim Economic Zone	782,807	10,849	52.1
West Taiwan Strait Economic Zone	465,688	4,883	23.4
Yangtze River Delta Economic Zone	213,433	2,842	13.8
Guangdong — Hong Kong — Macao Greater Bay Area	152,174	2,045	9.8
Central Western Region	31,289	192	0.9
Total	**1,645,391**	**20,811**	**100.0**

The Group continued to further develop in the Bohai Rim Economic Zone. The proportion of contracted sales amount of the Group together with its joint ventures and associates in this region remained the highest, which accounted for 52.1%, increasing by 87.7% as compared with that of last year. The contracted sales amount was impressive, reaching RMB10.849 billion. Due to the Group's solid foundation in the West Taiwan Strait Economic Zone, the contracted sales amount in the region ranked right after Bohai Rim Economic Zone.

By City Tier

City Tier	Contracted Sales Area *(sq.m.)*	Contracted Sales Amount *(RMB Million)*	Percentage of Contracted Sales Amount *(%)*
First-tier cities	101,576	3,871	18.6
Second-tier cities	551,780	7,840	37.7
Third- and fourth-tier cities	992,035	9,100	43.7
Total	**1,645,391**	**20,811**	**100.0**

As the first-tier cities and popular second-tier cities were affected by the strict control policies, the Group has flexibly increased the launch of properties in the non-popular second-tier cities and strong third-tier cities. These cities were driven by the metropolitan development and the contracted sales amounts continued to rise. Accordingly, the percentage of contracted sales amounts in second-tier and third- and fourth-tier cities have been significantly rising as compared to the corresponding period last year and accounted for 37.7% and 43.7% respectively. With the good sales performance, the contracted sales amounts in second-tier and third- and fourth-tier cities increased by 97.7% and 124.6%, respectively over last year, reaching RMB7.84 billion and RMB9.1 billion respectively.

Recognised Property Sales Income

During the period, the Group recognised a property sales income of approximately RMB9.134 billion and delivered property area of 573,739 sq.m., representing a year-on-year increase of 14.6% and decrease of 2.8%, respectively. The average selling price of properties was approximately RMB15,919 per sq.m., representing a year-on-year increase of 17.8%. Details of the Group's recognised property sales income are as follows:

By City

City	**Recognised Property Sales Area** *(sq.m.)*	**Recognised Property Sales Amount** *(RMB Million)*	**Percentage of Recognised Property Sales Amount** *(%)*
Shanghai	61,808	3,344	36.6
Tianjin	97,693	1,502	16.4
Hangzhou	141,539	1,457	16.0
Nanchang	102,723	1,220	13.4
Quanzhou	101,823	905	9.9
Zhangzhou	46,732	404	4.4
Others	21,421	302	3.3
Total	**573,739**	**9,134**	**100.0**

By Region

Region	**Recognised Property Sales Area** *(sq.m.)*	**Recognised Property Sales Amount** *(RMB Million)*	**Percentage of Recognised Property Sales Amount** *(%)*
Bohai Rim Economic Zone	111,698	1,641	17.9
West Taiwan Strait Economic Zone	253,447	2,535	27.8
Yangtze River Delta Economic Zone	203,347	4,801	52.6
Guangdong — Hong Kong — Macao Greater Bay Area	5,247	157	1.7
Total	**573,739**	**9,134**	**100.0**

By City Tier

City Tier	**Recognised Property Sales Area** *(sq.m.)*	**Recognised Property Sales Amount** *(RMB Million)*	**Percentage of Recognised Property Sales Amount** *(%)*
First-tier cities	67,055	3,501	38.3
Second-tier cities	341,955	4,179	45.8
Third- and fourth-tier cities	164,729	1,454	15.9
Total	**573,739**	**9,134**	**100.0**

Land Bank

During the period, under the land expansion guiding strategy of "Regional Focused, Multi-industries Development" (區域聚焦，多業態發展), while accelerating the increase in land reserves and urban layout, the Group has always adhered to the principle of striving for stability and resolutely not taking supreme land lot. The Group also strengthened cooperation with real estate developers and looked for mergers and acquisitions opportunities to flexibly increase land reserves and expand the layout.

During the past six months, the Group continued to expand its national footprint, on one hand to consolidate the foundations of second-tier cities such as Tianjin, Chongqing, Hangzhou and Suzhou, and on the other hand to actively expand in more new potential cities such as Wuxi, Jiaxing, Yangzhou, Luoyang, Tangshan, Lianyungang and Jiujiang, to enrich the diversity of the Group's land bank and to be able to keep abreast of market trends and changes in policies, so as to capture more and better sales opportunities.

During the period, the Group has already entered into 5 key areas, namely the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, the West Taiwan Strait Economic Zone, Guangdong — Hong Kong — Macao Greater Bay Area and Central Western Region. The Group's projects are distributed in 30 cities, including Beijing, Shanghai, Shenzhen, Tianjin, Chongqing, Suzhou, Hangzhou, Nanjing, Qingdao, Jinan, Nanchang and Xiamen, etc. In the first half of 2018, the Group together with its joint ventures and associates proactively expanded its land banks and acquired 31 projects in total, mainly concentrated in second-tier and strong third-tier cities. The aggregate land cost was approximately RMB26.271 billion (the land cost attributable to the Group was approximately RMB8.813 billion) and the aggregate above-ground buildable area was approximately 5.07 million sq.m.

The new land acquisitions were as follows:

City	Project Name	Type of Property	Above-ground GFA (sq.m.)	Land Cost (RMB Million)	Average Land Cost (RMB/sq.m.)	Percentage of Interest Attributable to the Group (%)
Bohai Rim Economic Zone						
Beijing	Royal River Villa	Residential	58,878	3,365	57,152	19.7
Tianjin	Peaceful Residence	Residential	43,520	263	6,036	16.5
Tianjin	Tianjin Project	Residential	75,237	765	10,168	33.0
Tangshan	Sunshine City	Residential and commercial	167,146	220	1,314	90.0
Yangtze River Delta Economic Zone						
Hangzhou	Majestic Mansion	Residential	155,080	1,135	7,319	25.0
Suzhou	Cloudview Terrace	Residential	106,563	704	6,610	100.0
Nanjing	Cloudview Pavilion	Residential and commercial	218,215	1,390	6,370	50.0
Wuxi	Wuxi Project (Xishan)	Residential and commercial	226,278	1,053	4,654	40.0
Wuxi	Wuxi Project (Xinwu)	Residential	216,438	1,730	7,993	33.0
Xuzhou	Parkview Palace	Residential and commercial	58,620	238	4,060	29.2
Jiaxing	Jiaxing Project (Jingyi Road East)	Residential and commercial	120,102	850	7,080	10.0
Jiaxing	Jiaxing Project (Tingqiao Village)	Residential and commercial	89,089	631	7,080	15.0
Jiaxing	Jiaxing Project (Baishui Tang Road)	Residential and commercial	144,153	1,021	7,080	50.0
Jiaxing	Jiaxing Project (Jingyi Road West)	Residential and commercial	107,693	762	7,080	30.0
Yangzhou	Light of the Future	Residential	84,847	176	2,079	20.0
Lianyungang	The Royal Bay	Residential and commercial	58,626	52	886	70.0
West Taiwan Strait Economic Zone						
Xiamen	Xiamen Project	Residential and commercial	116,000	2,910	25,086	25.0
Quanzhou	Sunshine Park	Residential and commercial	55,570	99	1,773	50.0
Quanzhou	Cloudview Palace	Residential	97,615	44	453	51.0
Quanzhou	Quanzhou Project	Residential and commercial	142,504	145	1,018	25.0
Nanchang	Imperial Manor	Residential	80,491	376	4,670	21.4
Zhangzhou	Cloudview Terrace	Residential	146,481	267	1,823	100.0
Zhangzhou	Zhangzhou Project	Residential and commercial	178,137	642	3,604	33.0
Jiujiang	The Royal Bay	Residential and commercial	95,049	223	2,346	51.0
Central Western Region						
Chongqing	Meridian Avenue	Residential and commercial	189,628	702	3,701	31.7
Chongqing	Nebula Mansion	Residential	143,858	792	5,504	20.0
Chongqing	Campus Park	Residential and commercial	558,947	2,037	3,645	17.5
Chongqing	Chongqing Project (Liangjiang Airport)	Residential and commercial	359,161	1,820	5,067	50.0
Chongqing	Imperial Terrace	Residential and commercial	389,274	672	1,725	50.0
Chongqing	Chongqing Project (Banan)	Residential and commercial	279,497	1,118	4,000	33.0
Luoyang	Royal Bay	Residential	308,364	70	226	90.0
Total			5,071,061	26,272	5,181	

As at 30 June 2018, the Group together with its joint ventures and associates had a land bank with an aggregate planned GFA of approximately 19.86 million sq.m. (the aggregate planned GFA attributable to the Group was approximately 10.91 million sq.m.). From the perspective of geographic distribution, the land bank costs of the Group together with its joint ventures and associates located in the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, the West Taiwan Strait Economic Zone, Guangdong–Hong Kong–Macao Greater Bay Area and Central Western Region have accounted for 40.7%, 28.3%, 14.4%, 6.7% and 9.9% of the total land bank cost (excluding investment properties) respectively. Considering the city tier, the land bank costs of the Group together with its joint ventures and associates located in first-tier, second-tier as well as third- and fourth-tier cities have accounted for 18.0%, 63.4% and 18.6% of the total land bank cost (excluding investment properties) respectively.

Financial Strategy

In order to prevent the financial liability risk, the regulatory authorities further tightened the loan quota for real estate enterprises, especially the placement of trust funds, which led to a significant increase in the financing costs of real estate in the first half of 2018. In response to the tight domestic financing situation, the Group has taken advantage of the overseas financing platform to continuously optimise the debt structure. The average financing cost decreased from 7.2% for the first half of 2017 to 6.4% for the first half of 2018.

Moreover, there was continuous improvement in the Group's financial position. In March 2018, Standard & Poor's Rating Services upgraded the corporate credit rating of the Company from "B" to "B+", affirming that the rating outlook of the Company was "stable". At the beginning of the year, the Company obtained a two-tranche term loan facility with principals of HK$3,172,100,000 and US$9,000,000. The loan period is three years and six months, and the annual interest rate is the Hong Kong Interbank Offered Rate or the London Interbank Offered Rate plus 3.3%. This fund is used to refinance the Group's existing financing indebtedness of the Group and financing the general corporate funding requirements of the Group. In April 2018, the Group has captured the right time to issue 7.45% senior notes of US$600 million due in 2021. The proceeds from the senior notes are used to refinance certain of our existing indebtedness and for working capital purposes.

OUTLOOK

In the short run, the real estate control policies will unlikely be loosened, especially in the first-tier and popular second-tier cities. Differentiating regulation to ensure reasonable housing demand will be the main theme in the second half of 2018; in the medium and long term, the government will increase land supply and expand the proportion of policy support housing and rental housing to alleviate the tense situation between demand and supply and stabilise the price of real estate. In addition, as the trade war between China and the United States of America continues to escalate, the total export volume will be subject to certain risks. The central government will maintain a stable and neutral monetary policy and maintain adequate liquidity in the market. We expect the sales volume and unit price of commodity housing in the second half of 2018 to gradually stabilise.

In the long run, we remain optimistic about the prospects of real estate in China. Under metropolitan and traffic network expansion, continuous emigration toward certain second-tier cities and strong third-tier cities, apart from first-tier cities, will occur. These cities will be the future development direction of the Group. The Group will capture the best timing in acquiring land at a lower price and actively supplement the land bank of the target cities in preparation for its saleable resources in future.

For sake of better future, the Group expands its business into the "Fun+ Happy Life Ecosystem" (「Fun+幸福生活生態圈」) based on the study on consumption upgrades and customers' lifestyle. Through the development of new business segments such as long-term rental apartments, shared-offices, fitness, health and education etc., the Group is dedicated to lead the trend of future smart living, so as to meet the social, office, fitness, commercial, lifestyle and other needs of users. In May 2018, the Group was awarded the "Most Anticipated Apartment Operator of the Year" (年度最具期待公寓運營商) award. The Group will strive to respond to market expectations with the most outstanding products and services.

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly derives from sales of properties, rental income, property management fees and project management income.

The revenue increased by 15.3% from approximately RMB8,166,170,000 in the first half of 2017 to approximately RMB9,414,763,000 in the first half of 2018, which was attributable to the increase in property sales income.

- *Sales of properties*

  Income from property sales increased by 14.6% from approximately RMB7,971,375,000 in the first half of 2017 to approximately RMB9,133,627,000 in the first half of 2018. Delivered area decreased by 2.8% from 589,965 sq.m. in the first half of 2017 to 573,739 sq.m. in the first half of 2018. The average unit selling price increased from RMB13,512 per sq.m. in the first half of 2017 to RMB15,919 per sq.m. in the first half of 2018.

- *Rental income*

  Rental income increased by 23.8% from approximately RMB60,647,000 in the first half of 2017 to approximately RMB75,077,000 in the first half of 2018, which was mainly attributable to the increase in contribution of rental income from shopping mall of World City in Beijing.

- *Property management fees*

  Property management fees increased by 14.2% from approximately RMB124,942,000 in the first half of 2017 to approximately RMB142,650,000 in the first half of 2018, which was mainly attributable to the increase in number and floor area of properties under the management.

- *Project management income*

  The project management income increased significantly by 5.9 times from approximately RMB9,206,000 in the first half of 2017 to approximately RMB63,409,000 in the first half of 2018, which was attributable to the project management service and other property related service income provided to joint ventures.

Gross Profit

Gross profit increased by 21.4% from approximately RMB2,505,111,000 in the first half of 2017 to approximately RMB3,041,951,000 in the first half of 2018. Gross profit margin increased from 30.7% in the first half of 2017 to 32.3% in the first half of 2018. The increase in gross profit margin was attributable to the delivery of higher gross profit margin products in first-tier cities during the period.

Changes in Fair Value of Investment Properties

The fair value gains of investment properties increased by 20.7% from approximately RMB271,257,000 in the first half of 2017 to approximately RMB327,419,000 in the first half of 2018. The fair value gains of investment properties during the period were mainly attributable to the value appreciation of the shopping malls of World City in Beijing and the office building of Skyline Tower in Shanghai.

Selling and Marketing Expenses

Selling and marketing expenses decreased significantly by 49.3% from approximately RMB267,627,000 in the first half of 2017 to approximately RMB135,669,000 in the first half of 2018. The decrease in selling and marketing expenses was mainly attributable to the capitalisation of sales commission resulting from the implementation of HKFRS 15.

Administrative Expenses

Administrative expenses increased by 12.5% from approximately RMB377,303,000 in the first half of 2017 to approximately RMB424,503,000 in the first half of 2018. The increase in administrative expenses was mainly attributable to the increase in administrative staff costs to cope with the needs for business expansion.

Finance Costs

Finance costs increased by 27.4% from approximately RMB203,152,000 in the first half of 2017 to approximately RMB258,724,000 in the first half of 2018. Finance costs mainly represented partial borrowing costs which have not been capitalised as certain funds were not used for project developments. Due to the increase in bank and other borrowings (including senior notes and domestic bonds), total interest expense increased by 19.4% from approximately RMB764,663,000 in the first half of 2017 to approximately RMB913,018,000 in the first half of 2018.

Share of Profits and Losses of Joint Ventures

Share of profits of joint ventures increased significantly by 3.1 times from approximately RMB134,298,000 in the first half of 2017 to approximately RMB552,716,000 in the first half of 2018. The amount was mainly attributable to the increase in delivery of projects and the increase in the fair value gains of investment properties of joint ventures during the period.

Income Tax Expense

Income tax expense increased significantly by 49.8% from approximately RMB776,712,000 in the first half of 2017 to approximately RMB1,163,495,000 in the first half of 2018. The increase in income tax expense was mainly due to more provision for corporate income tax and land appreciation tax made as a result of increase in income from property sales and increase in gross profits margin of projects.

Profit for the Period

Profit for the period increased significantly by 70.9% from approximately RMB1,210,735,000 in the first half of 2017 to approximately RMB2,069,330,000 in the first half of 2018, which was mainly attributable to the increase in income from property sales, the increase in gross profit margin of projects and the increase in the fair value gains of investment properties of the Group's joint venture during the period. The core profit margin increased by 0.2 percentage point from 13.3% in the first half of 2017 to 13.5% in the first half of 2018.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent increased significantly by 99.3% from approximately RMB1,013,530,000 in the first half of 2017 to approximately RMB2,020,225,000 in the first half of 2018. Basic earnings per share amounted to approximately RMB52.8 cents in the first half of 2018. Core profit attributable to owners of the parent increased by 27.5% from approximately RMB938,985,000 in the first half of 2017 to approximately RMB1,197,578,000 in the first half of 2018.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2018, the Group's cash and bank balances were denominated in different currencies as set out below:

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Renminbi	**11,272,859**	8,447,052
Hong Kong dollars	**3,774,085**	815,394
US dollars	**2,024,359**	379,679
Total cash and bank balances	**17,071,303**	9,642,125

According to the relevant laws and regulations of the PRC, certain property development companies of the Group are required to place certain amounts of cash and bank deposits into designated bank accounts to provide guarantees for the development of the relevant properties. The Group also places certain deposits in banks in the PRC to secure certain bills issued from banks in the PRC. As at 30 June 2018, the amount of restricted cash and pledged deposits were approximately RMB2,146,983,000 (31 December 2017: approximately RMB1,471,342,000) and approximately RMB2,253,000 (31 December 2017: approximately RMB25,300,000), respectively.

Borrowings and Pledged Assets

The maturity of the borrowings of the Group as at 30 June 2018 is as follows:

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Bank and other borrowings:		
Within one year or on demand	**6,805,492**	4,481,209
In the second year	**4,450,504**	6,514,771
In the third to fifth years, inclusive	**5,987,048**	1,556,755
Beyond fifth years	**70,898**	78,720
	17,313,942	12,631,455
Senior notes and domestic bonds:		
Within one year or on demand	**3,480,098**	3,477,192
In the second year	**–**	–
In the third to fifth years, inclusive	**9,376,397**	5,414,433
	12,856,495	8,891,625
Total borrowings	**30,170,437**	21,523,080

The borrowings were denominated in different currencies as set out below:

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Bank and other borrowings:		
Renminbi	**13,431,600**	10,104,260
Hong Kong dollars	**1,283,409**	–
US dollars	**2,598,933**	2,527,195
	17,313,942	12,631,455
Senior notes and domestic bonds:		
Renminbi	**3,480,098**	3,477,192
US dollars	**9,376,397**	5,414,433
	12,856,495	8,891,625
Total borrowings	**30,170,437**	21,523,080

As at 30 June 2018, approximately RMB13,431,600,000 (31 December 2017: approximately RMB10,104,260,000) of bank and other borrowings was secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale with a total carrying value of approximately RMB29,202,582,000 (31 December 2017: approximately RMB19,497,384,000), and capital stocks of certain subsidiaries. The senior notes of US$350 million at a coupon rate of 10.0% due 2020 issued in July 2015 (the "**2015 Senior Notes**"), the senior notes of US$500 million at a coupon rate of 5.875% due 2022 issued in March 2017 and April 2017 (the "**2017 Senior Notes**"), the senior notes of US$600 million at a coupon rate of 7.45% due 2021 issued in April 2018 (the "**2018 Senior Notes**") and approximately RMB3,653,326,000 (31 December 2017: approximately RMB2,301,298,000) of bank and other borrowings were guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

As at 30 June 2018, except for certain bank and other borrowings of approximately RMB5,747,700,000 (31 December 2017: approximately RMB5,195,760,000) bearing interest at fixed interest rates, all the Group's bank and other borrowings bear interest at floating interest rates. The 2015 Senior Notes, the 2017 Senior Notes, the 2018 Senior Notes and the domestic corporate bonds of RMB2 billion at a coupon rate of 5.18% due 2020 issued in October 2015 and the domestic corporate bonds of RMB1.5 billion at a coupon rate of 5.3% due 2020 issued in December 2015 bear interest at fixed interest rates.

Gearing Ratio

The net gearing ratio was calculated by dividing the net amount of borrowings (including bank and other borrowings, senior notes and domestic bonds after deduction of cash and cash equivalents, restricted cash and pledged deposits) by total equity. As at 30 June 2018, the net gearing ratio was 69.2% (31 December 2017: 71.8%).

Exchange Rate Fluctuation Exposures

The Group's business are located in the PRC and all of the Group's revenue and substantially all of the Group's operating expenses are denominated in RMB. The majority of the Group's assets and liabilities are denominated in RMB. As at 30 June 2018, except for certain bank deposits, financial assets at fair value, bank and other borrowings, derivative finance instruments, the 2015 Senior Notes, the 2017 Senior Notes and the 2018 Senior Notes which were denominated in foreign currencies, exchange rate changes of RMB against foreign currencies will not have material adverse effect on the results of operations of the Group.

The Group had entered into certain capped forward cross currency swap contracts to mitigate the currency risk exposure of foreign currency denominated indebtedness. As at 30 June 2018, the Group had entered into capped forward cross currency swap contracts with an aggregate contract amount of US$710 million. Save as disclosed above, no other foreign currency hedging arrangement was made as at 30 June 2018. The Group will closely monitor its exposure to fluctuation in foreign currency exchange rates.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group provided financial guarantees to the banks in respect of the following items:

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	**13,899,845**	14,947,867

In addition, the Group's share of the joint ventures' own financial guarantees, which are not included in the above, is as follows:

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Guarantees in respect of mortgage facilities provided for certain purchasers of the joint ventures' properties	**542,708**	793,633

As at 30 June 2018, the Group also provided guarantee to a bank in connection with loan amount of RMB1,240,000,000 (31 December 2017: RMB1,934,000,000) granted to a joint venture.

CAPITAL COMMITMENTS

As at 30 June 2018, the capital commitments of the Group are as follows:

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Contracted, but not provided for:		
Capital expenditure for properties under development, prepaid land lease payments and construction of investment properties in Mainland China	**8,661,591**	9,686,960

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Contracted, but not provided for:		
Capital expenditure for joint ventures' properties under development and construction of investment properties in Mainland China	**211,681**	185,843

CORPORATE GOVERNANCE

During the six months ended 30 June 2018, save as disclosed below, the Company and the Board had been in compliance with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

Under provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the period under review, Mr. Wong Chiu Yeung performed his duties as both the chairman and the chief executive officer of the Company. The Board believes that serving by the same individual as chairman and chief executive officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

According to the provision of the CG Code, the Company established the audit committee (the "**Audit Committee**") on 6 January 2010. Under Rule 3.21 of the Listing Rules, the audit committee of issuers must comprise of non-executive directors only. The Audit Committee comprises three independent non-executive Directors, with Mr. Ting Leung Huel Stephen as the chairman, Mr. Lu Hong Te and Mr. Dai Yiyi as members.

Mr. Ting Leung Huel Stephen, chairman of the Audit Committee, has considerable experience in accounting and financial management, which is in line with the requirement of Rule 3.10(2) of the Listing Rules which requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise.

During the period under review, the Audit Committee oversaw the Company's financial reporting system, risk management and internal control system; and discussed the accounting principles and policies adopted by the Group together with the management. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors.

The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the period under review.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK7 cents per ordinary share for the six months ended 30 June 2018 (six months ended 30 June 2017: HK6 cents). The interim dividend will be payable on or about 28 November 2018 to shareholders whose names appear on the register of members of the Company on 21 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 21 September 2018, when no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2018, all transfer documents should be lodged for registration with Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 20 September 2018.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.sce-re.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The 2018 interim report of the Group containing the relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Company and of the Hong Kong Stock Exchange in due course.

By order of the Board
China SCE Group Holdings Limited
Wong Chiu Yeung
Chairman

Hong Kong, 23 August 2018

As at the date of this announcement, the executive Directors of the Company are Mr. Wong Chiu Yeung, Mr. Chen Yuanlai, Mr. Cheng Hiu Lok, Mr. Huang Youquan and Mr. Wong Lun, and the independent non-executive Directors are Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi.