CHINA PROPERTIES GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1838)

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2018

The Board of Directors (the "Directors" or "Board") of China Properties Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2018

		Six months ended June 30,	
		2018	2017
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4 & 5*	**28,780**	103,983
Cost of sales		**(14,446)**	(28,987)
Gross profit		**14,334**	74,996
Other income, gains and losses, net	*5*	**2,508**	7,317
Net exchange (loss) gain		**(28,359)**	68,465
Selling expenses		**(1,833)**	(8,952)
Administrative expenses		**(23,189)**	(28,047)
Finance costs	*6*	**—**	—
(Loss) Profit from operation before changes in fair value of investment properties and conversion option derivative		**(36,539)**	113,779
Changes in fair value of investment properties		**416,496**	133,282
Changes in fair value of conversion option derivative		**2,456**	33,866
Profit before tax		**382,413**	280,927
Income tax expense	*7*	**(104,615)**	(49,020)
Profit and total comprehensive income for the period attributable to owners of the Company	*8*	**277,798**	231,907
Earnings per share			
Basic *(RMB)*	*9*	**0.15**	0.13
Diluted *(RMB)*	*9*	**0.14**	0.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at June 30, 2018

	NOTE	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current Assets			
Property, plant and equipment		**405,375**	382,196
Prepaid lease payments		**91,361**	92,934
Investment properties		**52,788,742**	52,051,301
		53,285,478	52,526,431
Current Assets			
Properties under development for sales		**5,787,492**	5,585,706
Properties held for sales		**418,491**	427,501
Other receivables, deposits and prepayments		**175,180**	170,210
Pledged bank deposits		**24,400**	210,441
Bank balances and cash		**46,346**	290,775
		6,451,909	6,684,633
Current Liabilities			
Contract liabilities		**745,728**	—
Deposits received for sales of properties		—	439,603
Construction costs accruals		**136,919**	207,660
Other payables and accruals		**153,708**	154,145
Amount due to a shareholder		**2,442,373**	2,083,409
Tax payables		**702,635**	703,070
Borrowings — due within one year		**3,116,059**	1,789,332
13.5% fixed-rate senior notes		**1,692,727**	1,667,295
Convertible note		**434,707**	393,425
Conversion option derivative		—	2,517
		9,424,856	7,440,456
Net Current Liabilities		**(2,972,947)**	(755,823)
Total Assets less Current Liabilities		**50,312,531**	51,770,608
Non-current Liabilities			
Borrowings — due after one year		**1,900,000**	3,740,000
Deferred tax liabilities		**10,945,142**	10,841,017
		12,845,142	14,581,017
Net Assets		**37,467,389**	37,189,591
EQUITY			
Capital and Reserves			
Share capital	*11*	**170,073**	170,073
Share premium and reserves		**37,297,316**	37,019,518
Total Equity		**37,467,389**	37,189,591

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Hillwealth Holdings Limited ("Hillwealth"), a limited company incorporated in British Virgin Islands. Its ultimate controlling party is Mr. Wong Sai Chung ("Mr. Wong"), who is also Managing Director of the Company. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in property development and property investment in the People's Republic of China (the "PRC").

The condensed consolidated interim financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

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

These condensed consolidated interim financial statements do not include all the information and disclosures required in a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2017.

In preparing the condensed consolidated interim financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as of June 30, 2018, the Group had net current liabilities of RMB2,972,947,000 and the Group has construction costs accruals, other payables and accruals, amount due to a shareholder, borrowings, 13.5% fixed-rate senior notes and convertible note with carrying amounts of RMB136,919,000, RMB153,708,000, RMB2,442,373,000, RMB3,116,059,000, RMB1,692,727,000 and RMB434,707,000 respectively, which are due to be repaid within one year from the end of the reporting period. Furthermore, the Group had other commitments contracted but not provided for in the condensed consolidated interim financial statements of approximately RMB1,579,500,000.

The directors of the Company closely monitor the liquidity of the Group having taken into account of:

(1) the confirmation from a shareholder, Mr. Wong, that he would not demand repayment of the amount due to him until the Group has excess cash to repay; and

(2) the estimated cash flows of the Group for the next twelve months from the end of the reporting period, in particular

    (i) the consideration of the upcoming plan for sales of its properties held for sales and pre-sale of properties under development for sales; and

    (ii) planning to obtain alternative funding activities including but not limited to note offering and overseas loan under domestic guarantee.

The directors of the Company consider that after taking into account the above measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the condensed consolidated interim financial statements have been prepared on a going concern basis.

These condensed consolidated interim financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagement 2400 (Revised) "Engagement to Review Historical Financial Statements" issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended June 30, 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2017.

The application of the new and revised HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period has had no material effect on the amounts reported in these condensed consolidated interim financial statements and/or disclosures set out in these condensed consolidated interim financial statements, unless otherwise stated.

The following explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial information and the new accounting policies that have been applied from January 1, 2018, where they are different to those applied in prior periods. Certain of the Group's accounting policies have been changed to comply with the adoption of HKFRS 9 and HKFRS 15.

A. HKFRS 9 Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: (i) classification and measurement; (ii) impairments; and (iii) hedge accounting. The adoption of HKFRS 9 from January 1, 2018 has resulted in changes in accounting policies of the Group and the amounts recognized in the condensed consolidated interim financial statements.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (i.e. trade receivables that do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortized cost ("amortized cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortized cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI at FVTPL if doing so, eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognized in profit or loss.
Amortized cost	Financial assets at amortized cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain on derecognition is recognized in profit or loss.

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at January 1, 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at January 1, 2018 under HKAS 39** *RMB'000*	**Carrying amount as at January 1, 2018 under HKFRS 9** *RMB'000*
Other receivables, deposits and prepayments	Loans and receivables	Amortized cost	170,210	170,210
Pledged bank deposits	Loans and receivables	Amortized cost	210,441	210,441
Bank balances and cash	Loans and receivables	Amortized cost	290,775	290,775

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognize ECLs for trade receivables, financial assets at amortized costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Other receivables, deposits and prepayments, pledged bank deposits and bank balances and cash are subject to ECLs model but the impairment is immaterial under this model at the date of initial application (that is 1 January, 2018) and for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (i) twelve months ECLs: these are the ECLs that result from possible default events within the twelve months after the reporting date; and (ii) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For financial assets measured as amortized cost, the ECLs are based on the twelve months ECLs. The twelve months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Presentation of ECLs

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not carry any significant hedge transaction.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at December 31, 2017, but are recognized in the consolidated statement of financial position on January 1, 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B. HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognized the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, January 1, 2018). As a result, the financial information presented for 2017 has not been restated.

The following table summarized the impact of adopting HKFRS 15 on the Group's condensed consolidated statement of financial position as at June 30, 2018:

	RMB'000 **Increase/(Decrease)**
LIABILITIES	
Current liabilities	
Deposits received for sales of properties	(745,728)
Contract liabilities	745,728
Total current liabilities	—
Total liabilities	—

There was no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period ended June 30, 2018.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Product or service	**Nature of the goods or services, satisfaction of performance obligations and payment terms**	**Nature of change in accounting policy and impact on January 1, 2018**
Sales of properties	Customers obtain control of the properties when the properties are delivered to and have been accepted. Revenue is thus recognized when the customers accept the properties. There is no other goods or services agreed to be provided in the contract and in practice. There is generally only one performance obligation. Payments are usually received in advance and recognized as a contract liabilities.	**Impact** As of January 1, 2018, for deposits received for sales of properties, RMB439,603,000 was classified to contract liabilities.
Service income	Customers receive the services, which contain certain performance obligation with the same pattern of transfer, such as security service and cleaning service, when those services are provided. Revenue is recognized over time as those services are provided. Invoices are usually payable on presentation.	**Impact** HKFRS 15 did not result in any significant change or impact on the Group's accounting policies as the recognition method has been the same under HKAS 18 and HKFRS 15.

3. **USE OF JUDGEMENTS AND ESTIMATES**

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended December 31, 2017, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 2.

4. **SEGMENT INFORMATION**

(a) The Group determines its operating segments based on the reports reviewed by the executive directors, who are the chief operating decision-makers that make strategic decisions about the Group's operations and future directions and objectives. The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended June 30, 2018 (unaudited)

	Property development		**Property investment**			
	Shanghai *RMB'000*	**Chongqing** *RMB'000*	**Shanghai** *RMB'000*	**Chongqing** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Revenue						
External revenue	**13,220**	**9,570**	**98**	**687**	**5,205**	**28,780**
Segment profit (loss)	**10,885**	**2,910**	**221,719**	**195,562**	**(246)**	**430,830**
Other income, gains and losses, net						**2,508**
Net exchange loss						**(28,359)**
Unallocated items						**(22,566)**
Profit before tax						**382,413**

For the six months ended June 30, 2017 (unaudited)

	Property development		Property investment			
	Shanghai *RMB'000*	Chongqing *RMB'000*	Shanghai *RMB'000*	Chongqing *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue						
External revenue	90,134	8,843	152	442	4,412	103,983
Segment profit	72,736	1,267	80,145	53,732	398	208,278
Other income, gains and losses, net						7,317
Net exchange gain						68,465
Unallocated items						(3,133)
Profit before tax						280,927

(b) In the following table, revenue under HKFRS 15 is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

Disaggregation of revenue

For the six months ended June 30, (unaudited)

	Sales of properties				Property management income		Total	
	Shanghai		Chongqing					
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Timing of revenue recognition								
At a point in time	**13,220**	90,134	**9,570**	8,843	**—**	—	**22,790**	98,977
Transferred over time	**—**	—	**—**	—	**5,205**	4,412	**5,205**	4,412
	13,220	90,134	**9,570**	8,843	**5,205**	4,412	**27,995**	103,389

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note 2. Segment result represents the profit earned by (loss incurred from) each segment including the changes in fair value of investment properties without allocation of other income, gains and losses, net, selling expenses, net exchange (loss) gain, administrative expenses including directors' emoluments and changes in fair value of conversion option derivative. This is the measure reported to the Company's Chief Executive Officer, for the purposes of resource allocation and performance assessment.

5. REVENUE AND OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
Sales of properties	**22,790**	98,977
Property rental income	**785**	594
Property management income	**5,205**	4,412
	28,780	103,983
Other income, gains and losses, net		
Gain on disposal of investment properties	**1,960**	4,425
Interest on bank deposits	**453**	2,789
Others	**95**	103
	2,508	7,317
Total revenue and other income, gains and losses, net	**31,288**	111,300

Contract liabilities mainly relate to the deposits received from customers for sales of properties. RMB11,818,000 of the contract liabilities as of January 1, 2018 were recognised as revenue for the six months ended June 30, 2018.

6. FINANCE COSTS

	Six months ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Interest on other borrowings	**292,967**	234,898
Interest on bank borrowings	**642**	2,566
Effective interest expense on 13.5% fixed-rate senior notes	**111,942**	121,323
Effective interest expense on convertible note	**35,111**	33,587
Total finance costs	**440,662**	392,374
Less: Amount capitalized in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sales	**(440,662)**	(392,374)
	—	—

Borrowing costs capitalized during the period which arose on the specific borrowings are approximately RMB169,904,000 (six months ended June 30, 2017: RMB186,317,000). Borrowing costs capitalized during the period which arose on the general borrowing pool of approximately RMB270,758,000 (six months ended June 30, 2017: RMB206,057,000) are calculated by applying a capitalization rate of 7.35% per annum (six months ended June 30, 2017: 12.80%) to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Current tax:		
Enterprise income tax/Land Appreciation Tax ("LAT") in the PRC	**491**	15,699
Deferred tax:		
Current period	**104,124**	33,321
	104,615	49,020

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC group entities is 25% for both periods.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land costs, borrowings costs and all property development expenditures.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both periods.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated interim financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately RMB804,464,000 (December 31, 2017: RMB842,236,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

8. PROFIT FOR THE PERIOD

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period is arrived at after charging (crediting):		
Directors' emoluments	**609**	674
Other staff costs		
— Salaries and other benefits	**13,107**	15,051
— Contribution to retirement benefits schemes	**2,833**	3,490
Total staff costs	**16,549**	19,215
Less: Amount capitalized in investment properties under construction and properties under development for sales	**(3,501)**	(5,968)
	13,048	13,247
Auditors' remuneration	**550**	560
Amortization of prepaid lease payments	**1,574**	1,574
Less: Amount capitalized in construction in progress under property, plant and equipment	**(1,552)**	(1,552)
	22	22
Depreciation of property, plant and equipment	**1,259**	1,269
Less: Amount capitalized in construction in progress under property, plant and equipment	**(693)**	(185)
	566	1,084
Cost of properties sold (included in cost of sales)	**8,995**	24,974
Gross rental income from investment properties	**(785)**	(594)
Less: Direct operating expenses incurred for investment properties that generated rental income during the period	**18**	19
	(767)	(575)

9. EARNINGS PER SHARE

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

	Six months ended June 30, 2018 *RMB'000* (unaudited)	Six months ended June 30, 2017 *RMB'000* (unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**277,798**	231,907
Effect of dilutive potential ordinary shares:		
— Changes in fair value of conversion option derivative	**(2,456)**	(33,866)
Earnings for the purpose of diluted earnings per share	**275,342**	198,041
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,809,077**	1,809,077
Effect of dilutive potential ordinary shares:		
— Convertible note	**206,612**	206,612
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,015,689**	2,015,689

10. DIVIDENDS

No dividend was paid, declared or proposed during the reporting periods. The directors of the Company do not recommend the payment of any dividend for the six months ended June 30, 2018 (six months ended June 30, 2017: nil).

11. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.1 each		
Authorized:		
At January 1, 2017, June 30, 2017, December 31, 2017, January 1, 2018 and June 30, 2018	5,000,000,000	500,000
Issued and fully paid:		
At January 1, 2017, June 30, 2017, December 31, 2017, January 1, 2018 and June 30, 2018	1,809,077,000	180,907
Presented in condensed consolidated interim financial statements as:		
At January 1, 2017, June 30, 2017, December 31, 2017, January 1, 2018 and June 30, 2018		RMB170,073,000

None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the period.

12. EVENTS AFTER THE REPORTING DATE

On August 14, 2018, upon the maturity of the HK$500,000,000 convertible note (carrying value at June 30, 2018: RMB434,707,000) issued by the Company on August 14, 2012 and registered in the name of Hillwealth, the outstanding principal amount of convertible note together with all interest accrued in the total sum of HK$525,000,000 was settled by the Company with Hillwealth by way of an unsecured, interest-free loan advanced to the Company by Mr. Wong for the same amount.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

10 years ago, the U.S. printed money like crazy and exported U.S. dollars all over the world. Now, the U.S. has become a global enemy, trying to bring back the exported U.S. dollars (the U.S. dollar debt of the emerging market in the first quarter was close to 3.7 trillion) and supply chains, as well as to undermine the asset markets of other countries and the global supply chain order. No wonder the U.S. has made a lot of enemies. Fortunately, Trump does not have the same wisdom as Mao Zedong in making alliance with one while fighting another. He wants to fight the world. But to defeat the U.S. hegemony is not an easy task. The history told us that those who wanted to kick out the big brother would run the risk of being wiped out. Nevertheless, Chinese are savvy and resourceful. Deng Xiaoping said, "we should grope our way across the river, going one step at a time". Jiang Zemin said, "keep a low profile to make a big fortune". Han Xin demonstrated his immense ability to endure humility in order to preserve his existence for future accomplishments. Such wisdoms contributed to the creation of incredible historical achievements one after the other. Today, the U.S. is pushing the trade war to the limit. Yet, it is not easy to cripple the China model, even with Trump's wisdom. With a looming war, there are risks as well as opportunities. Therefore, the Group's established policies will remain unchanged. While some projects are delayed pending for the government's new plan, the Group will always ensure that Shareholders' benefits are well taken care of.

BUSINESS ENVIRONMENT

Overview of the Mainland Property Market

China's GDP in 2018 H1 was recorded at RMB41,896.1 billion, representing a 6.8% year-on-year growth.

The residential property market of China remained positive in 2018 H1 as the sales area and investment amount of residential properties grew by 3.2% year-on-year and 14.8% year-on-year respectively, according to the National Statistics Bureau. President Xi reiterated the principle of "housing should be built for residing, but not for speculation" in the government work report in March 2018. Governments of different cities have further launched various new measures to suppress the investment sentiment in the overheated residential market. As a long-term mechanism for China's residential property market development, the government has drawn much attention on the importance of leasing market in recent years.

The retail property market of China was buoyant in 2018 H1 as the total retail sales expanded to RMB18,001.8 billion, representing a growth of 9.4% year-on-year. The e-commerce market continued to develop in an expeditious pace. In 2018 H1, the national online retail sales of goods & services amounted to RMB4,081.0 billion, implying an increment of 30.1% year-on-year, of which the online retail sales of commodities was recorded at RMB3,127.7 billion, increased by 29.8%, accounting for 17.4% of the total retail sales of consumer goods. Among the online retail sales of physical goods, food, clothing and daily necessities went up by 42.3%, 24.1% and 30.7% respectively. F&B and entertainment retailers were the fastest growing trades, while sportswear retailers were the most active fashion categories as sports seem to be increasingly popular.

The office property market of China was dynamic in 2018 H1 indicated by the positive net take up of office spaces in most major cities. While the technology, media and telecommunications ("TMT") and finance industries were still considered as the eye-catching contributors in the office demand, flexible workspace operators has been continuously expanding, especially in first-tier cities. The robust leasing demand from these industries drove a steady vacancy rate and a healthy rental growth.

Overview of the Shanghai Property Market

Shanghai had maintained a steady economic growth. As of 2018 H1, Shanghai's GDP grew by 6.9% year-on-year to RMB1,555.8 billion.

New commodity residential supply rebounded from the low levels in 2017 H2 and recorded at 2,090,000 square metres in 2018 H1. The average commodity residential price in the same period was about RMB49,800 per square metre, representing a year-on-year growth of 4.6%. Intervention from the government has remained strict since 2016. The Shanghai government has recently launched new policies regulating the speculative real estate investment through shell companies, which only allows enterprises with at least five years of operation, RMB1 million tax payment and 10 staffs to purchase residential properties in Shanghai.

The retail sales was recorded at RMB614.3 billion in 2018 H1, representing a growth of 7.7% year-on-year. The solid performance of retail sales was a positive indicator of the retail property market. One new project, Imixpark, in Daning was opened in 2018 H1, adding a new supply of 140,000 square metres to the market. The overall demand remained strong as reflected from the healthy vacancy rate and net absorption, which also supported the average rent despite the new supply and tenant mix reshuffling in existing projects. Experimental consumption continued to be the trend in 2018 H1. Gymnasium and bookstore brands kept on expanding while lifestyle and new energy automobile brands were spotted acquiring retail spaces in shopping malls.

According to the Shanghai Statistics Bureau, tertiary industry accounted for more than two-third of the total GDP in 2018 H1, grown by 7.4% year-on-year to RMB1,076.2 billion. Despite a new office supply of three new buildings totaling 253,000 square metres in core areas in 2018 H1, the overall vacancy rate of Grade A office buildings still decreased to about 10.6% in 2018 H1. The strong absorption was supported by finance, professional services, trading, TMT and particularly flexible workspace operators, which expanded aggressively and accounted for 17.5% of the net take-up in the same period.

Overview of the Chongqing Property Market

Chongqing kept a positive growth in its economy. Chongqing's GDP was recorded at a growth of 6.5% year-on-year to RMB982.1 billion in 2018 H1.

The residential property market grew steadily despite a series of new government policies regulating and raising the investment threshold. The transaction volume reached 13.9 million square metres in 2018 H1, representing a 18.3% year-on-year growth. Buyers have shown increasing interests in improving their living environment, and the average price was surged to about RMB11,700 per square metre, implying a 31.2% increment year-on-year.

The retail sales grew by 10.1% year-on-year in 2018 H1. Five new shopping malls were completed and entered the market, four of which were located in non-core areas. CIC Shopping Mall, part of the Concord International Complex, was the only new supply in core areas and one of the landmark projects in Guanyinqiao. Many international brands and foreign catering retailers have increased their presence in Chongqing, indicating their confidence in the growing market.

According to the Chongqing Statistics Bureau, tertiary industry grew by 9.3% year-on-year to RMB515.9 billion in 2018 H1. Corporate Avenue No. 3 was completed in 2018 H1, adding 41,400 square metres to the market. The continuously strong net absorption further pulled down the overall vacancy rate. While finance and professional services sectors remained the main demand generators, the expansion of flexible workspace operators has become the biggest focus of the market. The TMT industry has also shown a substantial need of office spaces since the launch of "Innovating China in Chongqing".

Outlook of the Mainland Property Market

After reiterating the principle of "housing should be built for residing, but not for speculation" in the government work report in March 2018, the determination of suppressing the investment sentiment of housing market by the central government is anticipated to remain unchanged in this year and the tightening measures will not be relaxed materially in 2018 H2. However, developers may accelerate in pushing new residential supply to the market for sale to stabilize their revenues due to financing policies imposed by the government. Overall, the residential market is expected to remain healthy and the price is expected to grow steadily. Meanwhile, the rental market may be favoured under the current market stabilization policy on purchasing market as there will be more for-lease residential land plots launched onto the market.

The retail leasing momentum is expected to remain stable backed up by the fast-growing of F&B and experimental retailers together with the increasing growth rate of residents' disposable income per capita. To stay competitive in the current market, landlords have to position the shopping malls smartly and reshuffle the tenant mix regularly to bring a fresh image to customers. All in all, the retail property market in China is anticipated to be further developed steadily.

The office leasing demand is expected to stay strong supported by the positive economic growth. The robust demand from TMT and finance industries will be able to support a stable rental growth. Flexible workspace operators will continue to be the uprising sector in 2018 H2, especially in first-tier cities. With an increasing number of competitors entering into the market, these operators will be more creative in improving the working experience and optimization of space.

FINANCIAL REVIEW

The Group's profit attributable to owners of the Company for the six months ended June 30, 2018 amounted to approximately RMB278 million (six months ended June 30, 2017: RMB232 million), increased by 20% when compared to the same period of 2017. Basic earnings per share were RMB0.15 (six months ended June 30, 2017: RMB0.13).

As at June 30, 2018, the total assets increased to RMB59,737 million from RMB59,211 million as at December 31, 2017. Net assets, the equivalent of shareholders' funds, increased to RMB37,467 million (December 31, 2017: RMB37,190 million). In terms of value per share, net assets value per share is RMB20.71 at the end of the reporting period, as compared to RMB20.56 as at December 31, 2017. As the Group continues its investment of premium property developments in PRC with attendant appreciation in fair value, there was a RMB416 million fair value gain from the current portfolio.

The Group's revenue of RMB29 million (six months ended June 30, 2017: RMB104 million) decreased by 72% when compared with the corresponding period last year, which was mainly due to the decrease in revenue from sales of properties.

The revenue from sales of properties amounted to RMB23 million (six months ended June 30, 2017: RMB99 million), decreased by 77% as compared with the corresponding period last year. The Group sold properties with total gross floor area of approximately 19,949 sq. ft. for the six months ended June 30, 2018 as compared to 35,423 sq. ft. in the corresponding period last year.

Gross profit margin for sales of properties was 61% (six months ended June 30, 2017: 75%), which was mainly due to decrease in sales of residential properties of Shanghai Concord City with higher margin.

Income from property leasing was RMB0.8 million (six months ended June 30, 2017: RMB0.6 million). Property management income was RMB5 million (six months ended June 30, 2017: RMB4 million).

During the period under review, the Group generated income of RMB13 million, RMB8 million and RMB2 million from sales of residential properties of Shanghai Concord City, residential properties of Chongqing Manhattan City Phase I, residential properties and car parking spaces of Chongqing Manhattan City Phase II respectively.

Contract liabilities/deposits received on sales of properties increased to RMB746 million as at June 30, 2018 from RMB440 million as at December 31, 2017. This was primarily due to the increase in deposits received on sales of Shanghai Concord City Phase I and Chongqing Manhattan City Phase I and II and the pre-sale of residential properties of Chongqing Manhattan City Phase III during the period under review.

Other income, gains and losses, net were RMB3 million (six months ended June 30, 2017: RMB7 million).

During the period under review, selling expenses were RMB2 million (six months ended June 30, 2017: RMB9 million).

Administrative expenses during the six months ended June 30, 2018 were RMB23 million (six months ended June 30, 2017: RMB28 million) which decreased by 18%.

Finance costs represent mainly interest expenses and other borrowing costs in relation to bank and other borrowings, effective interest of convertible note and the fixed-rate senior notes. Since all finance costs of approximately RMB441 million (six months ended June 30, 2017: RMB392 million) were wholly capitalized on various projects, no finance costs were charged to the profit or loss during the period under review (six months ended June 30, 2017: Nil).

The changes in fair value of investment properties were RMB416 million (six months ended June 30, 2017: RMB133 million), an increase of 213% when compared to the same period last year. Although the transaction volume of the property market was shrinking with the launch of new real estate tightening measures in recent years, the property price remained steady during the period because the underlying demand remained strong. On the other hand, the central government's blueprint that advocates Shanghai to become an international financial hub in 2020 also benefited local businesses including the retail and office property markets. Combining these factors, the valuation of investment properties in first half of 2018 is still appreciating. The changes in fair value of investment properties in Shanghai experienced an increase of RMB222 million (six months ended June 30, 2017: RMB80 million) which was mainly contributed from valuation appreciation of the project of Shanghai Concord City. The changes in fair value of investment properties in Chongqing experienced an increase of RMB194 million (six months ended June 30, 2017: RMB53 million) which was mainly contributed from the valuation appreciation of the projects of Chongqing Concord City and Chongqing International Commerce Centre.

Income tax expense was RMB105 million (six months ended June 30, 2017: RMB49 million), an increase of 114%. The increase in income tax expense was due to the increase in the amount of changes in fair value of investment properties for the period under review in comparison to the same period last year. The Group's effective income tax rate was 27% (six months ended June 30, 2017: 17%).

LIQUIDITY AND FINANCING

The Group monitors its liquidity requirements on a short to medium-term basis and arranges refinancing of the Group's borrowing when appropriate. During the period, the Group repaid net external borrowings totaling of approximately RMB524 million (six months ended June 30, 2017: repaid net external borrowing totaling of approximately RMB467 million); on the other hand, the Group also received an advance from a shareholder amounted to RMB359 million (six months ended June 30, 2017: received an advance from a shareholder of RMB170 million) during the period.

At the end of the reporting period, the Group's senior notes, bank and other borrowings, amount due to a shareholder and convertible note amounted to RMB1,693 million (December 31, 2017: RMB1,667 million), RMB5,016 million (December 31, 2017: RMB5,529 million), RMB2,442 million (December 31, 2017: RMB2,083 million) and RMB435 million (December 31, 2017: RMB393 million) respectively, and the Group's total borrowings were RMB9,586 million (December 31, 2017: RMB9,672 million), a decrease of RMB86 million when compared to December 31, 2017. RMB7,686 million (December 31, 2017: RMB5,932 million) is repayable within one year whilst the remaining is repayable in the second to fifth year inclusive.

The gearing ratio of the Group as at June 30, 2018 was 25.4% (December 31, 2017: 24.7%), determined as proportion of the Group's net borrowings (after deducting bank balances and cash and pledged bank deposits) to the shareholders' funds.

With bank balances and cash in hand, banking facilities available and those financing plans, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

There was no material acquisition and disposal of group companies during the period.

TREASURY POLICIES

At the end of the reporting period, approximately 78% (December 31, 2017: 79%) of the Group's borrowings were maintained in RMB. The Group derives its revenue mainly in RMB. Bank balances are maintained mainly in RMB and HK$.

The bank borrowings are principally on a floating-rate basis while the other borrowings and senior notes are on a fixed-rate basis.

The Group has not used any interest rate or foreign currency derivative instrument to hedge its exposure to interest rate and foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

During the period, the Group has complied with all borrowings covenants.

CHARGE ON ASSETS

As at June 30, 2018, the Group pledged assets with an aggregate carrying value of RMB45,843 million (December 31, 2017: RMB45,319 million) to secure loan facilities utilized.

CONTINGENT LIABILITIES

As at June 30, 2018, the Group guaranteed mortgage loans to purchasers of its properties in the aggregate outstanding principal amount of RMB504 million (December 31, 2017: RMB492 million). During the six months ended June 30, 2018, there was no default case.

Legal disputes

As at June 30, 2018, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, properties under development for sales and properties held for sale in an aggregate amount of approximately RMB23 million (December 31, 2017: RMB52 million) and the withdrawal of bank deposits of approximately RMB2 million (December 31, 2017: RMB6 million) as at June 30, 2018. In the opinion of the directors of the Company, the claims made by the construction contractors are mainly related to construction works that did not meet the required standards. Pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or is in the process of making counter-claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group. The management has sought advices from the independent legal advisors or internal legal counsel on these disputes or legal proceedings. As at June 30, 2018, the Group has provided construction cost liabilities amounting to RMB57 million (December 31, 2017: RMB69 million) in relation to the above mentioned construction contracts under dispute. The net financial effect of both claims and counter-claims is considered insignificant.

For those outstanding legal claims which are still in preliminary stage, according to the advice from the independent legal advisors and internal legal counsel of the Group, the final outcome is unable to be determined at this stage amounted to approximately RMB57 million (December 31, 2017: RMB42 million) in aggregate. Accordingly no further provision is required to be made in the condensed consolidated interim financial statements. The directors of the Company are of the opinion that the Group has reasonable ground to defense those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of any interim dividend for the period.

EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2018, the Group had approximately 358 employees (June 30, 2017: 355 employees) in Hong Kong and the PRC. There is no significant change in the Group's emolument policies.

SHARE OPTION SCHEME

The share option scheme which was adopted by the Company on February 5, 2007 had a term of 10 years and had expired on February 5, 2017, and all options which were granted under that scheme had also lapsed.

On June 29, 2017, the Company by ordinary resolution approved the adoption of a new share option scheme with terms in line with the provisions of Chapter 17 of the Listing Rules. No options have yet been granted under such new share option scheme.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout the six months ended June 30, 2018, the Company had complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiries by the Company, that they had complied with the required standard of dealings as set out in the Model Code and the Company's Code of Conduct during the six months ended June 30, 2018.

AUDITOR AND AUDIT COMMITTEE

Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, resigned and BDO Limited was appointed as auditor of the Company with effect from August 17, 2018.

The Company has established the Audit Committee and has formulated its written terms of reference in accordance with the provisions set out in the Corporate Governance Code. The Audit Committee comprises four Independent Non-executive Directors, namely Mr. Warren Talbot Beckwith (Chairman of the Audit Committee), Mr. Luk Koon Hoo, Dr. Garry Alides Willinge and Mr. Cheng Chaun Kwan, Michael. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, risk management and internal control systems, review of the Group's financial information and review of the relationship with the external auditor of the Company. The Audit Committee and the external practitioner, BDO Limited, have reviewed the unaudited interim results of the Group for the six months ended June 30, 2018.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with majority of the members being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman of the Board, Dr. Wang Shih Chang, George and two Independent Non-executive Directors, namely Mr. Luk Koon Hoo and Dr. Garry Alides Willinge (Chairman of Remuneration Committee).

The principal duties of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure for directors and senior management and on the establishment of formal and transparent procedures for developing policy on such remunerations.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.cpg-group.com) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). An interim report for the six months ended June 30, 2018 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

APPRECIATION

The Directors would like to take this opportunity to express sincere gratitude to all shareholders for their continued support and to thank all staff members of the Group for their dedication and contribution to the Group.

By Order of the Board
CHINA PROPERTIES GROUP LIMITED
Dr. Wang Shih Chang, George
Chairman

Hong Kong, August 29, 2018

As at the date of this announcement, the Board of the Company comprises Dr. Wang Shih Chang, George, Mr. Wong Sai Chung and Mr. Xu Li Chang as executive directors, Mr. Kwan Kai Cheong as non-executive director and Mr. Warren Talbot Beckwith, Mr. Luk Koon Hoo, Dr. Garry Alides Willinge and Mr. Cheng Chaun Kwan, Michael as independent non-executive directors.