GUANGZHOU R&F PROPERTIES CO., LTD.

Stock code: 2777

INTERIM REPORT 2018

CONTENTS

CORPORATE INFORMATION

Executive Directors	Li Sze Lim Zhang Li Zhou Yaonan Lu Jing
Non-executive Directors	Zhang Lin Li Helen
Independent Non-executive Directors	Zheng Ercheng Ng Yau Wah Daniel Wong Chun Bong
Supervisors	Chen Liangnuan Liang Yingmei Zhao Xianglin
Authorized Representatives	Li Sze Lim Lee Michael
Joint Company Secretaries	Lee Michael Cheung Sze Yin
Registered Office in the PRC	45-54/F., R&F Center, No. 10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC
Principal Place of Business in the PRC	45-54/F., R&F Center, No. 10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC
Principal Place of Business in Hong Kong	Room 1103, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong
Auditor	PricewaterhouseCoopers 22/F., Prince's Building, Central, Hong Kong
Legal Advisor as to Hong Kong Law	Sidley Austin 39/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Hong Kong H Share Registrar	Computershare Hong Kong Investor Services Limited 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Website	www.rfchina.com

RESULTS AND DIVIDEND

For the six months ended 30 June 2018, the Group's total revenue increased by 67% to RMB34.09 billion and net profit increased by 64% to RMB4.08 billion over the corresponding period last year.

During the period, revenue and net profit from the Group's main business of property development increased by 61% and 90%, respectively, with revenue amounting to RMB29.31 billion and net profit to RMB4.32 billion. The increase in revenue and net profit was mainly due to a significant increase in the delivery of area sold to 2.39 million sq.m., representing an increase of 44% over the corresponding period last year and higher gross margin of 43.2%. Recurring revenue from hotel operations segments recorded a significant growth of 360% during the period to RMB3.33 billion due to the acquisition of 70 hotels. Profitability from property investments continues to provide an important contribution to the Group with net profit margin (excluding revaluation) of 48.1%. The Board have resolved to declare an interim dividend of RMB0.40 per share.

BUSINESS REVIEW

In the first half of 2018, China's property sector saw liquidity tightening that led to developers focusing on financial management and organic growth on the back of more prudent land banking and increased pace of property sales. For the Group, the focus in the first half was on generating a strong momentum in property sales to meet full year contracted sales target of RMB130 billion and higher GFA delivery to consolidate profits after a sustained period of sales growth in 2017 that has carried into 2018. Based on an abundance of saleable resources and robust sales plan, the Group achieved attributable contracted sales in the first half of RMB57 billion, up 47% versus the same period in 2017 which is a historical high for the Group. Similarly, contracted sales achieved in the first half was equivalent to GFA of 4.4 million sq.m., representing growth of 50% versus the same period in 2017. In terms of saleable area completion, it was up 52% to 2.6 million sq.m. in the first half of the year. Another noteworthy trend was the Group maintained a high gross margin profile for the first half of 2018 continuing from the rebound in 2017 with gross margin of 38.5%. The higher gross margin was a result of above 40% gross margin for sale of properties where the main driver was the proper cost control measures of the Group and general increases in average selling prices of property in all tiers. With overall tighter liquidity in the market and the near term maturities resulting from put options from previously issued domestic bonds, land banking was more strategic whilst cash flow was diverted to construction and rebalancing the Group's financial profile.

In the first half, there was a market shift to tighter liquidity which was evidenced by increasing interest rates. In the offshore markets, the rising interest rate environment meant developers ultimately resorted to issuing shorter dated bonds at higher coupons for lessor amounts. The overall volatile financing markets also reduced the availability of possible market windows for bond issuance that led to developers being more cautious when looking to issue new bonds or re-open issuing issuances. In China, increased restrictions imposed on financial institutions and investors that could invest in property related bonds and financing products, have significantly reduced the amount of available liquidity for issuers to refinance near term maturities or raise new capital. The Group had up to RMB26.2 billion of corporate bonds in China that had put options between May to July 2018 such that the Group had to make repayment contingencies if investors exercise the put options. As of now, the Group had repaid the interest and principal for the put options of the corporate bonds.

First half saw continued macro control policies governing the property sector imposed by the regulatory bodies to maintain a stable and sustainable development in the property sector. To address home ownership and encourage supply of property development catering to end users unable to afford purchases today, China's Central Government made a push for rental housing developments. To encourage developers to develop rental housing developments, low financing in the form of bonds or loans were approved for issuance where proceeds were applied to such developments. Another notable announcement was the development of Hainan as a major tourist and leisure region in China. The development of Hainan will create job opportunities and economic development in the region that will benefit nearby property, hotels and leisure services to the region. However, to mitigate property speculation, new purchase restrictions were introduced in Hainan to offset the long-term benefits to the region, but overall, we expect Hainan's development will be positive for the region.

Despite continued property sector related policy restrictions, the Group recorded significant growth in contracted sales over the same period versus 2017 to RMB57 billion, or 47%, at an average price of approximately RMB12,900 per sq.m.. For the first half of 2018, the shift to tier-2 and tier-3 or 4 cities became more prominent as the growth in these cities were less prone to policy restrictions and target a wider city demographic. As at 30 June, the Group currently has a presence in 89 cities where onshore tier-2 and tier-3 or 4 cities comprise 28 cities and 49 cities, respectively, with tier-2 cities land bank accounting for over 40% of the Group's total land bank. In line with the proportion of land bank and available projects for sale, tier-2 city projects accounted for approximately 60% of the contracted sales in the first half.

Contracted sales in the first half was dominated by property sales in China of approximately 96% with the remainder being overseas projects. The average selling price of RMB12,904 per sq.m. remained steady versus RMB12,944 per sq.m. for full year 2017, as a result of more new projects and wider area distribution and product mix. Projects from Northwestern China and Central Southern China saw the highest growth of 120% and 99%, respectively, due to an increase in projects available for sale and resilient end user demand in local markets. Contracted sales from overseas projects also saw significant growth of 50% to RMB2 billion, primarily due to stronger sales in Malaysia and new launch in Cambodia.

In terms of regional distribution for the full year of 2018, the Group has over 180 projects distributed amongst seven key regions of focus: Southern China, Northern China, Northwestern China, Eastern China, Central Southern China, Hainan and Overseas. Based on sales contribution, Southern China comprising of Chongqing, Huizhou, Guangzhou, Guiyang, Zhuhai, Meizhou, Jiangmen, Foshan, Nanning, Chengdu accounts for approximately a quarter of contracted sales generated in the first half of 2018, followed by Eastern China, Northwestern China, and Northern China region. Together, the largest four regions grew 48% and accounted for over 80% of the Group's China contracted sales in the first half. Key cities where contracted sales saw the highest sales growth include Guiyang, Chongqing where sales over tripled and Xian, Baotou, Ningbo, Zhengzhou, Taiyuan where sales doubled.

To maintain sustainable land bank for growth in 2019 and subsequent years, the Group undertook land banking in the first half of 2018 at a slower pace than in the same period in 2017 and acquired approximately RMB21 billion of land bank, or 37% of first half contracted sales versus 71% for full year 2017. The total GFA acquired was 8.4 million sq.m. at an average cost of RMB2,500 per sq.m., and after deducting delivery in the first half, the Group had total attributable GFA of approximately 57 million sq.m. of saleable land bank. The pace of land banking was after taking into consideration the growth of sales, higher cash received from stronger contracted sales, and available financing environment.

Another key strategy adopted by management to offset a tighter financing environment and increase the availability of cash flows has been to accelerate the development cycle and focus on a quicker cash cycle. For the period ending the first half, there were 15 new projects, of which 80% achieved presales within 1-year from acquisition of land with the shortest being 4-months. The increased focus on a shorter development cycle and earlier presales period reduces the amount of capital invested into the project and required financing at the Group level which ultimately improves overall cash efficiency to the Group. The Group maintained a significant cash balance of RMB35.9 billion to meet short-term obligations, fluctuations in financing markets, land banking and also working capital.

The overall financing environment remained tight in the first half of 2018 due to lending restrictions and investors chasing higher yields. To maintain sufficient financial flexibility if markets continue to tighten, the Group took advantage of available market windows to tap funding for capital expenditures and short-term refinancing. The Group issued a total of US$1,250 million of offshore USD bonds in the first half and proactively refinanced US$400 million of bonds falling due in second half of 2018. Amidst a backdrop of tighter onshore funding, the Group was still able to raise up to RMB11 billion through ultra short-term notes, corporate bonds and other financing channels. The Group currently still has additional quota of US$200 million for offshore issuance and RMB37.0 billion of onshore quota to issue China domestic corporate bonds, asset securitization products, medium-term notes, ultra short-term notes and other debt types such that the Group has sufficient liquidity. The Group maintains undrawn credit lines of RMB136.9 billion as additional sources of financial liquidity.

GOING FORWARD

After a strong first half sales growth, the Group will continue to ramp up its project launches and sales pipeline in order to meet the full year contract sales target of RMB130 billion. Going into the second half, the Group has over RMB80 billion of available saleable resources on hand and expects to obtain a further RMB135 billion of saleable resources for presales in 2018 and 2019 such that the Group has sufficient saleable resources to meet its contracted sales target for 2018 and growth in subsequent years. The Group will also focus on meeting its delivery target of 6.5 million sq.m. attributable saleable area such that the expected earnings growth will also be achieved. The remainder of the year will be challenging with macro and global market uncertainty but the Group's strong first half results and solid contracted sales provides a firm base for the Group to deliver significant results for full year 2018.

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank the Company's shareholders, investors, business associates and customers for their confidence and valuable support as we execute our strategy. In addition, I extend my appreciation to the Group's directors, management, and staff whom have stayed focused on internal targets and delivering on our objectives despite macro challenges to ensure the Group's continued successful growth.

Li Sze Lim
Chairman

Hong Kong, 24 August 2018

OPERATION REVIEW

PROPERTY DEVELOPMENT

As at 30 June 2018, the Group's attributable land bank for saleable area was approximately 56,969,000 sq.m. distributed across 89 cities and regions. During the period, the Group completed area as set out below and made contracted sales equivalent to 44% of the full year target and maintained a sufficient project pipeline.

Completion of Properties

Completion in the period of 2,601,000 sq.m. saleable area represented approximately 34% of the Group's expected completion for 2018 of 7,697,000 sq.m. in saleable area, as compared to 25% for the same period in 2017. Expected completion in the second half of 2018 is approximately 5,096,000 sq.m. as shown in the following table:

	Completed in 1st half of 2018		To be completed in 2nd half of 2018		2018 Full Year Estimate	
Location	**Approximate GFA (sq.m.)**	**Approximate saleable area (sq.m.)**	**Approximate GFA (sq.m.)**	**Approximate saleable area (sq.m.)**	**Approximate GFA (sq.m.)**	**Approximate saleable area (sq.m.)**
Southern China	1,144,000	868,000	1,359,000	1,062,000	2,503,000	1,930,000
Central Southern China	491,000	393,000	134,000	126,000	625,000	519,000
Eastern China	691,000	521,000	869,000	679,000	1,560,000	1,200,000
Northern China	516,000	402,000	738,000	602,000	1,254,000	1,004,000
Northwestern China	176,000	155,000	1,447,000	1,008,000	1,623,000	1,163,000
Hainan	57,000	47,000	571,000	503,000	628,000	550,000
Overseas	–	–	247,000	169,000	247,000	169,000
Sub-total	**3,075,000**	**2,386,000**	**5,365,000**	**4,149,000**	**8,440,000**	**6,535,000**
JV (Attributable)	89,000	74,000	302,000	246,000	391,000	320,000
Investment Properties	141,000	141,000	701,000	701,000	842,000	842,000
Total	**3,305,000**	**2,601,000**	**6,368,000**	**5,096,000**	**9,673,000**	**7,697,000**

Contracted Sales

During the six months in the first half of 2018, contracted sales distributed in 51 cities and areas and in 26 provinces and regions; the Group recorded attributable contracted sales of RMB56.96 billion and 4,413,900 sq.m., representing 47% and 50% year-on-year growth. Sales breakdown as below:

Location	**Approximate attributable total value (RMB million)**	**Approximate attributable saleable area sold (sq.m.)**
Guangdong	8,019.3	568,500
Zhejiang	6,248.3	341,000
Shanxi	6,143.4	557,200
Hainan	4,299.2	265,300
Chongqing	4,278.1	477,000
Tianjin	3,676.0	269,500
Jiangsu	3,459.2	268,300
Fujian	2,853.0	218,900
Shandong	2,036.0	186,400
Shaanxi	1,892.3	187,900
Inner Mongolia	1,817.3	209,700
Hebei	1,740.3	139,200
Malaysia	1,598.3	76,200
Guizhou	1,582.8	150,600
Jiangxi	1,164.6	102,900
Shanghai	1,062.5	18,600
Anhui	1,042.5	143,600
Henan	889.0	60,800
Heilongjiang	808.0	39,000
Beijing	752.3	7,700
Hunan	414.3	42,900
Guangxi	268.7	19,500
Australia	264.6	6,200
Sichuan	226.8	18,600
Cambodia	215.2	15,900
Liaoning	203.1	22,500
Total	**56,955.1**	**4,413,900**

Projects Under Development

Projects under development amounted to approximately 26,558,000 sq.m. attributable GFA as at 30 June 2018, details of which are set out below:

Location	Approximate attributable GFA (sq.m.)	Approximate attributable saleable area (sq.m.)
Southern China	5,961,000	4,630,000
Central Southern China	1,987,000	1,573,000
Eastern China	4,023,000	2,793,000
Northern China	6,751,000	4,998,000
Northwestern China	4,296,000	2,976,000
Hainan	2,052,000	1,687,000
Overseas	1,488,000	1,046,000
Total	**26,558,000**	**19,703,000**

PROPERTY INVESTMENT

The Group's investment properties portfolio mainly located in tier-1 and tier-2 cities, including Grade-A office buildings, shopping malls, various retail properties, logistic parks and etc.. The Group's investment properties portfolio as at 30 June 2018 exceeded 2,200,000 sq.m. in total GFA.

HOTEL OPERATION

The Group currently has 88 hotels under operation, total GFA 3,888,755 sq.m. with 26,732 hotel rooms. The 88 hotels are managed by the well-known hotel management groups such as Marriott International, Inc., InterContinental Hotels Group, Hilton Worldwide Holdings Inc., Hyatt Hotels Corporation, Accor Hotels, Wanda Hotels and Resorts Co., Ltd. and other hotel groups. And the Group became the largest deluxe hotel owner globally with a total of 117 hotels of which approximately 29 hotels are under development and under planning.

LAND BANK

During the period, the Group acquired 37 plots of land in 31 cities and regions, with attributable saleable area of approximately 8,356,000 sq.m. and attributable land cost of approximately RMB21.4 billion at approximately RMB2,500 per sq.m..

As at 30 June 2018, the Group's attributable land bank was 67,464,000 sq.m. and 56,969,000 sq.m. in GFA and saleable area, distributed across 89 cities and regions. Details as below:

Location	Approximate attributable GFA (sq.m.)	Approximate attributable saleable area (sq.m.)
Development Properties		
Southern China	14,288,000	12,622,000
Central Southern China	6,823,000	6,235,000
Eastern China	6,941,000	5,337,000
Northern China	16,222,000	14,014,000
Northwestern China	11,046,000	9,637,000
Hainan	3,175,000	3,032,000
Overseas	6,727,000	4,099,000
Sub-total	**65,222,000**	**54,976,000**
Investment Properties	**2,242,000**	**1,993,000**
Total	**67,464,000**	**56,969,000**

FINANCIAL REVIEW

The Group's net profit for the six months ended 30 June 2018 increased to RMB4.08 billion, from RMB2.48 billion for the corresponding period last year. Revenue from the Group's main business of property development accounted for 86% of the Group's total revenue and amounted to RMB29.31 billion. Compared to the previous period, net profit from property development increased by 90% to RMB4.32 billion, based on a 44% increase in terms of saleable area of delivery to 2,390,000 sq.m. in the period. Profit from property investment, not including any fair value gain, was RMB251 million. Fair value gain in the period amounted to RMB238 million. Revenue from hotel operations and other segments increased by 146%, compared to the previous period, to RMB4.26 billion mainly due to the acquisition of 70 hotels.

The following comments on the components of the income statement, with the exception of #6 (on finance costs) and #9 (on net profit), relate only to property development:

1. Revenue increased by 61% to RMB29.31 billion, from RMB18.23 billion in the same period in 2017. The Group completed and delivered properties in 41 cities in the six months ended 30 June 2018. The amount of saleable area sold increased by 44% to 2,390,000 sq.m. from 1,654,000 sq.m.. The overall average selling price increased by 12%, from RMB11,000 per sq.m. to RMB12,300 per sq.m.. This increase in overall selling price was reflecting the general higher selling price for the majority of the projects compared with the previous period. The top three projects, Tongzhou R&F Center in Beijing, R&F Shangyue Court in Putian and R&F Cambridge Court in Ningbo, which individually had revenue of over RMB1.8 billion and a combined revenue of RMB5.9 billion or 20% of total revenue and carried average selling price from RMB9,100 to RMB42,600 per sq.m.. Based on revenue distribution by cities in the period, Beijing has the highest revenue of all cities where the Group operates. It accounted for 10% of total revenue. In terms of amount, revenue in Beijing amounted to RMB3.0 billion and was mainly derived from Tongzhou R&F Center. Huizhou's revenue ranked second with revenue amounted to RMB2.4 billion in the period, equivalent to 8% in total. Putian ranked third for the first time with revenue amounted to RMB2.0 billion. These top three cities ranked by revenue in the period, Beijing, Huizhou and Putian, together accounted for 25% of total revenue as compared to 42% from the top three cities (Beijing, Huizhou and Guangzhou) in the previous period. The remaining 75% of revenue for this period was contributed by the other 38 cities in which the Group operates, the more significant of which were Ningbo, Hainan, Foshan, Fuzhou, Tianjin and Wuxi contributed approximately 5% to 7% each.

The following is the summary of revenue by city:

City	Amount of turnover (in RMB million)	Saleable area sold (sq.m.)	Average Selling Price (RMB/sq.m.)
Beijing	2,981	160,800	18,500
Huizhou	2,365	223,900	10,600
Putian	2,045	225,200	9,100
Ningbo	1,920	128,800	14,900
Hainan	1,663	77,600	21,400
Foshan	1,659	88,500	18,800
Fuzhou	1,407	61,800	22,800
Tianjin	1,396	119,000	11,700
Wuxi	1,324	93,400	14,200
Malaysia	1,171	74,700	15,700
Huzhou	1,155	132,600	8,700
Guangzhou	1,136	67,500	16,800
Meizhou	1,104	176,700	6,200
Chongqing	1,074	147,900	7,300
Hangzhou	1,072	63,800	16,800
Shanghai	923	26,900	34,300
Harbin	643	35,200	18,300
Baotou	591	73,500	8,000
Chuzhou	484	83,000	5,800
Xiangtan	432	48,700	8,900
Chengdu	382	49,700	7,700
Nantong	380	43,900	8,700
Taiyuan	364	24,200	15,000
Zhuhai	303	14,000	21,700
Xian	230	26,100	8,800
Shijiazhuang	157	8,800	17,800
Guiyang	152	18,300	8,300
Qinhuangdao	148	16,300	9,100
Nanjing	108	10,100	10,700
Anshan	87	13,800	6,300
Dongying	87	8,000	10,800
Shenyang	67	7,100	9,400
Datong	66	14,000	4,700
Yantai	47	6,300	7,500
Hohhot	39	5,000	7,700
Jiangmen	39	4,000	9,700
Sanming	36	4,300	8,400
Zhangzhou	32	3,000	10,700
Wenzhou	15	800	18,100
Fuyang	14	2,000	7,200
Nanchang	8	800	10,200
Total	**29,306**	**2,390,000**	**12,300**

2. Cost of goods sold consists of land and construction costs, capitalised finance costs and levy and business tax. For the current period, land and construction costs made up 89% of the Group's total costs which was roughly the same level as compared to the previous period. In terms of costs per sq.m., land and construction costs increased to RMB6,180 from RMB5,920 in the previous period. Apart from a general increase in land costs, delivery of the projects such as Tongzhou R&F Center in Beijing and R&F International Finance Corporate in Foshan also pulled up the land and construction costs per sq.m. Tongzhou R&F Center in Beijing and R&F International Finance Corporate in Foshan, which accounted for 12% of the period's total revenue, are commercial development projects in Beijing and Foshan with a land and construction costs per sq.m. of RMB15,500 and RMB8,800 respectively. Capitalised interest included in the period's cost of goods sold amounted to RMB1.60 billion up from RMB1.09 billion, representing approximately 10% of total costs which was also roughly the same level as compared to the previous period. As a percentage of revenue from sale of properties, capitalised interest decreased from 6.0% to 5.4%. The cost of goods sold also included RMB301 million in levy and business tax, making up 2% of costs.

3. Overall gross margin for the period was 43.2%, as compared to 38.7% in the same period in 2017. There were 13 projects with sales directly comparable to those in the previous period and there were 10 projects with increased gross margin, while 3 projects with decreased gross margin.

4. Other income and other gains-net were mainly the result of interest income.

5. Selling and administrative expenses for the period increased by 52% or RMB959 million, to RMB2.81 billion. This increase was in line with the contracted sales growth of 47% higher than the previous period. Selling and administrative expenses as a percentage of revenue decreased to 9.6% from 10.1%.

6. Finance costs increased 184% to RMB2.75 billion for the period (1H 2017: RMB968 million), which includes total interest expenses of RMB4.59 billion, a net foreign exchange loss of RMB558 million and an early redemption premium for senior notes of RMB17 million incurred in the period and after deducting capitalised interest of RMB2.42 billion to development projects. The 45% increase in total interest expenses was related to an increase of average borrowings outstanding to RMB153.1 billion from RMB124.4 billion in the previous corresponding period. Together with RMB1.60 billion (1H 2017: RMB1.09 billion) charged to cost of goods sold related to capitalised interest, the total finance costs incurred during the period amounted to RMB4.35 billion (1H 2017: RMB2.06 billion).

7. The share of result of associates was mainly derived from the Group's 45% share in the Henan Jian Ye project. The share of results of joint ventures were mainly from a 33.34% interests in Guangzhou Liedecun project, 25% interests in Tianjin Jinnan New Town project, 50% interests in Hines Shanghai New Jiangwan project, 60% interests in Guizhou Da Xi Nan project, 50% interests in Nanning Fuya Business Park project and 50% interests in Guangzhou Senhua project. These seven projects mentioned had a combined revenue of RMB3.61 billion.

8. Land appreciation tax (LAT) of RMB2.06 billion (1H 2017: RMB1.31 billion) and Enterprise Income Tax of RMB1.76 billion brought the Group's total income tax expenses for the period to RMB3.82 billion. As a percentage of revenue, LAT stabled at 7.0% when compared to the same period in 2017. The effective enterprise income tax rate was 28.9% (1H 2017: 30.6%).

9. Overall, the Group's net profit margin for the period was 12.0%, as compared to 12.2% in the previous period. While the net profit margin of the property development rised to 14.7% in line with a higher gross margin from properties sold and delivered.

Financial resources and liquidity

At 30 June 2018, total cash including amounts restricted for specified usage was RMB35.86 billion (31 December 2017: RMB32.21 billion). With total borrowings at the end of the period amounted to RMB159.14 billion (31 December 2017: RMB142.24 billion), net debt increased to RMB123.28 billion from RMB110.03 billion at 31 December 2017. Net debt to total equity ratio increased to 187.5% at 30 June 2018 from 169.6% at 31 December 2017.

During the six months ended 30 June 2018, new bank borrowings of RMB31.79 billion have been procured at interest rate ranging from 3.76% to 9.60% while bank borrowings repaid amounted to RMB10.99 billion. The effective interest rate of the total bank borrowings portfolio at 30 June 2018 was 5.13% (30 June 2017: 4.46%). Other than RMB23 billion domestic corporate bonds with interest rates ranging from 3.48% to 5.70%, RMB14.53 billion domestic non-public bonds ranging from 4.39% to 7.50%, RMB2 billion medium-term notes ranging from 5.25% to 5.50% and offshore USD2.875 billion senior notes ranging from 5.00% to 7.00%, most of the borrowings were in RMB and at floating interest rate bench marked to rates published by the People's Bank of China. The Group considered the RMB interest rate environment relatively stable and with the Group's borrowings substantially in RMB that matched income and assets predominantly in RMB, the Group did not consider it necessary to hedge either its interest rate or currency exposure.

Charge on assets

As at 30 June 2018, certain properties and bank deposits were pledged to secure bank and other borrowings amounted to RMB90.73 billion (31 December 2017: RMB70.91 billion).

Contingent liabilities

The Group provided guarantees in respect of bank mortgage loans taken out by purchasers of the Group's sale properties and joint liability counter-guarantees for certain borrowings granted to the Group's joint ventures and associates for project development purpose. For guarantees provided in respect of residential properties, the guarantees are released upon the issuance of real estate ownership certificate of the properties concerned. As at 30 June 2018, such guarantees totalled RMB70.40 billion, increased by 21.6% from RMB57.88 billion as at 31 December 2017.

Employee and remuneration policies

As of 30 June 2018, the Group had approximately 52,634 employees (30 June 2017: 23,076). The increase in the number of employees was mainly due to the acquisition of the Wanda hotels. The total staff costs incurred were approximately RMB1.75 billion during the six months ended 30 June 2018. The Group provides competitive remuneration, including fringe benefits such as one-off discount on purchase of properties developed by the Group, and employees are rewarded on a performance basis within the general framework of the Group's salary and bonus system. Job-related training is also provided from time to time.

INTERIM DIVIDEND PAYMENT AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend for the six months ended 30 June 2018 (the "Interim Dividend") of RMB0.40 per share to shareholders whose names appear on the register of members of the Company as at the close of business on 21 September 2018. The Interim Dividend will be paid on 26 October 2018.

The H share register of members of the Company will be closed from 17 September 2018 (Monday) to 21 September 2018 (Friday) (both dates inclusive), during which period no transfer of H shares will be registered. In order to establish entitlements to the Interim Dividend, all the share transfer documents must be lodged with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 14 September 2018 (Friday).

According to the Company's articles of association (the "Articles of Association"), dividend payable to shareholders shall be calculated and declared in RMB. Dividends payable to holders of the Company's domestic shares shall be paid in RMB, whereas dividends payable to holders of the Company's H shares shall be in Hong Kong Dollar. The exchange rate to be adopted shall be the average closing rate of the one-week period preceding the date of declaration of dividend as announced by the People's Bank of China. The Interim Dividend is also subject to PRC withholding tax.

The average of the closing exchange rates for RMB to Hong Kong Dollar as announced by the People's Bank of China for the one-week period prior to 24 August 2018, the date on which the Interim Dividend was declared, was RMB0.872936 to HK$1.00. Accordingly, the amount of Interim Dividend payable per H share is HK$0.458223.

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and its implementation regulations (the "EIT Law"), the tax rate of the enterprise income tax applicable to the income of a non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the dividend to those non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the Company's H share register should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (關於國稅發(1993) 045號文件廢止後有關個人所得稅徵管問題的通知) (the "Notice") issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general.

However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% individual income tax will be withheld from the dividend payable to any individual shareholders of H shares whose names appear on the H share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice.

PROFIT DISTRIBUTION TO INVESTORS OF SOUTHBOUND TRADING

For investors of the Shanghai Stock Exchange and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on the Hong Kong Stock Exchange (the "Southbound Trading"), the Company has entered into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading (港股通H股股票現金紅利派發協議) with the Shanghai Branch and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited ("China Securities"), pursuant to which, China Securities, as the nominee of the holders of H shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Southbound Trading through its depositary and clearing system. The cash dividends for the investors of H shares of Southbound Trading will be paid in RMB. Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (關於深港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2016] No. 127), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through the Southbound Trading, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through the Southbound Trading, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

All investors are requested to read this part carefully. Shareholders are recommended to consult their taxation advisors regarding their holding and disposing of H shares of the Company for the PRC, Hong Kong and other tax effects involved.

The Company has appointed Bank of China (Hong Kong) Trustee Limited as the receiving agent in Hong Kong and will pay to the receiving agent the Interim Dividend for payment to holders of H shares on 26 October 2018. Cheques will be dispatched to holders of H shares by ordinary post at their own risk.

REVIEW OF INTERIM RESULTS

The audit committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2018. The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

SHARE CAPITAL

The shareholding structure of the Company as at 30 June 2018 was as follows:

Class of shares	No. of shares	Percentage
Domestic shares	2,207,108,944	68.49%
H shares	1,015,258,400	31.51%
Total	3,222,367,344	100.00%

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the beneficial interests and short positions of the directors, chief executive and supervisors of the Company in the shares, underlying shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), which are required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under section 352 of Part XV of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company as at 30 June 2018 were as follows:

		Number of shares				
Director/ Supervisor	Class of shares	Personal	Spouse or child under 18	Corporate interest	Total number of shares held at the end of the period	Approximate percentage of interests in the total share capital [Note]
Li Sze Lim	Domestic share	1,045,092,672				
	H share	14,000,000	5,000,000	16,000,000	1,080,092,672	33.52%
Zhang Li	Domestic share	1,005,092,672	20,000,000			
	H share	6,632,800			1,031,725,472	32.02%
Zhou Yaonan	Domestic share	22,922,624			22,922,624	0.71%
Lu Jing	Domestic share	35,078,352			35,078,352	1.09%
Li Helen	H share	1,003,600			1,003,600	0.03%
Ng Yau Wah, Daniel	H share	588,000			588,000	0.02%
Chen Liangnuan	Domestic share	20,000,000			20,000,000	0.62%

Note:

The Company's total number of issued shares as at 30 June 2018 was 3,222,367,344 of which 2,207,108,944 shares are domestic shares held by domestic shareholders, accounting for 68.49% of the total share capital of the Company and 1,015,258,400 shares were held by the holders of H shares, accounting for 31.51% of the total share capital of the Company.

(b) Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO):

Director	Name of associated corporation	Type	No. of shares	Percentage of total issued capital
Li Sze Lim	Guangzhou Tianfu Property Development Co., Ltd. ("Tianfu") (Note 1)	Corporate	N/A	7.50%
	Beijing Fushengli Investment Consulting Co., Ltd. ("Fushengli") (Note 2)	Corporate	N/A	34.64%
	Trillion Chance Limited ("Trillion Chance") (Note 3)	Corporate	N/A	N/A
	Easy Tactic Limited ("Easy Tactic") (Note 3)	Corporate	N/A	N/A
Zhang Li	Tianfu (Note 1)	Corporate	N/A	7.50%
	Fushengli (Note 2)	Corporate	N/A	34.64%
Li Helen	Trillion Chance (Note 4)	Corporate	N/A	N/A
	Easy Tactic (Note 4)	Corporate	N/A	N/A

Notes:

1. Tianfu is 15% and 85% owned by Century Land Properties Limited and the Company respectively. Century Land Properties Limited is beneficially owned by Dr. Li Sze Lim and Mr. Zhang Li at 50% each.

2. Fushengli is 70% and 30% owned by Well Bright International Limited and Guangzhou Tianli Construction Co., Ltd. respectively. Guangzhou Tianli Construction Co., Ltd. is a subsidiary of the Company. Well Bright International Limited is 51% and 49% owned by Guangdong South China Environmental Protection Investment Co., Ltd. and Sparks Real Estate Holdings Limited respectively. Each of Dr. Li Sze Lim and Mr. Zhang Li owns 49% of Guangdong South China Environmental Protection Investment Co., Ltd.. Sparks Real Estate Holdings Limited is beneficially owned by Dr. Li Sze Lim and Mr. Zhang Li at 50% each.

3. Dr. Li Sze Lim, through his spouse, has an interest in (i) US$1,554,000 of the US$400 million 5.25% senior notes due 2018 issued by Trillion Chance, a wholly-owned subsidiary of the Company; and (ii) US$7,000,000 of the US$800 million 7% senior notes due 2021 issued by Easy Tactic, a wholly-owned subsidiary of the Company.

4. Ms. Li Helen, through Pleasant View Limited which is 100% owned by her, has an interest in (i) US$234,000 of the US$400 million 5.25% senior notes due 2018 issued by Trillion Chance; and (ii) US$1,050,000 of the US$800 million 7% senior notes due 2021 issued by Easy Tactic.

Save as disclosed above, as at 30 June 2018, none of the directors, chief executive or supervisors of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, so far as the directors are aware, only the following persons (other than the directors, chief executive and supervisors of the Company) held 5% or more beneficial interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, as recorded in the register as required to be kept under section 336 of the SFO.

Name of shareholder	Type of share	Number of shares (Note 1)	Approximate percentage of interests in H shares (Note 2)
BlackRock, Inc.	H share	61,453,986 (L)	6.05%
Commonwealth Bank of Australia	H share	53,233,212 (L) 5,067,768 (S)	5.24% 0.49%
Lehman Brothers Holdings Inc.	H share	51,049,240 (L) 67,663,183 (S)	5.03% 6.66%

Notes:

1. The letters "L", "S" and "P" respectively denote a long position, short position and lending pool in the shares.

2. 1,015,258,400 shares were held by the holders of H shares, accounting for 31.51% of the total share capital of the Company.

Save as disclosed above, as at 30 June 2018, no other persons' (other than the directors', chief executive's and supervisors') interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

BOARD COMPOSITION AND PRACTICE

The Board consists of nine members, including four executive directors: Dr. Li Sze Lim, Chairman, Mr. Zhang Li, Co-chairman and chief executive officer, Mr. Zhou Yaonan and Mr. Lu Jing; two non-executive directors: Ms. Zhang Lin (the sister of Mr. Zhang Li) and Ms. Li Helen (the sister of Dr. Li Sze Lim); and three independent non-executive directors: Mr. Zheng Ercheng, Mr. Ng Yau Wah, Daniel and Mr. Wong Chun Bong. Save as disclosed, there is no business or other relationship among members of the Board, and in particular between the chairman and the chief executive officer of the Company. The structure, size and composition of the Board will be reviewed from time to time to ensure that the Board retains a mix of balanced skills and expertises to provide effective leadership of the Company according to the board diversity policy of the Company.

All directors have entered into a service contract with the Company for a specific term of three years. They are all subject to retirement from office by rotation and re-election at the general meeting once every three years in accordance with the Articles of Association.

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operations of the Group, including dividend policy and risk management strategies. It is also responsible for the adoption of internal business and management control as well as the monitoring of the effectiveness of its control measures.

All directors, including non-executive directors and independent non-executive directors, have devoted sufficient time and effort to serve the business affairs of the Company. All non-executive directors and independent non-executive directors possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional advice. Pursuant to the requirement of Rule 3.10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, the Company has three independent non-executive directors, one of whom has appropriate professional qualifications in accounting and financial management. The Company has received from each of the independent non-executive directors an annual confirmation of independence.

The notice of Board meeting will be given to all directors at least 14 days prior to the date of meeting. All directors are given opportunities to include any matters they would like to discuss in the agenda. The joint company secretaries are responsible to the Board for ensuring that all board procedures are followed, and detailed minutes of the Board meetings are prepared, circulated and approved. The joint company secretaries are also responsible for the Company's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, SFO and other applicable laws, rules and regulations.

The Company continuously updates all directors on the latest development regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

The positions of the chairman and the chief executive officer are held by separate individuals with the view to maintaining an effective segregation of duties.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS AND SUPERVISORS OF THE COMPANY

The Company has adopted the Model Code laid out in Appendix 10 to the Listing Rules as the code of conduct for directors and supervisors in any dealings in the Company's securities. The Company has made specific enquiries of each director and supervisor, each of whom has confirmed their compliance with the Model Code during the six months ended 30 June 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to enhancing its corporate governance practices and procedures. It complies strictly with the PRC Company Law and other applicable laws and regulations. In particular, it has observed the principles and code provisions set out under the Corporate Governance Code and Corporate Governance Report as stated in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The audit committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is delegated by the Board to be responsible for reviewing the accounting policies and practices adopted by the Group as well as reviewing internal control, risk management and financial reporting matters of the Group. There were no disagreements from the audit committee or the external auditors on the accounting policies adopted by the Company.

The audit committee comprises Mr. Wong Chun Bong (chairman of the audit committee) and Mr. Zheng Ercheng who are independent non-executive directors of the Company and Ms. Li Helen who is a non-executive director of the Company. The audit committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2018. The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises Mr. Zheng Ercheng (chairman of the remuneration committee), Dr. Li Sze Lim, and Mr. Ng Yau Wah, Daniel. The principal responsibilities of the remuneration committee include the reviewing and making of recommendation to the Board on the Company's policies, structure and specific remuneration packages of directors and senior management of the Company.

The remuneration committee has reviewed the compensation payable to all directors and senior management in accordance with the contractual terms and that such compensation is fair and not excessive to the Company.

NOMINATION COMMITTEE

The nomination committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises three directors: Dr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Zheng Ercheng and Mr. Wong Chun Bong. Dr. Li Sze Lim is the chairman of the committee.

The nomination committee is responsible for the formulation of nomination policy for the consideration of the Board and implementing the policy approved by the Board. Specific responsibilities include, among others, review the structure, size and composition of the Board according to the Board diversity policy, identify and nominate candidates to fill causal vacancies of directors and make recommendations to the Board in respect of succession planning.

SHAREHOLDERS RELATION

The Company has established different communication channels with its shareholders. Apart from general meetings, annual reports, interim reports, circulars and announcements as required under the Listing Rules, shareholders are encouraged to visit the website of the Company which is updated with the most recent key information of the Group. The Company also holds regular press conferences and briefing meetings with analysts.

CHANGE IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Pursuant to Rule 13.51B of the Listing Rules, there is a change in the information required to be disclosed pursuant to paragraph (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the course of the directors', supervisors' and chief executive's term of office. The change of information on directors is as follow:

1. Mr. Ng Yau Wah Daniel, an independent non-executive director of the Company, was appointed as an independent non-executive director of Anchorstone Holdings Limited (Stock code: 1592), a company listed on the Stock Exchange, on 11 June 2018.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited 30 June 2018	Audited 31 December 2017
ASSETS			
Non-current assets			
Land use rights	9	**9,259,223**	9,173,164
Property, plant and equipment	9	**34,832,306**	34,234,093
Investment properties	9	**25,052,412**	24,814,323
Intangible assets	9	**1,075,487**	1,111,274
Interests in joint ventures	10	**10,305,092**	7,395,522
Interests in associates	11	**209,821**	229,515
Deferred income tax assets		**7,627,704**	6,417,490
Available-for-sale financial assets		**–**	527,650
Financial assets at fair value through other comprehensive income		**471,770**	–
Trade and other receivables and prepayments	12	**238,034**	526,289
		89,071,849	84,429,320
Current assets			
Properties under development		**133,312,261**	110,865,723
Completed properties held for sale		**33,705,351**	33,449,089
Inventories		**548,244**	419,056
Trade and other receivables and prepayments	12	**36,836,878**	33,058,064
Contract assets		**1,975,542**	–
Tax prepayments		**4,761,247**	3,672,939
Restricted cash	13	**17,083,448**	12,517,580
Cash and cash equivalents		**18,778,157**	19,697,169
		247,001,128	213,679,620
Total assets		**336,072,977**	298,108,940

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	**Unaudited 30 June 2018**	Audited 31 December 2017
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	**805,592**	805,592
Other reserves		**4,501,611**	4,566,257
Retained earnings		**59,288,181**	56,160,504
		64,595,384	61,532,353
Perpetual capital instruments	15	**–**	2,404,327
Non-controlling interests		**1,161,956**	956,974
Total equity		**65,757,340**	64,893,654
LIABILITIES			
Non-current liabilities			
Long-term borrowings	16	**114,256,639**	113,829,411
Deferred income tax liabilities		**7,126,290**	6,720,368
		121,382,929	120,549,779
Current liabilities			
Accruals and other payables	17	**49,334,955**	39,439,990
Contract liabilities		**36,408,953**	–
Deposits received on sale of properties		**–**	29,058,143
Current income tax liabilities		**16,608,074**	15,752,952
Dividend payable		**1,699,474**	–
Short-term borrowings	16	**21,010,417**	15,360,224
Current portion of long-term borrowings	16	**23,870,835**	13,054,198
		148,932,708	112,665,507
Total liabilities		**270,315,637**	233,215,286
Total equity and liabilities		**336,072,977**	298,108,940

The notes on pages 27 to 69 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

		Unaudited Six months ended 30 June	
	Note	**2018**	2017
Revenue	7	**34,087,108**	20,413,922
Cost of sales		**(20,950,374)**	(13,021,536)
Gross profit		**13,136,734**	7,392,386
Other income	18	**320,008**	199,002
Other gains – net	19	**383,717**	532,687
Selling and marketing costs		**(1,053,541)**	(723,874)
Administrative expenses		**(2,724,860)**	(1,514,901)
Gains on bargain purchase	8	**319,711**	–
Operating profit		**10,381,769**	5,885,300
Finance costs	20	**(2,746,438)**	(968,381)
Share of results of associates		**(51,247)**	24,921
Share of results of joint ventures		**140,094**	(70,874)
Profit before income tax		**7,724,178**	4,870,966
Income tax expenses	21	**(3,644,111)**	(2,390,213)
Profit for the period		**4,080,067**	2,480,753
Profit attributable to:			
– Owners of the Company		**3,923,067**	2,402,638
– Holders of perpetual capital instruments	15	**33,433**	71,193
– Non-controlling interests		**123,567**	6,922
		4,080,067	2,480,753
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB Yuan per share)		**1.2174**	0.7456

The notes on pages 27 to 69 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June **2018**	 2017
Profit for the period		**4,080,067**	2,480,753
Other comprehensive loss			
Items that may not be reclassified to profit or loss			
– Change in fair value of financial assets at fair value through other comprehensive income, net of tax		**(41,910)**	–
Items that may be reclassified to profit or loss			
– Fair value losses on available-for-sale financial assets, net of tax		**–**	(133,223)
– Currency translation differences		**(22,736)**	(22,528)
Other comprehensive loss for the period, net of tax		**(64,646)**	(155,751)
Total comprehensive income for the period		**4,015,421**	2,325,002
Total comprehensive income for the period attributable to:			
– Owners of the Company		**3,858,421**	2,246,887
– Holders of perpetual capital instruments	15	**33,433**	71,193
– Non-controlling interests		**123,567**	6,922
		4,015,421	2,325,002

The notes on pages 27 to 69 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited						
	Attributable to owners of the Company						
	Share capital	Other reserves	Retained earnings	Total	Perpetual capital instruments	Non-controlling interests	Total equity
Balance at 31 December 2017 as originally presented	**805,592**	**4,566,257**	**56,160,504**	**61,532,353**	**2,404,327**	**956,974**	**64,893,654**
Adjustment on adoption of HKFRS 9, net of tax (Note 4)	**–**	**–**	**(177,290)**	**(177,290)**	**–**	**(150)**	**(177,440)**
Adjustment on adoption of HKFRS 15, net of tax (Note 4)	**–**	**–**	**1,863,123**	**1,863,123**	**–**	**29,872**	**1,892,995**
Restated total equity at 1 January 2018	**805,592**	**4,566,257**	**57,846,337**	**63,218,186**	**2,404,327**	**986,696**	**66,609,209**
Total comprehensive income for the period ended 30 June 2018	**–**	**(64,646)**	**3,923,067**	**3,858,421**	**33,433**	**123,567**	**4,015,421**
Transactions with owners							
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**45,243**	**45,243**
Capital contributions from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**6,450**	**6,450**
Dividends for the year	**–**	**–**	**(2,481,223)**	**(2,481,223)**	**–**	**–**	**(2,481,223)**
Redemptions of perpetual capital instruments (Note 15)	**–**	**–**	**–**	**–**	**(2,400,000)**	**–**	**(2,400,000)**
Distributions to holders of perpetual capital instruments (Note 15)	**–**	**–**	**–**	**–**	**(37,760)**	**–**	**(37,760)**
Total transactions with owners	**–**	**–**	**(2,481,223)**	**(2,481,223)**	**(2,437,760)**	**51,693**	**(4,867,290)**
Balance at 30 June 2018	**805,592**	**4,501,611**	**59,288,181**	**64,595,384**	**–**	**1,161,956**	**65,757,340**
Balance at 1 January 2017	805,592	4,679,469	38,293,091	43,778,152	2,404,327	653,718	46,836,197
Total comprehensive income for the period ended 30 June 2017	–	(155,751)	2,402,638	2,246,887	71,193	6,922	2,325,002
Transactions with owners							
Changes in ownership interests in subsidiaries without change of control	–	1,878	–	1,878	–	(15,973)	(14,095)
Acquisition of subsidiaries	–	–	–	–	–	174,573	174,573
Capital contributions from non-controlling interests	–	–	–	–	–	31,400	31,400
Dividends for the year	–	–	(2,255,657)	(2,255,657)	–	–	(2,255,657)
Distributions to holders of perpetual capital instruments (Note 15)	–	–	–	–	(71,587)	–	(71,587)
Total transactions with owners	–	1,878	(2,255,657)	(2,253,779)	(71,587)	190,000	(2,135,366)
Balance at 30 June 2017	805,592	4,525,596	38,440,072	43,771,260	2,403,933	850,640	47,025,833

The notes on pages 27 to 69 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited Six months ended 30 June 2018	2017
Cash flows from operating activities		
– Cash generated from/(used in) operations	**58,266**	(2,114,290)
– Interest paid	**(4,735,642)**	(3,541,115)
– Enterprise income tax and land appreciation tax paid	**(4,872,922)**	(3,012,306)
Net cash used in operating activities	**(9,550,298)**	(8,667,711)
Cash flows from investing activities		
– Purchases of property, plant and equipment and land use rights	**(741,688)**	(978,516)
– Purchases of intangible assets	**(48,161)**	(32,613)
– Additions of investment properties	**–**	(111,996)
– Proceeds on disposals of property, plant and equipment	**1,698**	3,437
– Proceeds on disposals of intangible assets	**60,607**	96,000
– Proceeds on disposals of a joint venture	**66,525**	–
– Proceeds on disposals of an associate	**–**	240,623
– Acquisition of subsidiaries, net of cash acquired	**(418,784)**	(894,121)
– Prepayment for acquisition of a subsidiary	**(167,404)**	(200,400)
– Cash advances relating to acquisitions of subsidiaries	**–**	(1,540,000)
– Investments in financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets), joint ventures and associates	**(264,167)**	(533,398)
– Cash advanced to joint ventures and associates	**(1,666,795)**	(862,952)
– Cash repayments from joint ventures and associates	**1,899,851**	1,901,402
– Dividends received on financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets) and an associate	**3,535**	42,070
– Interest received	**156,543**	116,364
Net cash used in investing activities	**(1,118,240)**	(2,754,100)
Cash flows from financing activities		
– Proceeds from borrowings, net of transaction costs	**50,184,317**	25,800,988
– Redemptions of perpetual capital instruments	**(2,400,000)**	–
– Repayments of borrowings	**(34,594,534)**	(24,352,914)
– Repayments of finance lease liabilities	**(49,457)**	(25,854)
– (Increase)/decrease in guarantee deposits for borrowings	**(2,542,714)**	2,779,074
– Capital contributions from non-controlling interests	**6,450**	31,400
– Purchases of non-controlling interests	**–**	(1,500)
– Dividends paid to owners of the Company	**(781,749)**	(2,255,657)
– Distributions paid to holders of perpetual capital instruments	**(37,760)**	(71,587)
Net cash generated from financing activities	**9,784,553**	1,903,950
Net decrease in cash and cash equivalents	**(883,985)**	(9,517,861)
Cash and cash equivalents at the beginning of the period	**19,697,169**	25,306,015
Exchange losses	**(35,027)**	(104,465)
Cash and cash equivalents at the end of the period	**18,778,157**	15,683,689

The notes on pages 27 to 69 form an integral part of this condensed consolidated interim financial information.

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") are mainly engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45-54/F, R&F Center, No.10 Hua Xia Road, Guangzhou 510623, the PRC.

The shares of the Company have been listed on The Main Board of Stock Exchange of Hong Kong Limited since 14 July 2005.

This condensed consolidated interim financial information is presented in RMB Yuan thousands (RMB'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 24 August 2018.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the 2017 financial statements as described therein.

(a) New and amended standards and interpretation adopted by the Group

The following new or amended standards are mandatory for the first time for the financial year beginning on 1 January 2018.

Standards	Subject
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 1 (Amendment)	First Time Adoption of HKFRS
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 and HKFRS 15 are disclosed in Note 4 below. The other standards, amendments and interpretation did not have a material impact or are not relevant to the Group.

(All amounts in RMB Yuan thousands unless otherwise stated)

3. ACCOUNTING POLICIES (continued)

(b) New and amended standards not yet adopted by the Group

Certain new and amended standards have been issued and are not effective for financial year beginning 1 January 2018 and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group, except that set out in Note (i).

Standards	Subject	Effective for annual periods beginning on or after
HKFRS 9 (Amendment)	Repayment Features with Negative Compensation	1 January 2019
HKAS 19 (Amendments)	Employee Benefits	1 January 2019
HKAS 28 (Amendment)	Long-term Interests in an Associate or Joint Ventures	1 January 2019
HKFRS 16 (Note (i))	Leases	1 January 2019
Annual Improvements to 2015-2017 Cycle	Improvements to HKFRSs	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatment	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

(i) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group’s operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB115,584,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

(c) Taxes on income in the interim periods are accrued using the average tax rate that would be applicable to expected total annual taxable profit.

(All amounts in RMB Yuan thousands unless otherwise stated)

4. CHANGE IN ACCOUNTING POLICIES

This note 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 also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	As at 1 January 2018			
	As originally presented	HKFRS 15	HKFRS 9	Restated
Consolidated balance sheet (extract)				
Non-current assets				
Deferred income tax assets	6,417,490	(366,920)	44,929	6,095,499
Available-for-sale financial assets ("AFS")	527,650	–	(527,650)	–
Financial assets at fair value through other comprehensive income ("FVOCI")	–	–	527,650	527,650
Current assets				
Properties under development	110,865,723	(3,953,084)	–	106,912,639
Trade and other receivables and prepayments	33,058,064	477,842	(221,080)	33,314,826
Contract assets	–	1,529,685	(15,297)	1,514,388
Tax prepayment	3,672,939	(110,971)	–	3,561,968
Total assets	298,108,940	(2,423,448)	(191,448)	295,494,044
Non-current liabilities				
Deferred income tax liabilities	6,720,368	297,599	(14,008)	7,003,959
Current liabilities				
Accruals and other payables	39,439,990	313,159	–	39,753,149
Contract liabilities	–	23,851,243	–	23,851,243
Deposits received on sale of properties	29,058,143	(29,058,143)	–	–
Current income tax liabilities	15,752,952	279,699	–	16,032,651
Total liabilities	233,215,286	(4,316,443)	(14,008)	228,884,835
Equity				
Retained earnings	56,160,504	1,863,123	(177,290)	57,846,337
Non-controlling interests	956,974	29,872	(150)	986,696
Total equity	64,893,654	1,892,995	(177,440)	66,609,209

4. CHANGE IN ACCOUNTING POLICIES (continued)

(b) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated.

HKFRS 15 replaces the provisions of HKAS 18 Revenue ("HKAS18") and HKAS 11 Construction contracts ("HKAS11") that relate to the recognition, classification and measurement of revenue and costs.

The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for progress billing recognised in relation to property development activities were previously presented as deposits received on sale of properties.

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities 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 and not continuously as construction progresses.

Under HKFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the 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.

Details of the accounting policies under HKFRS 15 are disclosed in Note 4(c).

(All amounts in RMB Yuan thousands unless otherwise stated)

4. CHANGE IN ACCOUNTING POLICIES (continued)

(b) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption (continued)

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs directly attributable to obtaining a contract, if recoverable, are capitalised.

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 January 2018		
	As originally presented	Effects of adoption of HKFRS 15	Restated
Consolidated balance sheet (extract)			
Deferred income tax assets	6,417,490	(366,920)	6,050,570
Properties under development	110,865,723	(3,953,084)	106,912,639
Trade and other receivables and prepayments	33,058,064	477,842	33,535,906
Contract assets	–	1,529,685	1,529,685
Tax prepayments	3,672,939	(110,971)	3,561,968
Accruals and other payables	39,439,990	313,159	39,753,149
Contract liabilities	–	23,851,243	23,851,243
Deposits received on sale of properties	29,058,143	(29,058,143)	–
Current income tax liabilities	15,752,952	279,699	16,032,651
Deferred income tax liabilities	6,720,368	297,599	7,017,967
Retained earnings	56,160,504	1,863,123	58,023,627
Non-controlling interests	956,974	29,872	986,846

(c) HKFRS 15 Revenue from Contracts with Customers – Accounting Policies

Revenues are 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; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do 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.

4. CHANGE IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15 Revenue from Contracts with Customers – Accounting Policies (continued)

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains 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.

For contract where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a significant financing component.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and subsequently amortised when the related revenue is recognised.

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclosure the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term.

(d) HKFRS 9 Financial Instruments – Impact of adoption

As explained above, the Group has adopted HKFRS 9 from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings. Provisions for impairment have not been restated in the comparative period, as well.

The accounting policies were changed to comply with HKFRS 9. HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments — Disclosures.

(All amounts in RMB Yuan thousands unless otherwise stated)

4. CHANGE IN ACCOUNTING POLICIES (continued)

(d) HKFRS 9 Financial Instruments – Impact of adoption (continued)

The total impact on the Group's retained earnings due to classification and measurement of financial instruments as at 1 January 2018 is as follows:

	Notes	
Opening retained earnings — HKAS 39		56,160,504
Increase in provision for trade and other receivables, net of tax	(ii)	(165,875)
Increase in provision for contract assets, net of tax	(ii)	(11,565)
Share by non-controlling interests, net of tax	(ii)	150
Adjustment to retained earnings from adoption of HKFRS 9		(177,290)
Opening retained earnings — HKFRS 9		55,983,214

(i) Classification and measurement

Management has assessed the business models and the contractual terms of the cash flows applied to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured at fair value through other comprehensive income, or through profit or loss and those to be measured at amortised cost. The main effects resulting from this reclassification are as follows:

At 1 January 2018	**AFS**	**FVOCI**
Opening balance – HKAS 39	527,650	–
Reclassify non-trading unlisted securities from AFS to FVOCI	(527,650)	527,650
Opening balance — HKFRS 9	–	527,650

(All amounts in RMB Yuan thousands unless otherwise stated)

4. CHANGE IN ACCOUNTING POLICIES (continued)

(d) HKFRS 9 Financial Instruments – Impact of adoption (continued)

(i) Classification and measurement (continued)

The main effects resulting from this reclassification on the Group's equity is as follows:

At 1 January 2018	Effect on AFS reserves	Effect on FVOCI reserves
Opening balance — HKAS 39	271,548	–
Reclassify non-trading unlisted securities from AFS to FVOCI	(271,548)	271,548
Opening balance — HKFRS 9	–	271,548

Equity investments in two companies with a fair value of RMB527,650,000 was reclassified from AFS to FVOCI and the accumulated fair value gains of RMB271,548,000 were reclassified from the AFS reserves to the FVOCI reserves on 1 January 2018.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade and other receivables
- contract assets

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in Note 4(d) above.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(All amounts in RMB Yuan thousands unless otherwise stated)

4. CHANGE IN ACCOUNTING POLICIES (continued)

(d) HKFRS 9 Financial Instruments – Impact of adoption (continued)

(ii) Impairment of financial assets (continued)

For trade receivables (excluding trade receivables due from joint ventures and associates) and contract assets, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables and contract assets. RMB177,290,000 was recognised in retained earnings as at 1 January 2018 for those trade receivables (excluding trade receivables due from joint ventures and associates) and contract assets whose credit risk has been assessed as other than low.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and aging. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for both trade receivables (excluding amounts due from joint ventures and associates) and contract assets:

	Within 1 year	1 year to 2 years	2 year to 3 years	Over 3 years	Total
At 1 January 2018					
Expected loss rate	1.00%	5.00%	5.00%	30.00%	
Gross carrying amount	8,311,438	454,870	165,370	512,260	9,443,938
Loss allowance provision	83,114	22,744	8,269	153,678	267,805

For trade receivables due from joint ventures and associates and other receivables (including amounts due from joint ventures and associates), management makes periodic collective assessments as well as individual assessment on the recoverability of trade receivables due from joint ventures and associates and other receivables (including amounts due from joint ventures and associates) based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of trade receivables due from joint ventures and associates and other receivables (including amounts due from joint ventures and associates). There was no material impact on the retained earnings as at 1 January 2018 for trade receivables due from joint ventures and associates and other receivables (including amounts due from joint ventures and associates).

4. CHANGE IN ACCOUNTING POLICIES (continued)

(e) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(ii) Measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other gains – net' in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

4. CHANGE IN ACCOUNTING POLICIES (continued)

(e) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (continued)

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties and related parties are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

5. JUDGEMENTS AND ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, in addition to the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty applied to the 2017 Financial Statements, the following judgements and estimates were applied:

Judgements and estimates in revenue recognition for property development activities

Revenue from sales of properties in the PRC is recognised over time when the Group's performance do 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; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group cannot change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments. In assessing whether the Group has an enforceable right to payment for its sale contracts, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgments, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgments on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for sales contracts.

5. JUDGEMENTS AND ESTIMATES (continued)

Judgements and estimates in revenue recognition for property development activities (continued)

The Group recognizes property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress 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 property unit in the contract. The Group allocates common costs based on type of properties, gross and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can have effect on the Group's revenue recognized. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management 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.

6.2 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investment in land banks, adjusting project development timetable to adapt to the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, disposing of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

(All amounts in RMB Yuan thousands unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

6.2 Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 30 June 2018					
Borrowings (excluding finance lease liabilities) (Note (1))	**52,058,015**	**34,781,551**	**63,862,314**	**38,007,371**	**188,709,251**
Finance lease liabilities	**95,819**	**92,780**	**362**	**–**	**188,961**
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	**30,200,858**	**–**	**–**	**–**	**30,200,858**
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**64,732,866**	**–**	**–**	**–**	**64,732,866**
Guarantees in respect of borrowings of joint ventures and associates	**762,083**	**1,225,234**	**2,247,237**	**1,431,467**	**5,666,021**
At 31 December 2017					
Borrowings (excluding finance lease liabilities) (Note (1))	35,012,417	29,511,051	75,624,872	27,102,881	167,251,221
Finance lease liabilities	97,900	93,688	46,760	–	238,348
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	19,841,304	–	–	–	19,841,304
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	52,779,589	–	–	–	52,779,589
Guarantees in respect of borrowings of joint ventures and associates	808,800	1,266,264	1,530,573	1,497,305	5,102,942

Note:

(1) Interest on borrowings is calculated on borrowings held as at 30 June 2018 and 31 December 2017 respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2018 and 31 December 2017 respectively.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

6.3 Credit risk

The extent of the Group's maximum exposure to credit risk in relation to financial assets is the aggregate carrying value of cash deposits in banks, trade and other receivables and contract assets.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forwarding-looking information.

6.4 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generated from operations and may raise funding through capital markets or bank borrowings as necessary.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the condensed consolidated interim balance sheet) less cash and cash equivalents and restricted cash.

(All amounts in RMB Yuan thousands unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

6.4 Capital risk management (continued)

The gearing ratio is calculated as follows:

	As at	
	30 June 2018	31 December 2017
Total borrowings (Note 16)	**159,137,891**	142,243,833
Less: cash and cash equivalents	**(18,778,157)**	(19,697,169)
restricted cash	**(17,083,448)**	(12,517,580)
Net debt	**123,276,286**	110,029,084
Total equity	**65,757,340**	64,893,654
Gearing ratio	**187.5%**	169.6%

6.5 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value, categorised into three different levels within a fair value hierarchy based on the type of input to valuation techniques used to estimate the fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2018 and 31 December 2017, the Group's financial assets that are measured at fair value are FVOCI, which are categorised as level 3.

There were no transfers between level 1, level 2 and level 3 and no changes in valuation techniques during the period.

(All amounts in RMB Yuan thousands unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

6.5 Fair value estimation (continued)

Level 3 financial instruments

	Six months ended 30 June	
	2018	2017
AFS		
Opening balance	**–**	710,130
Additions	**–**	–
Fair value losses recognised as other comprehensive loss	**–**	(177,630)
Closing balance	**–**	532,500

	Six months ended 30 June	
	2018	2017
FVOCI		
Opening balance	**527,650**	–
Fair value losses recognised as other comprehensive loss	**(55,880)**	–
Closing balance	**471,770**	–

There were no changes in valuation techniques during the period.

6.6 Fair value of financial assets and liabilities measured at amortised cost

The fair values and carrying amounts of domestic bonds, medium-term notes and senior notes are disclosed in Note 16.

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade and other receivables
- Contract assets
- Restricted cash
- Cash and cash equivalents
- Accruals and other payables
- Borrowings except for domestic bonds, medium-term notes and senior notes
- Finance lease liabilities

(All amounts in RMB Yuan thousands unless otherwise stated)

7. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations. Other services provided by the Group mainly represent property management and property agency. The results of these operations are included in the "all other segments" column.

The Executive Directors assess the performance of the operating segments based on a measure of profit for the period. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2018 and 2017 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2018					
Segment revenue	29,305,594	582,295	3,367,210	1,107,577	34,362,676
Recognised at a point in time	16,143,975	–	–	–	16,143,975
Recognised over time	13,161,619	–	3,367,210	1,107,577	17,636,406
Revenue from other sources – rental income	–	582,295	–	–	582,295
Inter-segment revenue	–	(59,437)	(39,431)	(176,700)	(275,568)
Revenue from external customers	29,305,594	522,858	3,327,779	930,877	34,087,108
Profit/(loss) for the period	4,318,295	429,917	(184,147)	(483,998)	4,080,067
Finance costs	(2,254,495)	(119,967)	(365,425)	(6,551)	(2,746,438)
Share of results of joint ventures	140,161	–	–	(67)	140,094
Share of results of associates	(45,730)	–	–	(5,517)	(51,247)
Income tax (expenses)/credits	(3,815,692)	(143,200)	159,150	155,631	(3,644,111)
Gains on bargain purchase	26,409	–	293,302	–	319,711
Depreciation and amortisation of property, plant and equipment, intangible assets and land use rights	(80,518)	–	(800,403)	(33,612)	(914,533)
Amortisation of incremental costs for obtaining contracts with customers	(61,336)	–	–	–	(61,336)
Allowance for impairment losses of receivables and contract assets	(32,671)	–	(3,022)	(3,526)	(39,219)
Fair value gains on investment properties – net of tax	–	178,646	–	–	178,646

(All amounts in RMB Yuan thousands unless otherwise stated)

7. SEGMENT INFORMATION (continued)

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2017					
Segment revenue	18,234,991	496,472	751,220	1,073,393	20,556,076
Inter-segment revenue	–	(48,685)	(27,438)	(66,031)	(142,154)
Revenue from external customers	18,234,991	447,787	723,782	1,007,362	20,413,922
Profit/(loss) for the period	2,272,740	595,269	(89,027)	(298,229)	2,480,753
Finance costs	(760,865)	(70,486)	(120,857)	(16,173)	(968,381)
Share of results of joint ventures	(70,874)	–	–	–	(70,874)
Share of results of associates	25,485	–	–	(564)	24,921
Income tax (expenses)/credits	(2,309,411)	(197,960)	29,676	87,482	(2,390,213)
Depreciation and amortisation	(123,608)	–	(163,719)	(35,586)	(322,913)
Allowance for impairment losses of receivables	(9,425)	–	(1,090)	(772)	(11,287)
Fair value gains on investment properties – net of tax	–	359,792	–	–	359,792

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the condensed consolidated interim income statement.

	Property development	Property investment	Hotel operations	All other segments	Group
As at 30 June 2018					
Segment assets	**263,266,270**	**23,582,247**	**40,304,917**	**820,069**	**327,973,503**
Segment assets include:					
Interests in joint ventures	**10,304,909**	**–**	**–**	**183**	**10,305,092**
Interests in associates	**132,703**	**–**	**–**	**77,118**	**209,821**
Additions to non-current assets (other than financial instruments and deferred tax assets)	**623,882**	**–**	**1,112,499**	**30,202**	**1,766,583**
Segment liabilities	**83,206,722**	**–**	**1,552,007**	**985,179**	**85,743,908**
As at 31 December 2017					
Segment assets	226,502,464	23,360,591	40,021,783	1,278,962	291,163,800
Segment assets include:					
Interests in joint ventures	7,395,522	–	–	–	7,395,522
Interests in associates	146,880	–	–	82,635	229,515
Additions to non-current assets (other than financial instruments and deferred tax assets)	774,049	1,964,970	30,606,386	88,978	33,434,383
Segment liabilities	65,966,881	–	2,424,804	106,448	68,498,133

(All amounts in RMB Yuan thousands unless otherwise stated)

8. BUSINESS COMBINATION

Business combinations during the period mainly included the acquisitions of property development companies and a hotel. The directors of the Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

Details of the purchase consideration, the net assets acquired are as follows:

Purchase consideration	
– Cash paid	482,310

The assets and liabilities recognised as a result of the acquisitions are as follows:

Cash and cash equivalents	24,339
Properties under development	1,557,072
Inventory	184
Property, plant and equipment	744,884
Land use right	169,317
Intangible assets	2,258
Trade and other receivables and prepayments	179,707
Net deferred tax assets	15,532
Accruals and other payables	(1,276,918)
Contract liabilities	(200,920)
Short-term borrowings	(160,000)
Long-term borrowings	(208,191)
Total identifiable net assets acquired	847,264
Less: non-controlling interest	(45,243)
Net assets acquired	802,021
Gains on bargain purchase	(319,711)
Cash inflow on acquisitions, net of cash acquired	
Total cash consideration	482,310
Less: cash considerations paid in prior year	(482,310)
Cash considerations paid in 2018	–
Less: cash in the subsidiaries acquired	(24,339)
Cash inflow in 2018	24,339

Gains on bargain purchase was mainly due to the fact that the sellers had the intention to exit from their investments in these acquired businesses due to various operational reasons or other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

Revenue and profit contribution

The acquired businesses contributed revenues of RMB54,886,000 and net losses of RMB13,835,000 to the Group for the period from the respective acquisition date to 30 June 2018. If the acquisitions had occurred on 1 January 2018, the Group's consolidated pro-forma revenue and profit for the period ended 30 June 2018 would have been RMB34,087,131,000 and RMB4,047,921,000 respectively.

(All amounts in RMB Yuan thousands unless otherwise stated)

9. CAPITAL EXPENDITURE

	Intangible assets	Investment properties	Property, plant and equipment: Owned assets	Property, plant and equipment: Assets acquired under finance lease	Land use rights
Six months ended 30 June 2018					
At 1 January 2018	**1,111,274**	**24,814,323**	**33,462,857**	**771,236**	**9,173,164**
Additions	48,161	–	698,441	95	36,972
Transfers to properties under development	–	–	(147,869)	–	(26,780)
Currency translation differences	(8)	–	(542)	–	–
Acquisition of subsidiaries	2,285	–	797,953	–	182,676
Disposals	(44,491)	–	(1,296)	–	–
Fair value gains (included in other gains – net)	–	238,089	–	–	–
Depreciation and amortisation	(41,734)	–	(721,551)	(27,018)	(106,809)
At 30 June 2018	**1,075,487**	**25,052,412**	**34,087,993**	**744,313**	**9,259,223**
Six months ended 30 June 2017					
At 1 January 2017	1,079,572	22,068,681	10,204,711	723,467	1,933,706
Additions	32,613	111,996	628,104	104,450	248,467
Transfers from properties under development	–	–	74,057	–	20,783
Currency translation differences	20	–	93	–	–
Acquisition of a subsidiary	–	335,340	818	–	–
Disposals	(38,783)	–	(3,115)	–	–
Fair value gains (included in other gains – net)	–	479,260	–	–	–
Depreciation and amortisation	(36,377)	–	(240,841)	(33,053)	(38,190)
At 30 June 2017	1,037,045	22,995,277	10,663,827	794,864	2,164,766

(a) Fair value hierarchy

The Group's investment properties were valued at transfer or business acquisition dates, and at 30 June 2018 by independent and professionally qualified valuers, who hold relevant recognised professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

There were no changes to the valuation techniques during the current period. The valuation was arrived at by reference to certain significant unobservable inputs such as term yield, reversionary yields, market rents and market price.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. At 30 June 2018 and 31 December 2017, the Group had only level 3 investment properties.

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INTERESTS IN JOINT VENTURES

	Six months ended 30 June	
	2018	2017
At 1 January	**7,395,522**	6,795,392
Additions	**2,765,973**	238,398
Disposal (Note (a))	**(11,538)**	–
Share of results	**140,094**	(70,874)
Currency translation difference	**34,619**	–
Elimination of unrealised profits	**(19,578)**	(182)
At 30 June	**10,305,092**	6,962,734

Note:

(a) The Group disposed its joint venture, 南京星潤置業有限公司 ("南京星潤") to a third party on 5 February 2018 at a consideration of RMB66,525,000.

11. INTERESTS IN ASSOCIATES

	Six months ended 30 June	
	2018	2017
At 1 January	**229,515**	166,908
Additions	**42,264**	295,000
Disposal	**–**	(254,082)
Share of results	**(51,247)**	6,001
Elimination of unrealised profits	**(7,176)**	–
Dividends received from an associate	**(3,535)**	(31,837)
At 30 June	**209,821**	181,990

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2018	31 December 2017
Trade receivables – net	**8,490,165**	7,921,310
Other receivables – net	**17,744,481**	16,006,437
Prepayments	**7,948,027**	5,452,544
Capitalised costs to obtain sales contracts	**539,178**	–
Due from joint ventures (Note 25(k))	**2,066,052**	3,994,073
Due from associates (Note 25(k))	**287,009**	209,989
Total	**37,074,912**	33,584,353
Less: non-current portion	**(238,034)**	(526,289)
Current portion	**36,836,878**	33,058,064

As at 30 June 2018, trade receivables were mainly derived from sale of properties. Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

(All amounts in RMB Yuan thousands unless otherwise stated)

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

	As at 30 June 2018	31 December 2017
Trade receivables – current portion		
– Due from third parties	**8,771,010**	7,914,253
– Due from joint ventures (Note 25(k))	**2,065**	2,485
– Due from an associate (Note 25(k))	**–**	36,000
	8,773,075	7,952,738

	As at 30 June 2018	31 December 2017
Trade receivables – current portion	**8,773,075**	7,952,738
Less: allowance for impairment	**(282,910)**	(31,428)
	8,490,165	7,921,310

At 30 June 2018 and 31 December 2017, the ageing analysis of trade receivables is as follows:

	As at 30 June 2018	31 December 2017
Up to 1 year	**7,623,556**	6,820,238
1 year to 2 years	**417,446**	454,870
2 years to 3 years	**135,200**	165,370
Over 3 years	**596,873**	512,260
	8,773,075	7,952,738

(All amounts in RMB Yuan thousands unless otherwise stated)

13. RESTRICTED CASH

	As at	
	30 June 2018	31 December 2017
Guarantee deposits for borrowings (Note (a))	**8,835,649**	6,289,757
Guarantee deposits for construction of pre-sold properties (Note (b))	**6,906,476**	5,019,033
Guarantee deposits for interest of senior notes (Note (c))	**439,797**	232,168
Guarantee deposits for salary payments for construction workers (Note (d))	**236,942**	264,240
Guarantee deposits for mortgage loans provided to customers (Note (e))	**134,774**	17,291
Guarantee deposits for construction payables (Note (f))	**85,490**	137,633
Guarantee deposits for resettlement costs (Note (g))	**15,480**	75,859
Others	**428,840**	481,599
	17,083,448	12,517,580

Notes:

(a) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.

(b) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

(c) According to the relevant contracts, the Group is required to place at a designated bank account certain cash deposits as security for payment of interest of senior notes.

(d) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at a designated bank account certain cash deposits as security for salary payments for construction workers. Such guarantee deposits will only be released after completion of the construction of relevant properties.

(e) According to the relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain cash deposits as collateral for mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.

(f) According to the relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payables as deposits as cash collateral. Such guarantee deposits will only be released after settlement of the construction payables.

(g) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings being demolished for development. The deposits can only be used for such resettlement costs according to the payment schedule.

14. SHARE CAPITAL

	Number of shares (thousands)	Share capital
At 30 June 2018 and 31 December 2017		
– Domestic shares	2,207,109	551,777
– H shares*	1,015,258	253,815
	3,222,367	805,592

* H shares refer to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited.

As at 30 June 2018 and 31 December 2017, the registered, issued and fully paid capital of the Company was RMB805,592,000 divided into 3,222,367,000 shares, comprising 2,207,109,000 domestic shares and 1,015,258,000 H shares.

15. PERPETUAL CAPITAL INSTRUMENTS

	Six months ended 30 June	
	2018	2017
At 1 January	**2,404,327**	2,404,327
Profit attributable to holders of perpetual capital instruments	**33,433**	71,193
Distributions to holders of perpetual capital instruments	**(37,760)**	(71,587)
Redemptions	**(2,400,000)**	–
At 30 June	**–**	2,403,933

The perpetual capital instruments are guaranteed by the Company. There is no maturity date and the distribution payments can be deferred at the discretion of the Group. Therefore, the perpetual capital instruments are classified as equity instruments and recorded in equity in the condensed consolidated interim balance sheet.

During the period ended 30 June 2018, all perpetual capital instruments of the Group have been repaid in cash.

(All amounts in RMB Yuan thousands unless otherwise stated)

16. BORROWINGS

	As at 30 June 2018	31 December 2017
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
– Secured	66,113,695	49,248,702
– Unsecured	6,186,741	4,979,450
	72,300,436	54,228,152
Domestic bonds (Note (b))		
– Unsecured	33,469,179	48,864,935
Medium-term notes (Note (c))		
– Unsecured	1,995,308	1,994,168
Senior notes (Note (d))		
– Secured	13,805,640	7,858,279
Other borrowings (Note (e))		
– Secured	15,877,300	13,214,000
– Unsecured	500,000	500,000
	16,377,300	13,714,000
Finance lease liabilities (Note (f))		
– Secured	179,611	224,075
Less: current portion of long-term borrowings	(23,870,835)	(13,054,198)
	114,256,639	113,829,411
Current		
Short-term borrowings		
Bank borrowings (Note (a))		
– Secured	6,142,250	6,098,539
– Unsecured	3,345,653	558,000
	9,487,903	6,656,539
Domestic bonds (Note (b))		
– Unsecured	4,000,000	–
Senior notes (Note (d))		
– Secured	4,922,514	5,118,685
Other borrowings (Note (e))		
– Secured	2,600,000	2,350,000
– Unsecured	–	1,235,000
	2,600,000	3,585,000
	21,010,417	15,360,224
Current portion of long-term borrowings	23,870,835	13,054,198
Total borrowings	159,137,891	142,243,833

(All amounts in RMB Yuan thousands unless otherwise stated)

16. BORROWINGS (continued)

(a) Bank borrowings

(i) Movements in bank borrowings are analysed as follows:

	Six months ended 30 June	
	2018	2017
At 1 January	**60,884,691**	46,068,041
Additions	**31,171,994**	15,974,061
Acquisition of subsidiaries	**615,889**	796,000
Repayments	**(10,986,084)**	(11,090,698)
Foreign exchange losses/(gains)	**101,849**	(167,690)
At 30 June	**81,788,339**	51,579,714

The effective interest rate of bank borrowings is 5.13% (2017: 4.46%).

(b) Domestic bonds

(i) 2015 Bonds

The Company issued 65,000,000 units of corporate bonds at a par value of RMB6.5 billion in the PRC on 13 July 2015 (the "2015 Bonds"). The 2015 Bonds were listed on the Shanghai Stock Exchange on 25 August 2015. The net proceeds of the 2015 Bonds, after deducting the transaction costs, amounted to RMB6,423,000,000.

The interest rate of the 2015 Bonds is fixed at 4.95% per annum. On the third anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The 2015 Bonds will mature after five years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

(ii) 2016 Bonds

The Company issued 60,000,000 units of corporate bonds at a par value of RMB6.0 billion in the PRC on 11 January 2016 (the "Original 2016 Bonds").

The Company further issued 36,000,000 units of corporate bonds at a par value of RMB3.6 billion in the PRC on 22 January 2016 (the "Additional 2016 Bonds I"). The interest rates of the Original 2016 Bonds and Additional 2016 Bonds I are fixed at 3.95% per annum. On the third anniversary of the issue date, the Company will have an option to adjust the interest rates for the remaining periods. The Original 2016 Bonds and Additional 2016 Bonds I will mature after five years from the respective issue dates, and are puttable for early redemption at the principal amount upon the third anniversary of the respective issue dates.

The Company further issued 19,500,000 units of corporate bonds at a par value of RMB1.95 billion in the PRC on 7 April 2016 (the "Additional 2016 Bonds II"). The interest rate of the Additional 2016 Bonds II is fixed at 3.48% per annum. On the third anniversary of the issue date, the Company will have an option to adjust the interest rate for the remaining periods. The Additional 2016 Bonds II will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

16. BORROWINGS (continued)

(b) Domestic bonds (continued)

(ii) 2016 Bonds (continued)

The Company further issued 9,500,000 units of corporate bonds at a par value of RMB0.95 billion in the PRC on 7 April 2016 (the "Additional 2016 Bonds III and, together with the Original 2016 Bonds, the Additional 2016 Bonds I and II, the "2016 Bonds"). The interest rate of the Additional 2016 Bonds III is fixed at 3.95% per annum. On the fifth anniversary of the issue date, the Company will have an option to adjust the interest rate for the remaining periods. The Additional 2016 Bonds III will mature after seven years from the issue date, and are puttable for early redemption at the principal amount upon the fifth anniversary of the issue date.

The net proceeds of all the 2016 Bonds, after deducting the transaction costs, amounted to RMB12,382,400,000. These 2016 Bonds have been listed on the Shanghai Stock Exchange.

(iii) 2016 Non-public Bonds

The Company issued 46,000,000 units of non-public bonds at a par value of RMB4.6 billion in the PRC on 16 May 2016 (the "Original 2016 Non-public Bonds"). The interest rate of the Original 2016 Non-public Bonds are fixed at 5.20% per annum. On the third anniversary of the issue date, the Company will have an option to adjust the interest rate for the remaining periods. The Original 2016 Non-public Bonds will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The Company further issued 104,000,000 units of non-public bonds at a par value of RMB10.4 billion in the PRC on 30 May 2016 (the "Additional 2016 Non-public Bonds I"). The interest rate of the Additional 2016 Non-public Bonds I is fixed at 5.15% per annum. On the second anniversary of the issue date, the Company will have an option to adjust the interest rate for the remaining periods. The Additional 2016 Non-public Bonds I will mature after four years from the issue date, and are puttable for early redemption at the principal amount upon the second anniversary of the issue date.

The Company further issued 93,000,000 units of non-public bonds at a par value of RMB9.3 billion in the PRC on 29 June 2016 (the "Additional 2016 Non-public Bonds II"). The interest rate of the Additional 2016 Non-public Bonds II is fixed at 5.00% per annum. On the second anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Additional 2016 Non-public Bonds II will mature after four years from the issue date, and are puttable for early redemption at the principal amount upon the second anniversary of the issue date.

The Company further issued 57,000,000 units of non-public bonds at a par value of RMB5.7 billion in the PRC on 19 October 2016 (the "Additional 2016 Non-public Bonds III" and, together with the Original 2016 Non-public Bonds, the Additional 2016 Non-public Bonds I and II, the "2016 Non-public Bonds"). The interest rate of the Additional 2016 Non-public Bonds III is fixed at 4.39% per annum. On the third anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Additional 2016 Non-public Bonds III will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The net proceeds of the 2016 Non-public Bonds, after deducting the transaction costs, amounted to RMB29,769,400,000.

On 30 May 2018, the Company redeemed 84,700,000 units of the Additional 2016 Non-public Bonds I at a redemption price equal to 100% of the principal amount. The interest rate is fixed at 6.50% per annum for the remaining periods.

16. BORROWINGS (continued)

(b) Domestic bonds (continued)

(iii) 2016 Non-public Bonds (continued)

On 29 June 2018, the Company redeemed 85,000,000 units of the Additional 2016 Non-public Bonds II at a redemption price equal to 100% of the principal amount. The interest rate is fixed at 7.50% per annum for the remaining periods.

(iv) 2018 Bonds

The Company issued 10,000,000 units of bonds at a par value of RMB1 billion in the PRC on 9 March 2018 (the "2018 Bonds I"). The interest rate of the 2018 Bonds I is fixed at 5.50% per annum. The 2018 Bonds I will mature after 270 days from the issue date.

The Company issued 10,000,000 units of bonds at a par value of RMB1 billion in the PRC on 28 March 2018 (the "2018 Bonds II"). The interest rate of the 2018 Bonds II is fixed at 5.43% per annum. The 2018 Bonds II will mature after 270 days from the issue date.

The Company issued 10,000,000 units of bonds at a par value of RMB1 billion in the PRC on 13 April 2018 (the "2018 Bonds III"). The interest rate of the 2018 Bonds III is fixed at 5.30% per annum. The 2018 Bonds III will mature after 270 days from the issue date.

The Company issued 10,000,000 units of bonds at a par value of RMB1 billion in the PRC on 18 April 2018 (the "2018 Bonds IV", and, together with the 2018 Bonds I, II and III, the "2018 Bonds"). The interest rate of the 2018 Bonds IV is fixed at 5.70% per annum. The 2018 Bonds III will mature after 270 days from the issue date.

The net proceeds of the 2018 Bonds, after deducting the transaction costs, amounted to RMB3,996,325,000. The 2018 Bonds have been listed on the Shanghai Clearing House.

(v) 2018 Non-public Bonds

The Company issued 10,000,000 units of non-public bonds at a par value of RMB1 billion in the PRC on 1 June 2018 (the "2018 Non-public Bonds I"). The interest rate of the 2018 Non-public Bonds I is fixed at 6.80% per annum. On the first and the second anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The 2018 Non-public Bonds I will mature after three years from the issue date and are puttable for early redemption at the principal amount upon the first or the second anniversary of the issue date.

The Company issued 5,000,000 units of non-public bonds at a par value of RMB0.5 billion in the PRC on 27 June 2018 (the "2018 Non-public Bonds II", and, together with the 2018 Non-public Bonds I, the "2018 Non-public Bonds"). The interest rate of the 2018 Non-public Bonds II is fixed at 7.30% per annum. On the first and the second anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The 2018 Non-public Bonds II will mature after three years from the issue date and are puttable for early redemption at the principal amount upon the first or the second anniversary of the issue date.

The net proceeds of the 2018 Non-public Bonds, after deducting the transaction costs, amounted to RMB1,492,200,000.

(All amounts in RMB Yuan thousands unless otherwise stated)

16. BORROWINGS (continued)

(b) Domestic bonds (continued)

(vi) Fair value and movement of domestic bonds

The fair values of the 2015 Bonds, 2016 Bonds and 2018 Bonds as at 30 June 2018 amounted to RMB22,736,905,000 in total. The fair values were determined by reference to the price quotations published on the last trading day of the period ended 30 June 2018 and were within level 1 of the fair value hierarchy.

The fair value of the 2016 Non-public Bonds and 2018 Non-public Bonds as at 30 June 2018 amounted to RMB14,574,265,000. The fair values were based on cash flows discounted at the borrowing rate of 4.90% and 4.75%, respectively, and were within level 2 of the fair value hierarchy.

The movements of domestic bonds are set out below:

	Six months ended 30 June	
	2018	2017
At 1 January	**48,864,935**	48,697,974
Additions	**5,488,525**	–
Redemption	**(16,970,000)**	–
Interest charged (Note 20)	**1,231,064**	1,220,190
Interest paid or included in other payables	**(1,145,345)**	(1,139,113)
At 30 June	**37,469,179**	48,779,051

(c) Medium-term notes

On 27 April 2017, the Company issued 10,000,000 units of medium-term notes at a par value of RMB1.0 billion in the PRC (the "2017 Medium-term Notes I"). The interest rate of the 2017 Medium-term Notes I is fixed at 5.25% per annum. The 2017 Medium-term Notes I will mature after three years from the issue date. The net proceeds of the 2017 Medium-term Notes I, after deducting the transaction costs, amounted to RMB995,800,000.

On 3 July 2017, the Company further issued 10,000,000 units of medium-term notes at a par value of RMB1.0 billion in the PRC (the "2017 Medium-term Notes II"). The interest rate of the 2017 Medium-term Notes II is fixed at 5.50% per annum. The 2017 Medium-term Notes II will mature after three years from the issue date. The net proceeds of the 2017 Medium-term Notes II, after deducting the transaction costs, amounted to RMB997,000,000.

The fair value of the 2017 Medium-term Notes I and the 2017 Medium-term Note II as at 30 June 2018 amounted to RMB2,022,481,000. The fair value was based on cash flows discounted at the borrowing rate of 4.75%, and was within level 2 of the fair value hierarchy.

(All amounts in RMB Yuan thousands unless otherwise stated)

16. BORROWINGS (continued)

(c) Medium-term notes (continued)

The movements of medium-term notes are set out below:

	Six months ended 30 June	
	2018	2017
At 1 January	**1,994,168**	–
Additions	**–**	995,800
Interest charged (Note 20)	**54,448**	9,438
Interest paid or included in other payables	**(53,308)**	(9,204)
At 30 June	**1,995,308**	996,034

(d) Senior notes

The senior notes are the only direct, unsubordinated, unconditional and secured obligations of the relevant issuers.

(i) 2017 Notes

2017 Notes I

On 13 January 2017, a subsidiary of the Group, Easy Tactic Limited ("Easy Tactic") issued 5.75% senior notes due 13 January 2022 in the aggregate principal amount of USD265,000,000 with the issue price 99.146% of the principal amount (the "2017 Original Notes ").

On 20 January 2017, Easy Tactic further issued 5.75% senior notes due 13 January 2022 in the aggregate principal amount of USD460,000,000 with the issue price 99.146% of the principal amount, plus accrued interest from (and including) 13 January 2017 to (but excluding) 20 January 2017 (the "2017 Additional Notes" and, together with the 2017 Original Notes, the "2017 Notes I"). The net proceeds of the 2017 Notes I, after deducting the transaction costs, amounted to RMB4,880,042,000.

2017 Notes II

On 13 October 2017, a subsidiary of the Group, Trillion Chance Limited ("Trillion Chance") issued 5.25% senior notes due 11 October 2018 in the aggregate principal amount of USD600,000,000 with the issue price 100% of the principal amount (the "2017 Notes II – Original Notes").

On 27 October 2017, Trillion Chance further issued 5.25% senior notes due 11 October 2018 in the aggregate principal amount of USD200,000,000 with the issue price 100% of the principal amount, plus accrued interest from (and including) 13 October 2017 to (but excluding) 27 October 2017 (the "2017 Notes II – Additional Notes" and, together with the 2017 Notes II – Original Notes, the "2017 Notes II"). The net proceeds of the 2017 Notes II, after deducting the transaction costs, amounted to RMB5,140,306,000.

On 27 April 2018, Trillion Chance settled a Tender Offer and accepted for purchase the 2017 Notes II pursuant to the Tender Offer in the aggregate principal amount of USD400,000,000 in a price equal to 100.60% of the principal amount. Upon completion of the Tender Offer, the 2017 Notes II in the aggregate principal amount of USD400,000,000 remains outstanding.

16. BORROWINGS (continued)

(d) Senior notes (continued)

(i) 2017 Notes (continued)

2017 Notes III

On 17 November 2017, Easy Tactic issued 5.875% senior notes due 13 February 2023 in the aggregate principal amount of USD500,000,000 with the issue price 100% of the principal amount (the "2017 Notes III – Original Notes").

On 9 January 2018, Easy Tactic further issued 5.875% senior notes due 13 February 2023 in the aggregate principal amount of USD100,000,000 with the issue price 99.426% of the principal amount, plus accrued interest from (and including) 17 November 2017 to (but excluding) 9 January 2018 (the "2017 Notes III – Additional Notes" and, together with the 2017 Notes III – Original Notes, the "2017 Notes III"). The net proceeds of the 2017 Notes III, after deducting the transaction costs, amounted to RMB3,891,552,000.

(ii) 2018 Notes

2018 Notes I

On 15 February 2018, Trillion Chance issued 5.000% senior notes due 13 February 2019 in the aggregate principal amount of USD350,000,000 with the issue price 100% of the principal amount (the "2018 Notes I"). The net proceeds of the 2018 Notes I, after deducting the transaction costs, amounted to RMB2,206,205,000.

2018 Notes II

On 25 April 2018, Easy Tactic issued 7.000% senior notes due 25 April 2021 in the aggregate principal amount of USD600,000,000 with the issue price 100% of the principal amount (the "2018 Note II – Original Notes").

On 12 June 2018, Easy Tactic further issued 7.000% senior notes due 25 April 2021 in the aggregate principal amount of USD200,000,000 with the issue price 97.467% of the principal amount, plus accrued interest from (and including) 25 April 2018 to (but excluding) 12 June 2018 (the "2018 Note II – Additional Notes" and, together with the 2018 Note II – Original Notes, the "2018 Notes II"). The net proceeds of the 2018 Notes II, after deducting the transaction costs, amounted to RMB4,934,901,000.

As at 30 June 2018, the 2017 Notes I, the 2017 Notes II, the 2017 Notes III, the 2018 Notes I and 2018 Notes II were guaranteed by certain subsidiaries of the Group and were secured by shares of certain offshore subsidiaries of the Group.

The effective interest rate of senior notes ranged from 6.14% to 8.75% (2017: 6.25% to 9.14%).

(All amounts in RMB Yuan thousands unless otherwise stated)

16. BORROWINGS (continued)

(d) Senior notes (continued)

The movements of senior notes are set out below:

	Six months ended 30 June	
	2018	2017
At 1 January	**12,976,964**	11,550,207
Issuance	**7,754,516**	4,880,042
Redemption	**(2,535,720)**	(11,040,521)
Early redemption premium paid	**(16,730)**	(474,365)
Interest charged (Note 20)	**586,335**	197,473
Interest paid or included in other payables	**(446,889)**	(161,753)
Foreign exchange losses/(gains)	**409,678**	(135,223)
At 30 June	**18,728,154**	4,815,860

The fair values of the senior notes as at 30 June 2018 amounted to RMB18,008,417,000 (31 December 2017: RMB13,216,190,000). The fair values were determined directly by reference to the price quotations published by Bloomberg on the last trading day of the period ended 30 June 2018 and were within level 1 of the fair value hierarchy.

(e) Other borrowings

Certain subsidiaries of the Group (the "Project Companies") have entered into funding arrangements with certain financial institutions (the "Trustees"), under which the Trustees have raised funds from third parties and injected the funds to the Project Companies.

The effective interest rate of these funding arrangements ranged from 4.75% to 10.75% (2017: 4.75% to 13.18%).

The movements of other borrowings are set out below:

	Six months ended 30 June	
	2018	2017
At 1 January	**17,299,000**	14,212,330
Additions	**5,764,300**	3,940,000
Acquisition of a subsidiary	**–**	300,000
Repayments	**(4,086,000)**	(1,747,330)
Interest charged (Note 20)	**566,083**	479,130
Interest paid or included in other payables	**(566,083)**	(479,130)
At 30 June	**18,977,300**	16,705,000

(All amounts in RMB Yuan thousands unless otherwise stated)

16. BORROWINGS (continued)

(f) Finance lease liabilities

In April 2012, 北京富力城房地產開發有限公司("北京富力城"), a subsidiary of the Company entered into an aircraft rental agreement with an independent third party under finance lease (the "2012 Finance Lease Arrangement"). Under the 2012 Finance Lease Arrangement, 北京富力城 leased an aircraft for an agreed term of five years commencing 15 April 2012. At the maturity date of the lease, 北京富力城 has an option to purchase the aircraft for a consideration of RMB94,830,000. Upon the maturity date, 北京富力城 did not exercise the option to purchase the aircraft.

In August 2016, 北京富力通達房地產開發有限公司("北京富力通達"), another subsidiary of the Company entered into an aircraft rental agreement with an independent third party under a finance lease (the "2016 Finance Lease Arrangement"). Under the 2016 Finance Lease Arrangement, 北京富力通達 leased an aircraft for an agreed term of four years commencing from 15 September 2016. The lessor will transfer the ownership of the underlying asset to北京富力通達 at the maturity date of the lease or the early repayment date.

As at 30 June 2018, the Group has also entered into certain office equipments and automobile finance lease agreements with independent third parties.

The movements of finance lease liabilities are set out below:

	Six months ended 30 June	
	2018	2017
At 1 January	**224,075**	323,532
Additions	**95**	–
Repayments	**(44,436)**	(57,033)
Interest charged (Note 20)	**4,936**	7,002
Interest paid or included in other payables	**(5,059)**	(6,968)
At 30 June	**179,611**	266,533

	As at	
	30 June 2018	31 December 2017
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**95,819**	97,900
Later than 1 year and no later than 5 years	**93,142**	140,448
	188,961	238,348
Future finance charges on finance leases	**(9,350)**	(14,273)
Present value of finance lease liabilities	**179,611**	224,075
The present value of finance lease liabilities is as follows:		
No later than 1 year	**89,210**	89,310
Later than 1 year and no later than 5 years	**90,401**	134,765
	179,611	224,075

(All amounts in RMB Yuan thousands unless otherwise stated)

16. BORROWINGS (continued)

(g) As at 30 June 2018, bank and other borrowings totalling RMB87,783,745,000 (31 December 2017: RMB69,161,241,000) of the Group were secured by the following assets and the Group's shares of certain subsidiaries:

	As at 30 June 2018	31 December 2017
Land use rights	1,518,139	757,672
Property, plant and equipment	8,014,343	5,225,278
Investment properties	17,402,660	15,190,552
Properties under development	39,938,090	29,119,715
Completed properties held for sale	4,946,567	6,648,588
Restricted cash	7,533,285	6,289,757
	79,353,084	63,231,562

The bank borrowings of RMB589,500,000 (31 December 2017: Nil) are under securitisation arrangements collateralised by certain future trade receivables from the remaining receipts from construction of properties amounting to RMB300,000,000 (31 December 2017: Nil). These securities bear an effective interest rate of 3.915% to 4.275% per annum and have a revolving term from 5 to 12 months.

The other borrowings of RMB2,360,000,000 (31 December 2017: RMB1,750,000,000) are under securitisation arrangements collateralised by certain future trade receivables from the remaining receipts from sales of properties amounting to RMB1,184,260,000 (31 December 2017: RMB1,877,682,000). These securities bear an effective interest rate of 7.60% per annum and have a revolving term of 7 months.

(h) The majority of unsecured bank and other borrowings were supported by guarantees issued by the Company or subsidiaries. Details are as follows:

	As at 30 June 2018	31 December 2017
Guarantors:		
– The Company	10,032,394	6,627,450
– Subsidiaries	–	645,000
	10,032,394	7,272,450

(All amounts in RMB Yuan thousands unless otherwise stated)

17. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2018	As at 31 December 2017
Amounts due to joint ventures (Notes (a) and 25(k))	**5,787,339**	4,615,028
Amounts due to an associate (Notes (a) and 25(k))	**77,576**	160,276
Amounts due to an entity controlled by same common shareholders (Notes (a) and 25(k))	**60,000**	–
Construction payables (Note (b))	**19,871,225**	14,566,401
Other payables and accrued charges (Note (c))	**23,538,815**	20,098,285
	49,334,955	39,439,990

Notes:

(a) The amounts are unsecured, interest free and repayable on demand.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis for trade payables is presented.

(c) The balance mainly represents interest payables, temporary receipts, accruals and other taxes payable excluding income tax.

(d) The carrying amounts of accruals and other payables approximate their fair values.

18. OTHER INCOME

	Six months ended 30 June 2018	Six months ended 30 June 2017
Interest income	**156,543**	116,364
Other operating income	**163,465**	72,405
Dividends received on available-for-sale financial assets	**–**	10,233
	320,008	199,002

19. OTHER GAINS – NET

	Six months ended 30 June 2018	Six months ended 30 June 2017
Fair value gains on investment properties – net	**238,089**	479,260
Gains on disposal of a joint venture	**54,987**	–
Gains on disposals of intangible assets	**16,116**	51,783
Gains on disposals of property, plant and equipment	**402**	322
Losses on disposal of an associate	**–**	(13,459)
Others	**74,123**	14,781
	383,717	532,687

(All amounts in RMB Yuan thousands unless otherwise stated)

20. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
Interest expenses:		
– bank borrowings	**2,144,917**	1,251,002
– domestic bonds (Note 16 (b))	**1,231,064**	1,220,190
– medium-term notes (Note 16 (c))	**54,448**	9,438
– senior notes (Note 16 (d))	**586,335**	197,473
– other borrowings (Note 16 (e))	**566,083**	479,130
– finance lease liabilities (Note 16 (f))	**4,936**	7,002
	4,587,783	3,164,235
Early redemption premium for senior notes	**16,730**	–
Net foreign exchange losses/(gains)	**557,852**	(440,915)
Less: finance costs capitalised	**(2,415,927)**	(1,754,939)
	2,746,438	968,381

21. INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
Current income tax		
– enterprise income tax (Note (b))	**2,972,310**	1,483,624
Deferred income tax	**(1,384,986)**	(398,815)
	1,587,324	1,084,809
Current PRC land appreciation tax (Note (c))	**2,056,787**	1,305,404
Total income tax expenses	**3,644,111**	2,390,213

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the period (six months ended 30 June 2017: Nil).

(b) Enterprise income tax

Enterprise income tax is computed according to the relevant laws and regulations enacted in the countries where the Group operated and generated taxable income.

In respect of applicable income tax rates for the six months ended 30 June 2018, all of the Group's companies in the PRC were primarily taxed at 25% (six months ended 30 June 2017: 25%) on their profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

(All amounts in RMB Yuan thousands unless otherwise stated)

22. DIVIDENDS

	Six months ended 30 June	
	2018	2017
Interim dividend of RMB0.40 (2017: RMB0.33) per ordinary share	**1,288,947**	1,063,381

An interim dividend in respect of the six months ended 30 June 2018 of RMB0.40 per ordinary share, totalling RMB1,288,947,000 was proposed by the board of directors (six months ended 30 June 2017: RMB1,063,381,000). This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ended 31 December 2018.

23. FINANCIAL GUARANTEE CONTRACTS

The face values of the financial guarantees issued by the Group as at 30 June 2018 are analysed as follows:

	As at	
	30 June 2018	31 December 2017
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**64,732,866**	52,779,589
Guarantees in respect of borrowings of joint ventures and associates (Note (b))	**5,666,021**	5,102,942
	70,398,887	57,882,531

Notes:

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgagee is issued and submitted to the banks. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the condensed consolidated interim financial information for the guarantees.

(b) The balance represents the maximum exposure of the guarantee provided for joint ventures and associates for their borrowings.

(All amounts in RMB Yuan thousands unless otherwise stated)

24. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As at	
	30 June 2018	31 December 2017
Contracted but not provided for		
– Properties development activities	**11,048,166**	8,400,098
– Acquisitions of land use rights	**21,015,118**	18,628,978
– Acquisition of hotels	**797,340**	797,340
	32,860,624	27,826,416

(b) Operating lease commitments

The future aggregate minimum lease payments for land use rights and buildings under non-cancellable operating leases are as follows:

	As at	
	30 June 2018	31 December 2017
Not later than one year	**27,812**	33,692
Later than one year and not later than five years	**60,779**	36,029
Later than five years	**26,993**	34,244
	115,584	103,965

25. RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Dr. Li Sze Lim and Mr. Zhang Li, who own 33.52% and 32.02%, respectively, of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

(a) Key management compensation

	Six months ended 30 June	
	2018	2017
Salaries and welfare benefits	**11,935**	10,427

(All amounts in RMB Yuan thousands unless otherwise stated)

25. RELATED-PARTY TRANSACTIONS (continued)

(b) Provision of property management services

	Six months ended 30 June	
	2018	2017
Joint ventures:		
貴州大西南房地產開發有限公司(“貴州大西南”)	**5,332**	2,721
廣州市森華房地產有限公司(“森華房地產”)	**3,965**	–
天津津南新城房地產開發有限公司(“津南新城”)	**2,103**	3,660
	11,400	6,381
Associates:		
河南建業富居投資有限公司(“河南建業”)	**4,025**	–
龍岩恆富房地產開發有限公司(“龍岩恆富”)	**676**	–
	4,701	–
	16,101	6,381

(c) Provision of decoration, design and construction service

	Six months ended 30 June	
	2018	2017
Joint ventures:		
貴州大西南	**30,997**	18,255
上海城投悦城置業有限公司(“上海悦城”)	**25,720**	7,864
廣州市富景房地產開發有限公司(“廣州富景”)	**8,421**	32,556
森華房地產	**3,227**	476
長沙禧榮置業有限公司(“長沙禧榮”)	**1,049**	–
津南新城	**542**	1,267
廣西富雅投資有限公司(“廣西富雅”)	**–**	4
	69,956	60,422
Associates:		
龍岩恆富	**71,406**	–
河南建業	**14,920**	3,855
	86,326	3,855
	156,282	64,277

(All amounts in RMB Yuan thousands unless otherwise stated)

25. RELATED-PARTY TRANSACTIONS (continued)

(d) Purchase of installation services

	Six months ended 30 June	
	2018	2017
Controlled by an immediate family member of the major shareholder:		
廣州鉅融機電工程有限公司	**1,439**	956

(e) Drinking water system charges

	Six months ended 30 June	
	2018	2017
An associate:		
長泰馬洋溪水務有限公司(“馬洋溪水務”)	**25**	–
An entity controlled by same common shareholders:		
廣州越富環保科技有限公司	**13**	–
	38	–

(f) Purchase of hotel services

	Six months ended 30 June	
	2018	2017
A joint venture:		
廣州富景	**186**	–

(g) Purchase of advertising services

	Six months ended 30 June	
	2018	2017
An associate:		
北京中房同創文化傳媒股份有限公司	**198**	–

(h) Provision of technology services

	Six months ended 30 June	
	2018	2017
Joint ventures:		
貴州大西南	**47**	–
津南新城	**47**	–
森華房地產	**45**	–
	139	–

(All amounts in RMB Yuan thousands unless otherwise stated)

25. RELATED-PARTY TRANSACTIONS (continued)

(i) Purchase of property, plant and equipment

	Six months ended 30 June 2018	2017
A major shareholder	**29,020**	–

(j) Provision of guarantees for borrowings

The Group and certain other shareholders of the joint ventures and associates have jointly provided guarantees for certain borrowings granted to the Group's joint ventures and associates for project development purpose. As at 30 June 2018, the Group's guarantees for borrowings provided to its joint ventures and associates are shown as follows:

(i) Bank borrowings

	As at 30 June 2018	31 December 2017
Joint ventures:		
津南新城	**1,145,000**	1,170,000
廣州富景	**1,022,424**	1,022,424
上海悦城	**519,235**	624,443
廣州市騰順投資有限公司(“騰順投資”)	**308,500**	308,500
森華房地產	**52,500**	67,500
廣西富雅	**–**	56,400
	3,047,659	3,249,267
Associates:		
河南建業	**1,114,650**	629,100
龍岩恒富	**94,139**	30,000
	1,208,789	659,100
	4,256,448	3,908,367

(ii) Other borrowings

	As at 30 June 2018	31 December 2017
A joint venture:		
上海悦城	**104,900**	–
An associate:		
河南建業	**250,200**	402,300
	355,100	402,300

(All amounts in RMB Yuan thousands unless otherwise stated)

25. RELATED-PARTY TRANSACTIONS (continued)

(k) Balances with related parties

As at 30 June 2018, the Group had the following balances with related parties:

	As at 30 June 2018	31 December 2017
Due from:		
Joint ventures		
– Non-trade balances		
騰順投資	**894,250**	682,408
長沙禧榮	**444,958**	605,828
湖州品富房地產開發有限公司	**230,810**	–
中交富力(北京)置業有限公司	**195,000**	–
Hines Shanghai New Jiangwan Development Co., Ltd.	**174,224**	171,287
Accord Wing Limited	**76,599**	103,942
天津欣碧房地產開發有限公司	**24,696**	–
天津駿友房地產信息咨詢有限公司	**23,148**	–
北京力思創新國度科技有限公司	**2,367**	–
Instant Glory International Limited ("Instant Glory")	**–**	2,179,543
南京星潤	**–**	147,025
Etone Australia Holdings Pty Ltd.	**–**	94,037
廣西富雅	**–**	10,003
	2,066,052	3,994,073
– Trade balances		
長沙禧榮	**1,049**	–
森華房地產	**966**	2,485
津南新城	**50**	–
	2,065	2,485
Associates		
– Non-trade balances		
河南建業	**117,300**	–
南通錦力置業有限公司	**111,591**	106,263
天津碧順房地產開發有限公司	**44,392**	–
龍岩恆富	**13,206**	103,206
馬洋溪水務	**520**	520
	287,009	209,989
– Trade balances		
龍岩恆富	**–**	36,000
	2,355,126	4,242,547

(All amounts in RMB Yuan thousands unless otherwise stated)

25. RELATED-PARTY TRANSACTIONS (continued)

(k) Balances with related parties (continued)

	As at 30 June 2018	31 December 2017
Advances received from (Note (a)):		
Joint ventures		
– Trade balances		
RFCZ (UK) Ltd	**192,503**	–
上海悦城	**120,743**	–
貴州大西南	**15,655**	–
	328,901	–
An associate		
– Trade balances		
龍岩恆富	**17,897**	–
Due to:		
Joint ventures		
– Non-trade balances		
廣州富景	**2,228,152**	2,025,265
上海悦城	**1,661,137**	1,661,137
津南新城	**741,825**	491,825
森華房地產	**389,000**	389,000
Instant Glory	**365,440**	–
貴州大西南	**274,785**	47,801
廣西富雅	**127,000**	–
	5,787,339	4,615,028
Associates		
– Non-trade balances		
北京盛興天和投資管理有限公司	**77,576**	77,576
河南建業	**–**	82,700
	77,576	160,276
An entity controlled by same common shareholders		
– Non-trade balances		
廣東華南環保投資股份有限公司	**60,000**	–
	6,271,713	4,775,304

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms.

Note:

(a) The Group provides construction service to certain related companies. Advance received from such related companies was classified as “contract liabilities”.

26. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 13 July 2018, the Company early redeemed 62,545,820 units of 2015 Bonds at a redemption price equal to 100% of the principal amount.

(All amounts in RMB Yuan thousands unless otherwise stated)

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the period ended 30 June 2018 in accordance with China Accounting Standards for Business Enterprises ("CAS"). The differences between the consolidated financial statements prepared under CAS and HKFRS are summarised as follows:

	Profit for the period ended 30 June		**Total equity as at**	
	2018	2017	**30 June 2018**	31 December 2017
As stated in accordance with CAS	**4,080,330**	2,481,621	**65,726,366**	64,862,417
Impact of HKFRS adjustments:				
1. Amortisation of revaluation gain arising from business combinations	**(350)**	(1,158)	**41,301**	41,651
2. Deferred taxation	**87**	290	**(10,327)**	(10,414)
As stated in accordance with HKFRS	**4,080,067**	2,480,753	**65,757,340**	64,893,654

Notes:

1. The Group adopted SSAP27 "Accounting for Group Reconstructions" for acquisition of certain subsidiaries before the issuance of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" in November 2005. As the acquisitions did not meet the conditions for using merger accounting under SSAP 27, which prevented the use of predecessor costs when non-controlling interests or rights of the ultimate shareholder have changed, the Group adopted purchase method to account for the acquisitions.

2. It refers to the effects of deferred tax arising from the above adjustments and recognition of deferred tax due to tax rate difference.