2018

POWERLONG
宝龙地产

INTERIM REPORT

寶龍地產控股有限公司

POWERLONG REAL ESTATE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1238

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Group Introduction

Powerlong Real Estate Holdings Limited (HK.1238) (the "Company") and its subsidiaries (collectively as the "Group") are dedicated to developing and operating high quality, large-scale and multi-functional commercial real estate projects. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 October 2009. The Group is committed to improving the living standards of the citizens and driving the urbanization progress in the People's Republic of China ("China" or the "PRC").

The Group developed, owned and operated 98 real estate projects as at 30 June 2018. Powerlong Plaza, which comprises of shopping malls, restaurants, leisure and other recreational facilities, has created a unique business model drawing extensive attention and recognition from the government and the public. Each project does not only promote the regional economic development, but also improves the retail facilities of the cities and creates job opportunities. The improvement of people's living standard is a key driver for city quality improvement.

The successful development of the Group is attributable to the innovative vision of the Chairman of the Company, Mr. Hoi Kin Hong, who has instilled his insights and visions since the beginning of the Group's corporate development and driven its evolvement along the way. The Group will continue to uphold the belief of "Honest, Modest, Innovative and Devoted" and build up an efficient and excellent team to create values for society, customers, shareholders and its staff.

Corporate Information

DIRECTORS

Executive Directors

Mr. Hoi Kin Hong *(Chairman of the Board)*
Mr. Hoi Wa Fong *(Chief Executive Officer)*
Mr. Xiao Qing Ping *(Deputy Chief Executive Officer)*
Ms. Shih Sze Ni
Mr. Zhang Hong Feng

Non-executive Director

Ms. Hoi Wa Fan

Independent Non-executive Directors

Mr. Ngai Wai Fung
Mr. Mei Jian Ping
Mr. Ding Zu Yu

AUDIT COMMITTEE

Mr. Ngai Wai Fung *(Chairman)*
Mr. Mei Jian Ping
Mr. Ding Zu Yu

REMUNERATION COMMITTEE

Mr. Mei Jian Ping *(Chairman)*
Mr. Hoi Wa Fong
Mr. Ding Zu Yu

NOMINATION COMMITTEE

Mr. Hoi Kin Hong *(Chairman)*
Mr. Mei Jian Ping
Mr. Ding Zu Yu

COMPANY SECRETARY

Ms. Xiao Ying Lin

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong
Ms. Xiao Ying Lin

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

PLACE OF BUSINESS IN HONG KONG

Unit 5813, 58th Floor
The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Powerlong Tower
1399 Xinzhen Road
Minhang District
Shanghai
PRC
Postal Code: 201101

PRINCIPAL SHARE REGISTRAR

SMP Partners (Cayman) Limited
Royal Bank House-3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of Communication Co., Ltd.
Agricultural Bank of China Limited
China Construction Bank Corporation
Bank of China Limited
China Minsheng Banking Corp., Ltd.
China CITIC Bank Corporation Limited
The Bank of East Asia Limited
Wing Lung Bank Limited
Hua Xia Bank Co., Limited

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

HONG KONG LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com

Management Discussion and Analysis

MARKET REVIEW

Reviewing the first half of 2018, the control measures of real estate policies continued to suppress irrational demand on one hand, and shift the focus to mid-to-long term demand and supply structural adjustment on the other hand. In the first half of 2018, the sales of domestic commodity properties maintained a steady upward trend while the market activities remained frequent. The land market has entered into a phase of segmentation whereas the rate of property market transaction varied in different regions. The markets in the first- and some hotspot second-tier cities were cooled down under the control measures, while the land supply continued to shrink. The transacted land size recorded a year-on-year increase, but the transaction premium remained low. Some second-tier cities with additional land supply recorded an increase in trading volume with a stable selling price. Under the positive influences of market sector rotation and shanty area transformation, there was a year-on-year increase in the level of overall transaction scale in the markets of third- and fourth-tier cities. With further implementation of fundamental reform of key housing policies and accelerated establishment of the long-term effective mechanism by the PRC government and under the drive of the increasingly perfecting foundation, the PRC real estate market in 2018 will be operated in a stable and controlled manner.

BUSINESS REVIEW

For the six months ended 30 June 2018, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) property management services; and (iv) other property development related services. During the period under review, property development remained the main revenue stream of the Group.

Property Development

For the six months ended 30 June 2018, the contracted sales of the Group together with its associates and joint ventures reached approximately RMB16,341 million (for the six months ended 30 June 2017: RMB9,061 million), representing an increase of approximately 80.3% as compared with the corresponding period in 2017. For the six months ended 30 June 2018, the contracted sales area of the Group together with its associates and joint ventures amounted to approximately 1,159,970 square meters (for the six months ended 30 June 2017: 658,446 square meters), representing an increase of approximately 76.2% as compared with the corresponding period in 2017.

During the period under review, the Group's contracted sales experienced a significant year-on-year increase, which was mainly attributable to the comprehensive review, positioning and optimization of each product line, improvement on standardization, and further enhancement on the quality of three-point-one-line management model by the Group's sales team. Property sales were adapted to local conditions, satisfying demands of the local market and fulfilling requirements from the local government. Meanwhile, for the residential projects, the Group had accelerated the turnover and sales based on the "369" development mode and achieved a satisfactory result. During the period under review, the key contributing projects (including those of subsidiaries and joint ventures) were located in Ningbo, Hangzhou, Shanghai, Shaoxing and Haikou, the PRC.

Set forth below is the distribution of contracted sales during the period under review:

	For the six months ended 30 June 2018		
Distribution	Sales area sq.m.	Sales amount RMB'000	Average selling price RMB/sq.m.
Commercial	219,519	3,141,695	14,312
Residential	940,451	13,198,831	14,035
Total	1,159,970	16,340,526	14,087

Property Investment and Property Management Services

To generate a stable and recurring income, the Group also retained and operated certain commercial properties for leasing. As at 30 June 2018, the Group had an aggregate gross floor area ("GFA") of approximately 4,725,907 square meters (as at 31 December 2017: 4,345,577 square meters) held as investment properties (including completed properties and properties under construction), representing an increase of approximately 8.8% as compared with that as at 31 December 2017.

As at 30 June 2018, the Group operated and managed 34 commercial plazas, with the number of operating projects and size of operating area both being amongst the forefront of the industry. During the period under review, the Group was committed to reconstructing the commercial management system, comprehensively enhancing the quality of investment promotion, and further improving the standardized commercial management system to lay a solid foundation for the continuous development of the commercial operation. Meanwhile, the Group further transformed and upgraded the existing benchmark projects. With the "slowing down the pace of life and enjoying the good time at home" concept, Qibao Powerlong City has been established into a benchmark shopping centre with increasing operational efficiency. Adopting the concept of smart retail, Binjiang Powerlong City realized the connection between online and offline shopping. With flagship stores of innovative brands and popular online brands settled in, operation potential of this plaza is expected to be continuously unleashed.

Hotel Development

The Group continued to develop its hotel business as a source of its long-term recurring income with core businesses in operating international brand hotels and self-operated brand chain hotels.

As at 30 June 2018, the Group owned eight international brand hotels, namely Le Meridien Shanghai Minhang (上海閔行寶龍艾美酒店), Radisson Blu Shanghai Pudong Jinqiao (上海寶龍麗笙酒店), Radisson Exhibition Center Shanghai (上海國展寶龍麗筠酒店), Four Points by Sheraton Taicang (太倉寶龍福朋喜來登酒店), Four Points by Sheraton Tai'an (泰安寶龍福朋喜來登酒店), Four Points by Sheraton Qingdao, Chengyang (青島城陽寶龍福朋喜來登酒店), Aloft Haiyang (海陽雅樂軒酒店) and Aloft Yancheng (鹽城雅樂軒酒店), as well as owned and operated eight self-owned brand chain hotels, namely ARTELS Qingdao (青島寶龍藝築酒店), ARTELS Anxi (安溪寶龍藝築酒店), ARTELS+ Huaian Jiangsu (江蘇淮安藝悦酒店), ARTELS+ Fuyang Hangzhou (杭州富陽藝悦酒店), ARTELS+ Collection Lingang Shanghai (上海臨港藝悦精選酒店), ARTELS+ Collection Hechuan Chongqing (重慶合川藝悦精選酒店), ARTELS+ Wujing Shanghai (上海吳涇藝悦酒店) and JUNTELS Binjiang Hangzhou (杭州濱江藝珺酒店).

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support its property development pipeline for the forthcoming three to five years. Adhering to the development strategy of "Focus on Shanghai and Strengthen Development in Yangtze River Delta", the Group will continuously lay out precise strategic plans by mastering the correct policy directions. Through strict compliance with the principle of value investment, the Group maintained diversified land acquisition channels and stepped up its efforts in collaborative mergers and acquisitions.

As at 30 June 2018, the Group had a quality land bank amounting to a total GFA of approximately 18.0 million square meters, of which approximately 7.5 million square meters were properties under development and construction and approximately 10.5 million square meters were properties held for future development. The land bank under development will be used for the development of large-scale commercial and residential properties with cinema complexes, supermarkets, food courts, sports and leisure facilities, quality residential properties, serviced apartments, office buildings and hotels. Currently, approximately 70% of the Group's land bank is located in the Yangtze River Delta region.

During the period under review, the Group upheld cautious and stringent standards on land investment decision, and the following prime land parcels were added to the Group's land bank:

Project Name	Land Nature	Site Area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Nanjing Lot G71 Project	Residential	87	216.6	30.0%
Yongkang City Jiefang Street Commercial and Residential Project	Commercial/residential	69	218.5	28.7%
Xuzhou Feng Town Beihuan Road Project	Commercial/residential	196	490.7	100.0%
Zhenjiang Runzhou Tanshan Road Project	Commercial/residential	56	180.3	34.0%
Yiwu Fotangjiangbin Phase 1 Lot 1# Project	Commercial/residential	84	185.4	50.0%
Ningbo-Fenghua Rail Transit Jinhailu Station Terminal Project	Commercial/residential	46	189.0	82.0%
Yancheng Development Project	Commercial/residential	186	334.9	65.0%
Huai'an Qingjiangpu Project	Commercial/residential	96	216.7	100.0%
Wenzhou Jade World	Residential	56	223.6	13.1%
Ningbo Yinzhou Xincheng Shounan Section Lot YZ08-09-15 Project	Commercial/residential	121	361.0	82.0%
Zhoushan Yancang Lot DH-41-01-11, DH-41-01-14 Project	Commercial/residential	33	63.0	82.0%
Nanjing Gaochun Phase II	Commercial/residential	39	117.9	82.0%
Zhangzhou Longwen Lantian Project	Commercial/residential	69	178.1	82.0%
Wenzhou Airport New District Project	Commercial/residential	191	344.3	100.0%
Total		1,329	3,320.0	

* *Total GFA excludes underground and car parking spaces.*

OUTLOOK

In the second half of 2018, the real estate policies in the PRC will be in line with the principle of "houses are for living-in". The establishment of the long-term effective mechanism will continue to be facilitated by the PRC government. There is no doubt that more cities will be involved in the intensive structural adjustment of real estate market. The implementation of government-led policies for supporting housing and establishment of market-oriented housing supply system which can satisfy multi-level demands, will be further accelerated in the second half of 2018.

The Group will continue to take the initiative in innovative development under the perspective of "change". For the seven months ended 31 July 2018, the Group has completed approximately 58.1% of the contracted sales target of 35.0 billion dollars for the year 2018. We believe that during the year 2017 and at the beginning of 2018, the land reserves we acquired before at reasonable cost defended us against the tight real estate market, and such land reserves bear the appreciation potential when favourable real estate policies are presented in the future. The Group is confident of achieving and surpassing the contracted sales target for the year 2018.

The Group will further step up its efforts in expanding its land bank to have a full coverage on quality land in strategic regions. The Group will improve its capability in professionalization and standardization of land acquisition. The Group has been and will be able to timely and precisely master the policy directions and land information, lower its cost of land acquisition, reinforce time control while further exploring the positioning value of land so as to enhance its competitiveness in all aspects.

The Group will meticulously polish one of its commercial benchmarks where it will construct Xiamen Powerlong One Mall into a high-end positioning and high quality city benchmark, which is to be launched within the second half of the year. The Group will adhere to the pursuit of quality and further enhance efficiency of positioning, investment promotion, experiences and services, in order to comprehensively increase efficiency from multiple perspectives. Meanwhile, the Group will strengthen the collaboration among all asset management and business departments, and achieve a completed management and control over the whole development and operation process. The Group will adhere to a customer-oriented approach to improve the quality of services.

For the Group's hotel management business, there will be breakthroughs in the existing business model. The Group will integrate its resources, enhance the combination of hotel business with arts and new retailing style, develop new consumption channels, improve services details and hence enhancing its operational efficiency.

The Group will maintain its stable and sound financial position, maintain and optimize its debt structure and implement strategies over finance costs control. Meanwhile, the Group will strive to achieve scale expansion and value increase on the basis of thorough understanding of market demand.

The Group will accelerate the innovation of business models and operation system, explore new ideas from various dimensions and diligently seek for opportunities of external cooperation. Meanwhile, the Group will improve the internal incentive system and pay attention to talents cultivation by setting up multi-stage training plan which is applicable for all employees. The Group will uphold the spirit of entrepreneurship, fully unleash the vibrancy of its staff and create a joyful and wonderful working atmosphere.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises of revenue from property sales, rental income from investment properties, income from property management services and other income from property development related services. For the six months ended 30 June 2018, the Group recorded a total revenue of approximately RMB9,284 million (for the six months ended 30 June 2017: approximately RMB7,631 million), representing an increase of approximately 21.7% as compared with the corresponding period in 2017. This was mainly attributable to an increase in revenue from each business category.

Revenue from Property Sales

During the period under review, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. Revenue from property sales during the six months ended 30 June 2018 amounted to approximately RMB7,916 million (for the six months ended 30 June 2017: approximately RMB6,544 million), representing an increase of approximately 21.0% as compared with the corresponding period in 2017. This was mainly attributable to an increase in the GFA of revenue recognised as compared with that of the corresponding period last year.

Set forth below are the distribution of the revenue from property sales during the period under review:

		For the six months ended 30 June 2018		
		GFA (sq.m.)	Amount (RMB'000)	Average selling price (RMB/sq.m.)
Yangtze River Delta	Commercial	182,516	2,650,282	14,521
	Residential	223,660	2,657,178	11,880
Bohai Rim	Commercial	73,168	848,242	11,593
	Residential	6,051	111,884	18,490
Central and Western Region	Commercial	45,054	365,077	8,103
	Residential	109,542	609,176	5,561
West Strait Economic Zone	Commercial	36,083	166,177	4,605
	Residential	10,356	56,499	5,456
Others	Residential	34,275	451,112	13,162
Total		720,705	7,915,627	10,983
	Commercial	336,821	4,029,778	11,964
	Residential	383,884	3,885,849	10,122

Rental Income from Investment Properties and Income from Property Management Services

For the six months ended 30 June 2018, the Group recorded rental income from investment properties of approximately RMB465 million (for the six months ended 30 June 2017: approximately RMB414 million), representing an increase of approximately 12.3% as compared to the amount in the corresponding period in 2017.

For the six months ended 30 June 2018, income from property management services is mainly generated from provision of property management services and rental assistance services in the projects developed by the Group. The net income after elimination of intra-group transactions amounted to approximately RMB595 million (for the six months ended 30 June 2017: approximately RMB437 million), representing an increase of approximately 36.2% as compared to the amount in the corresponding period in 2017.

For the six months ended 30 June 2018, rental income from investment properties and income from property management services fee amounted to approximately RMB1,060 million (for the six months ended 30 June 2017: approximately RMB851 million), representing an increase of approximately 24.6% as compared to the amount in the corresponding period in 2017. In addition to the increasing areas of properties held and commercial and residential properties managed by the Group, the new merchants matched the local consumer demand and the market penetration rate was increased as a result of the continuous enhancement of the commercial operating capability.

Income of Other Property Development Related Services

Income of other property development related services mainly comprises income from hotel operation, and construction and decoration services. For the six months ended 30 June 2018, the Group's income of other property development related services amounted to approximately RMB309 million (for the six months ended 30 June 2017: approximately RMB237 million), representing an increase of approximately 30.4% as compared to the amount in the corresponding period in 2017. It was mainly attributable to the year-on-year increase in income from hotel operation of the Group.

Cost of Sales

Cost of sales mainly represents the direct cost related to the property development of the Group. It comprises cost of land use rights, construction costs, decoration costs and other costs. For the six months ended 30 June 2018, cost of sales amounted to approximately RMB5,778 million (for the six months ended 30 June 2017: approximately RMB4,867 million), representing an increase of approximately 18.7% as compared to the amount in the corresponding period in 2017, which was mainly due to the increase in total costs as a result of the increase in total GFA of properties sold and delivered during the period under review.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2018, gross profit amounted to approximately RMB3,505 million (for the six months ended 30 June 2017: approximately RMB2,764 million), representing an increase of approximately 26.8% as compared with the corresponding period in 2017. Gross profit margin increased from 36.2% in the corresponding period in 2017 to 37.8% for the six months ended 30 June 2018.

Fair Value Gains of Investment Properties

For the six months ended 30 June 2018, the Group recorded revaluation gains of approximately RMB1,002 million (for the six months ended 30 June 2017: approximately RMB636 million), representing an increase of approximately 57.5% over the amount in the corresponding period in 2017. The increase in revaluation gains were mainly due to the appreciation of the value of investment properties located in the established business circles.

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2018, selling and marketing costs and administrative expenses amounted to approximately RMB925 million (for the six months ended 30 June 2017: approximately RMB737 million), representing an increase of approximately 25.5% as compared with that in the corresponding period in 2017, which was mainly due to the Group's business expansion, which in turn caused the expansion in scale of sales and management projects. The Group will continue to exercise stringent control over expenses and costs whilst at the same time strive to continue the Group's business expansion.

Share of Profit of Investments Accounted for Using the Equity Method

For the six months ended 30 June 2018, share of post-tax profit of investments accounted for using the equity method amounted to approximately RMB46 million (for the six months ended 30 June 2017: approximately RMB87 million), representing a decrease of approximately 47.1% as compared with the corresponding period in 2017, mainly due to the decrease of related profit of joint ventures.

Income Tax Expense

Income tax expense amounted to approximately RMB1,409 million (for the six months ended 30 June 2017: approximately RMB1,084 million) for the six months ended 30 June 2018, representing an increase of approximately 30.0% as compared with the corresponding period in 2017, primarily due to the increase in PRC corporate income tax and land appreciation tax.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2018, the Group recorded a profit attributable to owners of the Company of approximately RMB1,330 million (for the six months ended 30 June 2017: approximately RMB1,490 million), representing a decrease of approximately 10.7% over the corresponding period in 2017.

For the six months ended 30 June 2018, basic earnings per share was approximately RMB33.3 cents (for the six months ended 30 June 2017: approximately RMB37.7 cents), representing a decrease of approximately 11.7% over the corresponding period in 2017.

Core earnings (being the profit excluding the fair value gains on investment properties and foreign exchange gains and losses on financing activities during the period under review) for the six months ended 30 June 2018 reached approximately RMB1,227 million (for the six months ended 30 June 2017: approximately RMB972 million), increased by approximately 26.2% as compared with that in the corresponding period in 2017.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds raised from issuance of bonds, which were used as working capital and investment in development projects.

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB13,821 million in total as at 30 June 2018 (as at 31 December 2017: approximately RMB9,962 million).

Borrowings

Total borrowings of the Group as at 30 June 2018 was approximately RMB44,396 million (as at 31 December 2017: approximately RMB35,536 million), representing an increase of approximately 24.9%. The Group's borrowings comprise bank and other borrowings of approximately RMB22,995 million, corporate bonds of approximately RMB11,462 million, short-term commercial papers of approximately RMB300 million, convertible bonds of approximately RMB1,678 million and senior notes of approximately RMB7,961 million.

Out of the total borrowings, approximately RMB13,751 million was repayable within one year, while approximately RMB30,645 million was repayable after one year.

On 13 February 2018, the Company issued zero coupon guaranteed convertible bonds with an aggregate principal amount of HK$1,990,000,000. The maturity date of the convertible bonds is 11 February 2019. The bondholder has the right to convert the principal amount of the convertible bonds into ordinary shares of HK$0.01 each of the Company at any time starting from 41 days after the closing date to seven days before the maturity date at an initial conversion price of HK$5.4463 per share. Please refer to the announcements of the Company dated 30 January 2018 and 19 February 2018 for further details.

On 17 April 2018, the Company issued senior notes at 99.204% discount in an aggregate amount of USD350 million, with a nominal interest rate of 6.95% per annum and maturity date of 17 April 2021. Please refer to the announcements of the Company dated 10 April 2018 and 18 April 2018 for further details.

On 18 April 2018, the Company as borrower and Tai Fung Bank Limited as lender entered into a facility agreement (the "Term Loan Facility Agreement") in relation to a 3-year term loan facility amounting to HK$200,000,000 (the "Term Loan Facility"). Pursuant to the Term Loan Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, to (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40 per cent. of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the Term Loan Facility are set out in the announcement of the Company dated 18 April 2018.

On 26 April 2018, Shanghai Powerlong Industrial Development Co., Ltd., a wholly-owned subsidiary of the Company, issued the first tranche of super short-term commercial paper for the year 2018 in an aggregate amount of RMB300 million, with a nominal interest rate of 6.25% per annum and maturity date of 22 January 2019. Please refer to the announcements of the Company dated 27 April 2018 for further details.

Net Gearing Ratio

As at 30 June 2018, the Group had a net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of approximately 100.4% (as at 31 December 2017: approximately 86.8%).

Borrowing Costs

Total interest expenses for the six months ended 30 June 2018 amounted to approximately RMB1,248 million (for the six months ended 30 June 2017: approximately RMB871 million), representing an increase of approximately 43.3% as compared to the corresponding period in 2017. The increase was mainly due to the increase in total borrowings of the Group during the period. The effective interest rate further decreased from approximately 6.09% in the corresponding period for 2017 to approximately 5.95% for 2018, which was due to stringent control over finance costs. The Group will continue to implement stringent control over finance costs.

Credit Policy

Trade receivables mainly arose from sales and lease of properties. Receivables in respect of sales and lease of properties are settled in accordance with the terms stipulated in the sale and purchase agreements or lease agreements.

Pledge of Assets

As at 30 June 2018, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of approximately RMB37,856 million (as at 31 December 2017: RMB33,590 million) to secure borrowings of the Group. The total secured bank and other borrowings as at 30 June 2018 amounted to approximately RMB22,995 million (as at 31 December 2017: approximately RMB18,769 million). The above senior notes are guaranteed by certain non-PRC subsidiaries and non-PRC joint ventures and secured by shares pledges of these non-PRC subsidiaries and non-PRC joint ventures.

Contingent Liabilities

As at 30 June 2018, the Group had no significant contingent liabilities.

Financial Guarantees

The face value of the financial guarantees issued by the Group is analysed as below:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**10,895,522**	11,378,429
Guarantees for borrowings of joint ventures	**240,000**	1,519,000
	11,135,522	12,897,429

Commitments

Commitments for property development expenditures

	30 June 2018 RMB'000	31 December 2017 RMB'000
Contracted but not provided for		
– Property development activities	**5,400,294**	4,132,025
– Acquisition of land use rights	**3,026,114**	46,660
	8,426,408	4,178,685

Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Not later than one year	**4,851**	5,249
Later than one year and not later than two years	**1,103**	863
Later than two years and not later than three years	**683**	102
	6,637	6,214

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. The major non-RMB financial assets or liabilities as at 30 June 2018 are the Group's borrowings denominated in US$ or HK$ totalling approximately RMB10,454 million. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pay to shareholders outside the PRC. The Group currently does not engage in hedging activities designed or used to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 June 2018, the Group did not have any material acquisition or disposal.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2018, the Group employed a total of 10,242 full-time employees (as at 31 December 2017: 9,718 employees). The total staff costs of the Group incurred during the period under review was approximately RMB592 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the pay level in the industry. In relation to staff training, the Group also provides different types of training programs for its staff to improve their skills and develop their respective expertise.

INTERIM DIVIDEND

Payment of Interim Dividend

The Board of Directors declared an interim dividend of HK$6.8 cents per ordinary share for the six months ended 30 June 2018, increased by approximately 25.9% over the corresponding period in 2017.

The interim dividend will be paid on or around Thursday, 15 November 2018 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Tuesday, 6 November 2018.

Closure of Register of Members

For the purpose of ascertaining Shareholders' entitlement to the interim dividend for the six months ended 30 June 2018, the register of members of the Company will be closed from Thursday, 1 November 2018 to Tuesday, 6 November 2018, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be qualified for the interim dividend for the six months ended 30 June 2018, all transfer documents, accompanied by the relevant share certificates, must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 31 October 2018.

Disclosure of Interests

SHARE OPTION SCHEME

Pursuant to the shareholder's resolutions of the Company passed on 16 September 2009, the Company has adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who will contribute and had contributed to the success of the Group's operations.

Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme:

   The Share Option Scheme is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group.

   The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

   (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

   (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme:

   The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of shares of the Company as the Board may determine:

   (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

   (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and

   (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. Total number of shares available for issue under the Share Option Scheme and percentage of the number of issued shares as at 30 June 2018:

   The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 400,000,000 shares (representing approximately 10.01% of the number of issued shares as at 30 June 2018).

Disclosure of Interests

4. Maximum entitlement of each participant under the Share Option Scheme:

   The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

   (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"); and

   (ii) the approval of the shareholders at general meeting and/or other requirements prescribed under the Listing Rules from time to time and in this respect, such Eligible Participant and his associates (as defined in the Listing Rules) shall abstain from voting at the meeting.

5. The period within which the options must be exercised under the Share Option Scheme to subscribe for shares:

   An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

6. The minimum period for which an option must be held before it can be exercised:

   There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid:

   Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant.

8. The basis of determining the exercise price:

   Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary share.

9. The remaining life of the Share Option Scheme:

   It will remain in force for a period of 10 years, commencing on 16 September 2009.

   Since the adoption of the Share Option Scheme and up to 30 June 2018, no options had been granted under the Share Option Scheme.

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, the interests of each Director and chief executive officer of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Long position in shares and underlying shares of the Company

	Number of ordinary shares				
Name of Directors	Personal interests	Interests of spouse	Interests of a controlled corporation	Total	Approximate percentage of interests to the issued share capital of the Company *(Note 1)*
Mr. Hoi Kin Hong	28,465,000	2,800,000	1,805,637,000 *(Note 2)*	1,836,902,000	45.95%
Mr. Hoi Wa Fong	8,988,000	503,400	578,400,000 *(Note 3)*	587,891,400	14.71%
Mr. Xiao Qing Ping	811,700	–	–	811,700	0.02%
Ms. Shih Sze Ni	503,400	587,388,000	–	587,891,400	14.71%
Mr. Zhang Hong Feng	184,300	–	–	184,300	0.01%
Ms. Hoi Wa Fan	10,211,000	–	185,927,000 *(Note 4)*	196,138,000	4.91%

Notes:

1. These percentages have been compiled based on the total number of issued shares (i.e. 3,997,303,000 shares) as at 30 June 2018.

2. These shares are held by Skylong Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Kin Hong.

3. These shares are held by Sky Infinity Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Wa Fong.

4. These shares are held by Walong Holdings Limited, which is wholly and beneficially owned by Ms. Hoi Wa Fan.

Saved as disclosed above, as at 30 June 2018, none of the Directors, chief executive officer of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2018, the interests of substantial shareholders, other than a director or chief executive officer of the Company, 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 were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares *(Note 1)*	Approximate percentage of interests in the Company *(Note 2)*
Skylong Holdings Limited *(Note 3)*	Beneficial owner	1,805,637,000	45.17%
Sky Infinity Holdings Limited *(Note 4)*	Beneficial owner	578,400,000	14.47%
Wason Holdings Limited	Beneficial owner	202,000,000	5.05%

Notes:

1. All the interests represent long positions.
2. These percentages have been compiled based on the total number of issued shares (i.e. 3,997,303,000 shares) as at 30 June 2018.
3. Skylong Holdings Limited is wholly and beneficially owned by Mr. Hoi Kin Hong.
4. Sky Infinity Holdings Limited is wholly and beneficially owned by Mr. Hoi Wa Fong.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Facility Agreement dated 20 May 2016

On 20 May 2016, the Company as borrower, certain of its subsidiaries as guarantors and Bank of China (Hong Kong) Limited, The Bank of East Asia Limited and Wing Lung Bank, Limited as lenders entered into a facility agreement (the "2016 Facility Agreement") in relation to a 3-year term loan facility of up to US$120,000,000 at an interest rate of London Interbank Offered Rate plus 4% (the "2016 Facility"). Pursuant to the 2016 Facility Agreement, it is an event of default if (i) Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, does not, or ceases to hold legally and beneficially and directly or indirectly 40% or more of all classes of the equity interests of the Company carrying any entitlement to vote; and/or (ii) Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, does not, or ceases to directly or indirectly control the Company; and/or (iii) Mr. Hoi Kin Hong or Mr. Hoi Wa Fong is not, or ceases to be, chairman of the board of directors of the Company. Details of the 2016 Facility are set out in the announcement of the Company dated 20 May 2016.

Facility Agreement dated 29 August 2017

On 29 August 2017, the Company as borrower, certain of its subsidiaries as guarantors and Bank of China (Hong Kong) Limited, Wing Lung Bank, Limited, The Bank of East Asia Limited and Tai Fung Bank Limited as lenders entered into a facility agreement (the "2017 Facility Agreement") in relation to a 3-year term loan facility in multiple currencies and tranches of up to US$200,000,000 equivalent (the "2017 Facility"). Pursuant to the 2017 Facility Agreement, it is an event of default if (i) Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, does not, or ceases to hold legally and beneficially and directly or indirectly 40% or more of all classes of the equity interests of the Company carrying any entitlement to vote; and/or (ii) Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, does not, or ceases to directly or indirectly control the Company; and/or (iii) Mr. Hoi Kin Hong or Mr. Hoi Wa Fong is not, or ceases to be, chairman of the board of directors of the Company. Details of the 2017 Facility are set out in the announcement of the Company dated 29 August 2017.

Facility Agreement dated 18 April 2018

On 18 April 2018, the Company as borrower and Tai Fung Bank Limited as lender entered into a facility agreement (the "Term Loan Facility Agreement") in relation to a 3-year term loan facility to HK$200,000,000 (the "Term Loan Facility"). Pursuant to the Term Loan Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, to (i) remain the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40%. of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the Term Loan Facility are set out in the announcement of the Company dated 18 April 2018.

Facility Agreement dated 5 July 2018

On 5 July 2018, the Company as borrower, The Hongkong and Shanghai Banking Corporation Limited as the mandated lead arranger, the bookrunner and the agent, The Bank of East Asia Limited and Tai Fung Bank Limited each as the mandated lead arranger entered into a facility agreement (the "2018 Facility Agreement") in relation to a 42-month term loan facility in an amount up to US$305,000,000 (which includes an accordion feature) or the equivalent amount in other currencies (the "2018 Facility"). Pursuant to the 2018 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40% of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the 2018 Facility Agreement are set out in the announcement of the Company dated 5 July 2018.

Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures for enhancing investor confidence in the Company and the Company's accountability. The Company reviews its corporate governance practices from time to time to ensure they comply with all applicable code provisions as set out in Appendix 14 to the Listing Rules ("CG Code") and align with the latest developments.

COMPLIANCE WITH THE CG CODE

The Directors are of the view that the Company has complied with all the applicable code provisions contained in Appendix 14 of the Listing Rules for the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made of all Directors and all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2018.

To comply with code provision A.6.4 of the CG Code, relevant employees (as defined in the Listing Rules), who are likely to be in possession of inside information of the Company or its securities due to their offices or employment, are also subject to compliance with written guidelines on securities transactions no less exacting than the Model Code.

During the six months ended 30 June 2018, no incident of non-compliance with the Model Code and the written guidelines by the Directors and the Relevant Employees was noted by the Company.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") in compliance with Rule 3.21 of Listing Rules to, amongst others, review the Group's financial information and oversee the Group's financial reporting system, risk management and internal control procedures. The Audit Committee also assists the Board and its Chairman in performing the corporate governance functions of the Company.

The Audit Committee comprises three members who are the independent non-executive Directors of the Company, namely Mr. Ngai Wai Fung, Mr. Mei Jian Ping and Mr. Ding Zu Yu. The Chairman of the Audit Committee, Mr. Ngai Wai Fung, possesses appropriate professional qualifications, accounting and related financial management expertise.

The Audit Committee has reviewed the interim report for the six months ended 30 June 2018 in conjunction with the Company's management and external auditor. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

ANNUAL GENERAL MEETING

The Chairman of the Board, most of the Directors, the Chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and the external auditor were present at the annual general meeting of the Company held on 8 June 2018.

UPDATE ON INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the update on the biographical details of the Directors is as follows:
Mr. Ngai Wai Fung tendered resignation from the office of an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee and the nomination committee of China HKBridge Holdings Limited listed on the Main Board of The Stock Exchange (stock code: 2323) on 18 April 2018.

E-House (China) Enterprise Holdings Limited (易居（中國）企業控股有限公司) ("E-House China"), of which Mr. Ding Zu Yu being the chief executive officer, was listed on the Main Board of The Stock Exchange (stock code: 2048) on 20 July 2018. He was appointed as an executive director of E-House China on 20 July 2018.

Save as disclosed above, the Company is not aware of any other information which is required to be disclosed in this report pursuant to Rule 13.51B(1) of the Listing Rules.

Condensed Consolidated Interim Balance Sheet

	Note	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
ASSETS			
Non-current assets			
Property and equipment	7	3,715,697	3,528,545
Land use rights	7	1,115,365	1,059,237
Investment properties	8	41,662,531	39,217,669
Investments accounted for using the equity method	9	3,898,032	4,187,143
Deferred income tax assets		420,877	367,842
Available-for-sale financial assets	3, 5	–	462,507
Financial assets at fair value through other comprehensive income ("FVOCI")	3, 5	401,167	–
Prepayments	10	1,719,647	1,207,135
		52,933,316	50,030,078
Current assets			
Properties under development	11	20,417,394	10,344,885
Completed properties held for sale	12	8,961,056	10,416,531
Contract assets		11,617	–
Trade and other receivables	13	13,806,328	10,193,184
Prepayments	10	2,994,653	4,149,405
Prepaid taxes		329,080	365,417
Financial assets at fair value through profit or loss		150,114	28,953
Restricted cash	14	504,104	575,538
Cash and cash equivalents	15	13,317,327	9,386,757
		60,491,673	45,460,670
Total assets		113,424,989	95,490,748
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	16	1,404,990	2,066,162
Other reserves	3, 17	630,702	656,982
Retained earnings		23,974,586	22,614,113
		26,010,278	25,337,257
Perpetual Capital Instruments	18	1,004,349	1,722,363
Non-controlling interests		3,456,789	2,414,569
Total equity		30,471,416	29,474,189

Condensed Consolidated Interim Balance Sheet

	Note	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	30,645,903	25,780,008
Deferred income tax liabilities		5,709,383	4,733,771
		36,355,286	30,513,779
Current liabilities			
Trade and other payables	21	21,177,298	17,208,103
Advances from customers		–	3,818,693
Contract liabilities	3	6,487,684	–
Current income tax liabilities		5,182,753	4,720,124
Borrowings	19	12,072,783	9,755,860
Convertible bonds	20	1,677,769	–
		46,598,287	35,502,780
Total liabilities		82,953,573	66,016,559
Total equity and liabilities		113,424,989	95,490,748

The above condensed consolidated interim balance sheet should be read in conjunction with the accompanying notes.

The Interim Financial Information on pages 20 to 62 were approved by the Board of Directors (the "Board") of the Company on 22 August 2018 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Six months ended 30 June 2018 Unaudited RMB'000	2017 Unaudited RMB'000
Revenue	6	**9,283,879**	7,631,035
Cost of sales	22	**(5,778,402)**	(4,867,477)
Gross profit		**3,505,477**	2,763,558
Fair value gains on investment properties – net	8	**1,001,637**	635,750
Selling and marketing costs	22	**(356,755)**	(254,228)
Administrative expenses	22	**(568,588)**	(482,962)
Other income and gains – net		**157,043**	71,730
Operating profit		**3,738,814**	2,733,848
Finance costs – net	23	**(591,886)**	(189,342)
Share of profit of investments accounted for using the equity method	9	**46,110**	86,721
Profit before income tax		**3,193,038**	2,631,227
Income tax expense	24	**(1,409,433)**	(1,084,184)
Profit for the period		**1,783,605**	1,547,043
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax		**–**	30,193
Currency translation differences		**3,927**	–
Items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income		**(14)**	–
Total other comprehensive income for the period, net of tax		**3,913**	30,193
Total comprehensive income for the period		**1,787,518**	1,577,236
Profit attributable to:			
Owners of the Company		**1,330,280**	1,490,321
Holders of Perpetual Capital Instruments	18	**46,316**	40,222
Non-controlling interests		**407,009**	16,500
		1,783,605	1,547,043
Total comprehensive income attributable to:			
Owners of the Company		**1,334,193**	1,520,514
Holders of Perpetual Capital Instruments	18	**46,316**	40,222
Non-controlling interests		**407,009**	16,500
		1,787,518	1,577,236
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	25		
– Basic		**33.279**	37.656
– Diluted		**31.310**	37.614

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 *(Note 16)*	Other reserves RMB'000 *(Note 17)*	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 *(Note 18)*	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2018 (Unaudited)							
Balance at 31 December 2017 as originally presented	2,066,162	656,982	22,614,113	25,337,257	1,722,363	2,414,569	29,474,189
Adjustment on adoption of HKFRS 9, net of tax *(Note 3)*	–	(30,193)	30,193	–	–	–	–
Balance as at 1 January 2018	2,066,162	626,789	22,644,306	25,337,257	1,722,363	2,414,569	29,474,189
Comprehensive income:							
Profit for the period	–	–	1,330,280	1,330,280	46,316	407,009	1,783,605
Other comprehensive income for the period							
– Changes in the fair value of financial assets at fair value through other comprehensive income	–	(14)	–	(14)	–	–	(14)
– Currency translation differences	–	3,927	–	3,927	–	–	3,927
Total comprehensive income for the period	–	3,913	1,330,280	1,334,193	46,316	407,009	1,787,518
Transactions with owners:							
– Dividends *(Note 26)*	(661,172)	–	–	(661,172)	–	–	(661,172)
– Redemption of Perpetual Capital Instruments	–	–	–	–	(690,400)	–	(690,400)
– Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(73,930)	–	(73,930)
– Transactions with non-controlling interests	–	–	–	–	–	635,701	635,701
– Disposal of a subsidiary	–	–	–	–	–	(490)	(490)
Total transactions with owners	(661,172)	–	–	(661,172)	(764,330)	635,211	(790,291)
Balance at 30 June 2018	1,404,990	630,702	23,974,586	26,010,278	1,004,349	3,456,789	30,471,416

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 *(Note 17)*	Other reserves RMB'000 *(Note 18)*	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 *(Note 19)*	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2017 (Unaudited)							
Balance at 1 January 2017	2,683,046	654,900	19,280,371	22,618,317	1,730,075	1,591,857	25,940,249
Comprehensive income:							
Profit for the period	–	–	1,490,321	1,490,321	40,222	16,500	1,547,043
Other comprehensive income for the period							
– Change in fair value of available-for-sale financial assets	–	30,193	–	30,193	–	–	30,193
Total comprehensive income for the period	–	30,193	1,490,321	1,520,514	40,222	16,500	1,577,236
Transactions with owners:							
– Dividends	(550,308)	–	–	(550,308)	–	–	(550,308)
– Share award scheme							
– Value of employee services	–	751	–	751	–	–	751
– Issuance of Perpetual Capital Instruments	–	–	–	–	469,609	–	469,609
– Redemption of Perpetual Capital Instruments	–	–	–	–	(700,000)	–	(700,000)
– Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(40,444)	–	(40,444)
– Acquisition of interest in a subsidiary	–	(6,875)	–	(6,875)	–	(193,125)	(200,000)
Total transactions with owners	(550,308)	(6,124)	–	(556,432)	(270,835)	(193,125)	(1,020,392)
Balance at 30 June 2017	2,132,738	678,969	20,770,692	23,582,399	1,499,462	1,415,232	26,497,093

The above condensed consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Cash Flows

	Note	Six months ended 30 June 2018 Unaudited RMB'000	2017 Unaudited RMB'000
Cash flows from operating activities			
Cash generated from operations		1,857,251	934,158
PRC corporate income tax paid		(450,750)	(407,924)
PRC land appreciation tax paid		(261,867)	(237,165)
Interest paid		(922,544)	(736,931)
Cash generated from/(used in) operating activities – net		222,090	(447,862)
Cash flows from investing activities			
Cash acquired from change of joint ventures to subsidiaries		4,204	–
Net proceeds from disposal of a subsidiary		(370)	–
Payments for addition of property and equipment		(300,440)	(158,345)
Payments for addition of land use rights		(71,774)	(380,660)
Payments for addition of investment properties		(1,425,261)	(353,454)
Prepayments for equity investments		(447,165)	(828,063)
Disposal of investment properties		–	41,369
Purchases of financial assets at fair value through other comprehensive income		(58,936)	–
Proceeds from disposal of equipment		7,330	131
Investments in joint ventures and associates		(63,488)	(336,256)
Cash advances made to the parties controlled by ultimate controlling shareholder		(19,815)	–
Cash advances made to joint ventures and associates		(3,831,158)	(442,910)
Collection of cash advances from joint ventures and associates		533,480	407,052
Interest received		67,696	–
Cash used in investing activities – net		(5,605,697)	(2,051,136)
Cash flows from financing activities			
Proceeds from borrowings		9,626,705	6,225,591
Repayments of borrowings		(2,816,988)	(4,249,046)
Proceeds from convertible bonds		1,609,433	–
Decrease in guarantee deposits		222,919	270,257
Capital injection by non-controlling interests		245,751	–
Cash advances from the parties controlled by ultimate controlling shareholder		251,613	285,579
Cash advance from joint ventures and associates		1,508,713	895,753
Repayments of cash advances to the parties controlled by ultimate controlling shareholder		(7,447)	–
Repayments of cash advances to joint ventures and associates		(564,083)	(492,589)
Issuance of Perpetual Capital Instruments		–	469,609
Redemption of Perpetual Capital Instruments		(690,400)	(700,000)
Distribution to the holders of Perpetual Capital Instruments		(73,930)	(40,444)
Acquisition of interest in a subsidiary		–	(200,000)
Dividends paid to owners of the Company		–	(550,308)
Cash generated from financing activities – net		9,312,286	1,914,402
Net increase/(decrease) in cash and cash equivalents		3,928,679	(584,596)
Cash and cash equivalents at beginning of the period		9,386,757	8,973,804
Effect of foreign exchange rate changes		1,891	(1,787)
Cash and cash equivalents at end of the period	15	13,317,327	8,387,421

The above condensed consolidated interim statement of cash flow should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 July 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal activity is investment holding. The Company and its subsidiaries (together, the "Group") is principally engaged in property development, property investment, property management, and other property development related services in the People's Republic of China (the "PRC").

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 14 October 2009.

This condensed consolidated interim financial information for the six months ended 30 June 2018 (the "Interim Financial Information") has been approved for issue by the Board of the Company on 22 August 2018.

The Interim Financial Information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with HKAS 34 "Interim Financial Reporting". The Interim Financial Information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except the adoption of new and amended standards and interpretation as described below.

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

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

Save for the impact of adoption of HKFRS 9 and HKFRS 15 set out in Note 3, the adoption of other new and amended standards and interpretation did not have any material impact on the Interim Financial Information.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(b) The following new and amended standards and interpretation have been issued but are not effective for the financial year beginning on or after 1 January 2018 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 16	Lease	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements	Annual Improvements to HKFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The impact of new and amended standards and interpretation above is still under assessment by the Group.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's financial information and the new accounting policies that have been first applied from 1 January 2018.

As explained in Note 3.1 and 3.2, HKFRS 9 and HKFRS 15 were adopted by the Group without restating comparative information. As a result of the changes in the Group's accounting policies certain reclassifications and adjustments are therefore not reflected in the balance statement as at 31 December 2017, but are recognised in the opening balance statement on 1 January 2018.

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.

3 CHANGES IN ACCOUNTING POLICIES (continued)

Condensed consolidated interim balance sheet (extract)	31 December 2017 As originally presented RMB'000	HKFRS 9 RMB'000	HKFRS 15 RMB'000	1 January 2018 Restated RMB'000
Non-current assets				
FVOCI	–	342,250	–	342,250
Available-for-sale financial assets *(Note 3.1(a))*	462,507	(462,507)	–	–
Current assets				
Financial assets at fair value through profit or loss *(Note 3.1(a))*	28,953	120,257	–	149,210
Current liabilities				
Advances from customers	3,818,693	–	(3,818,693)	–
Contract liabilities	–	–	3,818,693	3,818,693
Equity				
Retained earnings	22,614,113	30,193	–	22,644,306
Other reserves	656,982	(30,193)	–	626,789

3 CHANGES IN ACCOUNTING POLICIES (continued)

3.1 Adoption of HKFRS 9

(a) Impact of adoption

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 measurement categories including 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 Group held certain equity investments in unlisted companies totalling RMB462,507,000 which were classified as available-for-sale financial assets as at 31 December 2017. Included in this investment portfolio, there was an investment of RMB120,257,000 made to a real estate agency company which got listed in the Stock Exchange in July 2018. The Group might not hold this investment for long-term and thus has classified it as financial assets at fair value through profit or loss as at 1 January 2018 and the corresponding accumulated fair value gain of this investment amounting to RMB30,193,000 was reclassified from other reserves to retained earnings as at 1 January 2018. The other investments totalling RMB342,250,000 were classified as financial assets at fair value through other comprehensive income as at 1 January 2018 because these investments were held as long-term strategic investments that were not expected to be sold in the short to medium term.

HKFRS 9 requires an impairment on trade and other receivables and contract assets that are not accounted for at fair value through profit or loss to be recorded based on an expected credit loss model either on a 12-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables and contract assets. The Group applied general approach and recorded either 12-month expected credit losses or lifetime expected credit losses on its other receivables.

3 CHANGES IN ACCOUNTING POLICIES (continued)

3.1 Adoption of HKFRS 9 (continued)

(b) Summary of significant accounting policies

The following describes the Group's updated financial instruments policy to reflect the adoption of HKFRS 9:

Classification

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 entity'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.

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. The Group categories its debt instruments as amortised cost, which 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 investments

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 accounts. Dividends from such investments continue to be recognised in profit or loss accounts 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 income and gains – net' in profit or loss accounts 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.

3 CHANGES IN ACCOUNTING POLICIES (continued)

3.1 Adoption of HKFRS 9 (continued)

(b) Summary of significant accounting policies (continued)

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets 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.

Impairment on other receivables is 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.

3.2 Adoption of HKFRS 15

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. The new accounting policies are set out in Note 3.2 (b) below.

(a) Impact of adoption

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, referred to as open contracts, thus the comparative figures have not been restated.

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

Presentation of contract liabilities

Contract liabilities for progress billing recognised in relation to property development activities were previously presented as advanced proceeds received from customers.

3 CHANGES IN ACCOUNTING POLICIES (continued)

3.2 Adoption of HKFRS 15 (continued)

(a) Impact of adoption (continued)

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, when the properties that have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are 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.

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract assets.

Accounting for significant financing component

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

Management has assessed the current sale agreements used by the Group in accordance with HKFRS 15 and is of the view that the criteria for recognising revenue over time are not met for the majority of the sales of properties.

(b) Summary of significant accounting policies

The following describes the Group's updated revenue from contracts with customers' policy to reflect the adoption of HKFRS 15:

Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

3 CHANGES IN ACCOUNTING POLICIES (continued)

3.2 Adoption of HKFRS 15 (continued)

(b) Summary of significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and rendering of services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

(i) Sales of properties

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 transfer 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.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

In determine the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

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 purchaser 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.

3 CHANGES IN ACCOUNTING POLICIES (continued)

3.2 Adoption of HKFRS 15 (continued)

(b) Summary of significant accounting policies (continued)

Revenue recognition (continued)

(ii) *Investment and operation of commercial properties*

Revenues from investment and operation of commercial properties mainly include property lease income and revenues from hotel operations.

Property lease income

Property lease income from properties letting under operating leases is recognised on a straight line basis over the term of the lease.

Hotel operations

Revenues from hotel operations are recognised in the accounting period in which the related services are rendered.

(iii) *Property management*

Revenues from rendering of property management services are recognised in the accounting period in which the related services are rendered.

3.3 Convertible bonds

Convertible bonds issued by the Company includes debt, early redemption option and conversion option components.

At the date of issue, the debt, early redemption option and conversion option components are recognised at fair value. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The early redemption option and conversion option components are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt, early redemption option and conversion option components in proportion to their relative fair values. Transaction costs relating to the early redemption option and conversion option components are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

4 ESTIMATES

The preparation of the 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 the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2017, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The 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 as at 31 December 2017.

There have been no changes in the risk management department or in any risk management policies since year end.

5.2 Fair value estimation

The different levels of fair value estimation 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).

5 FINANCIAL RISK MANAGEMENT (continued)

5.2 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 30 June 2018 and 31 December 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2018				
Financial assets:				
– Financial assets at fair value through profit or loss	**31,064**	**–**	**119,050**	**150,114**
– Financial assets at fair value through other comprehensive income	**–**	**–**	**401,167**	**401,167**
Total	**31,064**	**–**	**520,217**	**551,281**
At 31 December 2017				
Financial assets:				
– Financial assets at fair value through profit or loss	28,953	–	–	28,953
– Available-for-sale financial assets	–	–	462,507	462,507
Total	28,953	–	462,507	491,460

There were no transfers between levels during the period. There was no significant financial liabilities measured at fair value as at 30 June 2018 (31 December 2017: nil).

The Group measures the fair value of the equity interests in these unlisted securities by using present value techniques of income approach.

The maximum exposure to credit risk at the reporting date is the carrying value of FVOCI as at 30 June 2018. There are no commitment or contingent liabilities relating to the Group's interests in these investments.

These financial assets were not past due or impaired as at 30 June 2018 and 31 December 2017.

6 SEGMENT INFORMATION

The executive directors, as the chief operating decision-makers ("CODM") of the Group review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management services and other property development related services. As the CODM consider most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

Segment results represent profit earned by each segment without unallocated operating costs, other income and gains, finance costs, share of profit of investments accounted for using the equity method and income tax expense. Property management services comprise mainly of provision of property management services and rental assistance services. Other property development related services are mainly operations of hotels.

The segment results and other segment items for the six months ended 30 June 2018 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	7,915,627	464,717	637,442	308,854	–	9,326,640
Inter-segment revenue	–	–	(42,761)	–	–	(42,761)
Revenue	7,915,627	464,717	594,681	308,854	–	9,283,879
Segment results	2,564,850	1,270,981	132,248	(83,390)	–	3,884,689
Unallocated operating costs						(302,918)
Other income and gains – net						157,043
Finance costs – net *(Note 23)*						(591,886)
Share of profit of investments accounted for using the equity method *(Note 9)*						46,110
Profit before income tax						3,193,038
Income tax expense						(1,409,433)
Profit for the period						1,783,605
Depreciation and amortisation recognised as expenses *(Note 7)*	25,032	–	4,407	73,555	–	102,994
Fair value gains on investment properties – net *(Note 8)*	–	1,001,637	–	–	–	1,001,637

Notes to the Condensed Consolidated Interim Financial Information

6 SEGMENT INFORMATION (continued)

The segment results and other segment items for the six months ended 30 June 2017 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	6,543,749	413,497	469,802	236,642	–	7,663,690
Inter-segment revenue	–	–	(32,655)	–	–	(32,655)
Revenue	6,543,749	413,497	437,147	236,642	–	7,631,035
Segment results	2,032,434	866,646	50,276	(73,282)	–	2,876,074
Unallocated operating costs						(213,956)
Other income and gains – net						71,730
Finance costs – net *(Note 23)*						(189,342)
Share of profit of investments accounted for using the equity method *(Note 9)*						86,721
Profit before income tax						2,631,227
Income tax expense						(1,084,184)
Profit for the period						1,547,043
Depreciation and amortisation recognised as expenses *(Note 7)*	19,572	–	2,473	69,146	–	91,191
Fair value gains on investment properties – net *(Note 8)*	–	635,750	–	–	–	635,750

Notes to the Condensed Consolidated Interim Financial Information

6 SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 30 June 2018 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	52,632,135	44,159,995	1,378,171	4,602,747	(5,308,677)	97,464,371
Other assets						15,960,618
Total assets						113,424,989
Segment liabilities	20,414,729	2,231,905	1,115,561	3,841,162	(5,308,677)	22,294,680
Other liabilities						60,658,893
Total liabilities						82,953,573
Capital expenditure	250,973	1,571,430	1,062	100,031	–	1,923,496
Interest in joint ventures						3,278,810
Interest in associates						619,222

Segment assets and liabilities as at 31 December 2017 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	41,737,622	40,820,717	1,156,859	4,331,461	(4,567,727)	83,478,932
Other assets						12,011,816
Total assets						95,490,748
Segment liabilities	14,165,947	2,038,247	1,022,212	3,591,986	(4,567,727)	16,250,665
Other liabilities						49,765,894
Total liabilities						66,016,559
Capital expenditure	493,579	1,929,245	33,083	307,145	–	2,763,052
Interest in joint ventures						3,602,736
Interest in associates						584,407

6 SEGMENT INFORMATION (continued)

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the condensed consolidated interim balance sheet. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, contract assets, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment, land use rights and investment properties.

7 PROPERTY AND EQUIPMENT AND LAND USE RIGHTS

	Property and equipment RMB'000	Land use rights RMB'000
Six months ended 30 June 2018		
Opening net book amounts as at 1 January 2018	**3,528,545**	**1,059,237**
Additions	**280,292**	**71,774**
Consolidations of entities previously held as joint ventures	**1,538**	**–**
Disposals	**(7,330)**	**–**
Depreciation/amortisation charges	**(87,348)**	**(15,646)**
Closing net book amounts as at 30 June 2018	**3,715,697**	**1,115,365**
Six months ended 30 June 2017		
Opening net book amounts as at 1 January 2017	2,797,942	1,050,746
Additions	157,752	–
Disposals	(131)	–
Depreciation/amortisation charges	(75,573)	(15,618)
Closing net book amounts as at 30 June 2017	2,879,990	1,035,128

As at 30 June 2018, properties with net book amounts totalling RMB1,867,532,000 (31 December 2017: RMB1,651,966,000) and land use rights of RMB638,757,000 (31 December 2017: RMB624,327,000) were pledged as collateral for the Group's borrowings (Note 19).

7 PROPERTY AND EQUIPMENT AND LAND USE RIGHTS (continued)

The capitalisation rate of borrowings for the six months ended 30 June 2018 was 5.88% (six months ended 30 June 2017: 5.17%).

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

8 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Six months ended 30 June 2018			
Opening amount as at 1 January 2018	**34,145,966**	**5,071,703**	**39,217,669**
Additions	**291,457**	**1,279,973**	**1,571,430**
Transfers	**108,648**	**(108,648)**	**–**
Transfers to completed properties held for sale – net	**(128,205)**	**–**	**(128,205)**
Fair value gains – net	**938,726**	**62,911**	**1,001,637**
Closing amount as at 30 June 2018	**35,356,592**	**6,305,939**	**41,662,531**
Six months ended 30 June 2017			
Opening amount as at 1 January 2017	31,157,718	3,195,679	34,353,397
Additions	4,171	741,866	746,037
Transfers from completed properties held for sale	406,433	–	406,433
Fair value gains – net	432,976	202,774	635,750
Disposals	(30,837)	–	(30,837)
Closing amount as at 30 June 2017	31,970,461	4,140,319	36,110,780

Investment properties as at 30 June 2018 are held in the PRC on leases between 10 to 50 years (31 December 2017: same).

The capitalisation rate of borrowings for the six months ended 30 June 2018 was 5.88% (six months ended 30 June 2017: 5.17%).

As at 30 June 2018, investment properties of RMB25,636,134,000 (31 December 2017: RMB23,230,787,000) were pledged as collateral for the Group's borrowings (Note 19).

8 INVESTMENT PROPERTIES (continued)

(i) Valuation processes of the Group

The Group's certain investment properties were valued at 30 June 2018 by the valuer. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

(ii) Valuation techniques

The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Completed investment properties comprise commercial properties and carparks. For commercial properties, fair values are generally derived using the term and reversion method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversion yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversion yields are derived from analysis prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. For carparks, valuations are determined using the direct comparison methods. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, locations, etc.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

There were no changes to the valuation techniques during the period.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

There was no associate nor joint venture of the Group as at 30 June 2018 which, in the opinion of the executive directors, was material to the Group. For those individually immaterial associates and joint ventures that are accounted for using the equity method, amounts recognised in the condensed consolidated interim balance sheet and the condensed consolidated interim statement of comprehensive income are set out as below:

Amounts recognised in the condensed consolidated interim balance sheet

	30 June 2018 RMB'000	31 December 2017 RMB'000
Investments accounted for using the equity method:		
– Joint ventures	**3,278,810**	3,602,736
– Associates	**619,222**	584,407
	3,898,032	4,187,143

Amounts recognised in the condensed consolidated interim statement of comprehensive income

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Share of net profit of associates and joint ventures accounted for using the equity method:		
– Joint ventures	**61,295**	119,448
– Associates	**(15,185)**	(32,727)
	46,110	86,721

10 PREPAYMENTS

	30 June 2018 RMB'000	31 December 2017 RMB'000
Current portion		
Acquisition of land use rights *(Note (a))*	2,912,328	4,011,838
Construction materials – third parties	82,325	137,567
	2,994,653	4,149,405
Non-current portion		
Investments in property development projects *(Note(b))*	1,719,647	1,207,135
	4,714,300	5,356,540

(a) Payments on land acquisitions were made in accordance with the payment terms as stipulated in the land acquisition contracts. The relevant land use rights certificates have not been obtained as at 30 June 2018. The land acquisition costs which are contracted but not provided for are included in commitments (Note 28 (a)).

(b) Amounts represent prepayments for investments in certain property development projects which are in the progress of set-up.

11 PROPERTIES UNDER DEVELOPMENT

	30 June 2018 RMB'000	31 December 2017 RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	4,425,414	3,176,356
– Interests capitalised	2,754,796	1,788,077
– Land use rights	13,237,184	5,380,452
	20,417,394	10,344,885
Land use rights:		
Outside Hong Kong, held on leases of		
– Over 50 years	7,510,981	1,630,565
– Between 10 to 50 years	5,726,203	3,749,887
	13,237,184	5,380,452

The properties under development are all located in the PRC and expected to be completed within an operating cycle, most of which are expected to be completed within 12 months.

11 PROPERTIES UNDER DEVELOPMENT (continued)

As at 30 June 2018, properties under development of approximately RMB7,370,951,000 (31 December 2017: RMB4,630,753,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2018 was 5.88% (six months ended 30 June 2017: 5.17%).

12 COMPLETED PROPERTIES HELD FOR SALE

The completed properties held for sale are all located in the PRC.

As at 30 June 2018, completed properties held for sale of approximately RMB2,253,607,000 (31 December 2017: RMB3,140,347,000) were pledged as collateral for the Group's borrowings (Note 19).

13 TRADE AND OTHER RECEIVABLES

	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade receivables – third parties *(Note (a))*	1,559,785	1,482,931
Less: provision for impairment of trade receivables *(Note (a))*	(25,601)	(25,474)
Trade receivables – net	1,534,184	1,457,457
Deposits for acquisition of land use rights	271,740	138,000
Other receivables	12,000,404	8,597,727
– Related parties *(Note 29 (c))*	7,914,040	5,818,063
– Third parties	4,086,364	2,779,664
	13,806,328	10,193,184

(a) The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts.

	30 June 2018 RMB'000	31 December 2017 RMB'000
Not due	1,469,149	1,436,905
Overdue	90,636	46,026
	1,559,785	1,482,931

13 TRADE AND OTHER RECEIVABLES (continued)

(a) (continued)

As at 30 June 2018 and 31 December 2017, the ageing analysis of the overdue trade receivables of the Group was as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 180 days	**64,443**	16,203
180 days to 365 days	**9,993**	16,576
Over 365 days	**16,200**	13,247
	90,636	46,026

As at 30 June 2018, trade receivables of RMB59,430,000 (31 December 2017: RMB14,016,000) were past due but not impaired. As the Group normally holds collateral of the properties before collection of the outstanding balances, the Group considers that the past due trade receivables would be recovered and no provision was made.

As at 30 June 2018, trade receivables of RMB31,206,000 were past due and impaired (31 December 2017: RMB32,010,000) and a provision of RMB25,601,000 has been made (31 December 2017: RMB25,474,000). The individually impaired receivables mainly related to certain lessees of the Group's investment properties, which were in unexpectedly difficult economic situations.

Movements on the provision for impairment of trade receivables are as follows:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
At 1 January	**25,474**	20,945
Provision for impairment of trade receivables	**2,705**	795
Receivables written off during the period as uncollectible	**(2,578)**	(1,327)
At 30 June	**25,601**	20,413

(b) The Group's trade and other receivables are mainly denominated in RMB.

Amounts due from the joint ventures of approximately RMB1,718,811,000 (31 December 2017: RMB2,100,013,000) are bearing interest at average rate of 6.10% per annum (31 December 2017: 6.30% per annum), unsecured and with fixed repayment terms (Note 29 (c)(ii)).

Other receivables from third parties mainly consist of deposits for construction projects and amounts due from the other shareholders of certain subsidiaries of the Group for various payments on their behalf.

Except for those disclosed in Note 13 (a), no material trade and other receivables were impaired or past due as at 30 June 2018 and 31 December 2017.

13 TRADE AND OTHER RECEIVABLES (continued)

(c) As at 30 June 2018 and 31 December 2017, the fair value of trade and other receivables approximated their carrying amounts. The maximum exposure to credit risk of the trade and other receivables at the reporting date was the carrying value of each class of receivables.

14 RESTRICTED CASH

	30 June 2018 RMB'000	31 December 2017 RMB'000
Guarantee deposits for construction projects *(Note (a))*	356,080	210,740
Guarantee deposits for bank acceptance notes	–	24,482
Guarantee deposits for bank borrowings *(Note (b))*	89,081	312,000
Others	58,943	28,316
	504,104	575,538
Denominated in		
– RMB	502,039	573,503
– HK$	1,997	1,972
– US$	68	63
	504,104	575,538

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for construction of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of construction of the related pre-sold properties.

(b) As at 30 June 2018, the Group placed cash deposits of approximately RMB89,081,000 (31 December 2017: RMB312,000,000) with designated banks as security for bank borrowings (Note 19).

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

15 CASH AND CASH EQUIVALENTS

	30 June 2018 RMB'000	31 December 2017 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	**13,265,374**	9,090,038
– Denominated in US$	**40,375**	111,298
– Denominated in HK$	**11,578**	185,421
	13,317,327	9,386,757

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

16 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Total RMB'000
Authorised:					
At 1 January 2018 and 30 June 2018	30,000,000,000				
Issued and fully paid:					
As at 1 January 2018	3,997,303,000	35,486	2,030,676	–	2,066,162
Dividends	–	–	(661,172)	–	(661,172)
As at 30 June 2018	3,997,303,000	35,486	1,369,504	–	1,404,990
As at 1 January 2017	3,997,303,000	35,486	2,726,786	(79,226)	2,683,046
Dividends	–	–	(550,308)	–	(550,308)
As at 30 June 2017	3,997,303,000	35,486	2,176,478	(79,226)	2,132,738

17 OTHER RESERVES

	Merger reserve RMB'000 (Note (a))	Other reserves RMB'000 (Note (b))	Statutory reserves RMB'000 (Note (c))	Share-based compensation reserves RMB'000	Revaluation reserves RMB'000 (Note (d))	Transaction with non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	**337,203**	**(46,451)**	**56,696**	**–**	**277,735**	**1,606**	**626,789**
Revaluation – net of tax	**–**	**–**	**–**	**–**	**(14)**	**–**	**(14)**
Currency translation differences	**–**	**3,927**	**–**	**–**	**–**	**–**	**3,927**
At 30 June 2018	**337,203**	**(42,524)**	**56,696**	**–**	**277,721**	**1,606**	**630,702**
At 1 January 2017	337,203	–	53,686	7,988	247,542	8,481	654,900
Revaluation – net of tax	–	–	–	–	30,193	–	30,193
Acquisition of interest in a subsidiary	–	–	–	–	–	(6,875)	(6,875)
Share award scheme	–	–	–	751	–	–	751
At 30 June 2017	337,203	–	53,686	8,739	277,735	1,606	678,969

(a) Merger reserve

Merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

(b) Other reserves

Other reserves represents currency translation differences.

(c) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to equity owners in form of bonus issue.

17 OTHER RESERVES (continued)

(d) Revaluation reserves

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Items that may be reclassified to profit or loss:		
Fair value gains on available-for-sale financial assets – gross	**–**	40,257
Tax charge – deferred income tax	**–**	(10,064)
Items that will not be reclassified to profit or loss:		
Fair value losses on FVOCI – gross	**(19)**	–
Tax charge – deferred income tax	**5**	–
Total other comprehensive income – net of tax	**(14)**	30,193

18 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	**Distribution RMB'000**	**Total RMB'000**
Balance as at 1 January 2018	**1,690,400**	**31,963**	**1,722,363**
Redemption of Perpetual Capital Instruments	**(690,400)**	**–**	**(690,400)**
Profit attributable to holders of Perpetual Capital Instruments	**–**	**46,316**	**46,316**
Distribution to holders of Perpetual Capital Instruments	**–**	**(73,930)**	**(73,930)**
Balance as at 30 June 2018	**1,000,000**	**4,349**	**1,004,349**

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Balance as at 1 January 2017	1,700,000	30,075	1,730,075
Issuance of Perpetual Capital Instruments	469,609	–	469,609
Redemption of Perpetual Capital Instruments	(700,000)	–	(700,000)
Profit attributable to holders of Perpetual Capital Instruments	–	40,222	40,222
Distribution to holders of Perpetual Capital Instruments	–	(40,444)	(40,444)
Balance as at 30 June 2017	1,469,609	29,853	1,499,462

Perpetual Capital Instruments do not have a 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 as part of equity in the consolidated balance sheet.

19 BORROWINGS

	30 June 2018 RMB'000	31 December 2017 RMB'000
Borrowings included in non-current liabilities:		
Senior notes	**7,961,476**	5,566,933
– due April 2021 ("2021 Notes") *(Note (a))*	**2,300,578**	–
– due September 2021	**1,309,977**	1,285,452
– due July 2020	**2,012,672**	1,975,170
– due November 2018	**2,338,249**	2,306,311
Corporate bonds	**11,461,789**	11,546,494
Bank borrowings – secured *(Note (b))*	**18,266,959**	13,421,920
Other borrowings – secured *(Note (c))*	**2,490,927**	2,737,751
Less: amounts due within one year	**(9,535,248)**	(7,493,090)
	30,645,903	25,780,008
Borrowings included in current liabilities:		
Short-term commercial papers	**300,000**	–
Bank borrowings – secured *(Note (b))*	**2,237,535**	2,262,770
Current portion of long-term borrowings	**9,535,248**	7,493,090
	12,072,783	9,755,860
Total borrowings	**42,718,686**	35,535,868

(a) 2021 Notes

On 17 April 2018, the Company issued 6.95%, three years senior notes, with an aggregated nominal value of US$350,000,000 at 99.204% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US$342,300,000 (equivalent to approximately RMB2,158,882,000). The 2021 Notes are denominated in US$.

The above senior notes are guaranteed by certain subsidiaries and non-PRC joint ventures and secured by pledges of the shares of these subsidiaries and non-PRC joint ventures.

(b) Bank borrowings – secured

As at 30 June 2018, borrowings of RMB20,504,494,000 (31 December 2017: RMB15,684,690,000) were secured by certain property and equipment and land use rights (Note 7), investment properties (Note 8), properties under development (Note 11), completed properties held for sale (Note 12) and restricted cash (Note 14); secured bank and other borrowings of RMB2,009,356,000 (31 December 2017: RMB2,399,356,000) were additionally guaranteed by certain related parties (Note 29 (b)(iii)).

(c) Other borrowings – secured

As at 30 June 2018, borrowings from other non-bank financial institutions of RMB2,490,927,000 (31 December 2017: RMB2,737,751,000) were secured by certain property and equipment and land use rights (Note 7), investment properties (Note 8), properties under development (Note 11) and completed properties held for sale (Note 12).

20 CONVERTIBLE BONDS

On 13 February 2018, the Company issued convertible bonds with a zero coupon rate with an initial conversion price of HK$5.4463 each in an aggregate principal amount of HK$1,990,000,000 (the "Convertible Bonds"). The Convertible Bonds are denominated in HK$. The estimated net proceeds from the subscription of the Convertible Bonds, after deduction of commission and expenses, amounted to approximately HK$1,964,000,000 (equivalent to approximately RMB1,589,328,000).

The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the Convertible Bonds and maturity date on 11 February 2019 (the "Conversion Option"). If the Convertible Bonds have not been converted, they will be redeemed on 11 February 2019 on the face value with 2.75% yield to maturity.

The Conversion Option is not closely related to the host debt and is classified as a derivative liability. As at 30 June 2018, the carrying amount of the host debt was RMB1,677,769,000 and the fair value of the conversion option was zero.

21 TRADE AND OTHER PAYABLES

	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade payables	**6,750,115**	7,156,449
– Related parties *(Note 29 (c))*	**11,215**	18,839
– Third parties	**6,697,392**	7,107,328
– Notes payable – third parties	**41,508**	30,282
Other payables and accruals	**12,324,698**	8,580,273
– Related parties *(Note 29 (c))*	**5,697,395**	4,508,599
– Third parties	**6,627,303**	4,071,674
Payables for retention fee	**798,838**	697,633
Payables for acquisition of land use rights	**108,579**	261,286
Other taxes payable	**533,896**	512,462
Dividend payables to owners of the Company	**661,172**	–
	21,177,298	17,208,103

(a) As at 30 June 2018 and 31 December 2017, the ageing analysis of trade payables of the Group based on invoice date was as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 90 days	**1,681,665**	4,525,782
Over 90 days and within 180 days	**3,235,743**	804,875
Over 180 days and within 365 days	**830,714**	955,536
Over 365 days and within 3 years	**1,001,993**	870,256
	6,750,115	7,156,449

(b) Other payables and accruals mainly included deposits from property purchasers and current accounts due to other shareholders of certain subsidiaries of the Group. These amounts are interest-free, unsecured and repayable on demand.

(c) The Group's trade and other payables are mainly denominated in RMB.

22 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cost of properties sold (including construction costs, land costs and interests capitalised)	**4,902,829**	4,043,853
Staff costs (including directors' emoluments)	**536,164**	517,202
Hotel operation expenses	**159,408**	155,099
Advertising costs	**185,876**	146,245
Property management fees	**181,211**	132,408
Business taxes and other levies	**90,230**	118,133
Depreciation and amortisation *(Note 7)*	**102,994**	91,191
Donations to governmental charity	**48,470**	32,777
Office lease payments	**2,466**	2,546
Auditor's remuneration – audit services	**2,000**	2,000

23 FINANCE COSTS – NET

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest expense:	**1,248,185**	871,123
– Senior notes	**239,351**	123,340
– Corporate bonds	**354,227**	393,065
– Short-term commercial papers	**3,333**	–
– Bank and other borrowings	**634,646**	354,718
– Convertible Bonds	**16,628**	–
Less: interests capitalised	**(850,700)**	(583,456)
	397,485	287,667
Foreign exchange differences on financing activities:		
Foreign exchange losses/(gains) on financing activities – net	**306,164**	(98,325)
Less: foreign exchange differences capitalised	**(111,763)**	–
	194,401	(98,325)
Finance costs – net	**591,886**	189,342

24 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current income tax:		
– PRC corporate income tax	**639,098**	567,678
– PRC land appreciation tax	**602,017**	404,980
	1,241,115	972,658
Deferred income tax:		
– PRC corporate income tax	**180,813**	111,526
– PRC land appreciation tax	**(12,495)**	–
	168,318	111,526
	1,409,433	1,084,184

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in the PRC ("PRC subsidiaries") is 25% according to the Corporate Income Tax Law of the People's Republic of China effective on 1 January 2008.

According to the Corporate Income Tax Law and Implementation Rules, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax ("LAT")

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

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

24 INCOME TAX EXPENSE (continued)

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Group's direct subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the Interim Financial Information as the Group did not have assessable profit in Hong Kong for the period. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

25 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period (excluding ordinary shares purchased by the Group and held for the share award scheme for the six months ended 30 June 2017).

	Six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**1,330,280**	1,490,321
Weighted average number of ordinary shares in issue (thousand shares)	**3,997,303**	3,957,753
Basic earnings per share (RMB cents per share)	**33.279**	37.656

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Profit attributable to owners of the Company

	Six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company (RMB'000):		
Used in calculating basic earnings per share	**1,330,280**	1,490,321
Add: interest expense on Convertible Bonds	**16,628**	–
Used in calculating diluted earnings per share	**1,346,908**	1,490,321

25 EARNINGS PER SHARE (continued)

(b) Diluted (continued)

Weighted average number of ordinary shares

	Six months ended 30 June	
	2018	2017
Weighted average number of ordinary shares and potential ordinary shares (thousand shares):		
Used in calculating basic earnings per share	**3,997,303**	3,957,753
Adjustments:		
– Convertible Bonds	**304,488**	–
– awarded shares under share awarded scheme	**–**	4,418
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	**4,301,791**	3,962,171
Diluted earnings per share (RMB cents per share)	**31.310**	37.614

Convertible Bonds issued during the period are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The Convertible Bonds have not been included in the determination of basic earnings per share.

26 DIVIDENDS

On 22 August 2018, the Company declared an interim dividend of HK$6.8 cents per ordinary share in form of cash for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$5.4 cents per ordinary share). Total amount of interim dividend would be HK$271,817,000 (equivalent to RMB229,169,000) which was calculated according to the number of ordinary shares in issue as of 30 June 2018. This interim dividend has not been recognised as liabilities in this interim financial information.

The 2017 final cash dividend amounting to HK$783,471,000 (equivalent to RMB661,172,000) (2016: RMB556,802,000) was approved by the annual general meeting of the Company held on 8 June 2018 and was paid on 12 July 2018.

27 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties *(Note (a))*	**10,895,522**	11,378,429
Guarantees for borrowings of joint ventures *(Note (b))*	**240,000**	1,519,000
	11,135,522	12,897,429

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying 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 dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is 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 the fair value of these financial guarantees is immaterial.

(b) Amounts represent guarantees provided for the borrowings of the Group's joint ventures. The Directors consider that the fair value of these contracts at the date of inception was minimal, the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

28 COMMITMENTS

(a) Commitments for property development expenditures

	30 June 2018 RMB'000	31 December 2017 RMB'000
Contracted but not provided for		
– Property development activities	**5,400,294**	4,132,025
– Acquisition of land use rights	**3,026,114**	46,660
	8,426,408	4,178,685

28 COMMITMENTS (continued)

(b) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
– Not later than one year	**4,851**	5,249
– Later than one year and not later than two years	**1,103**	863
– Later than two years and not later than three years	**683**	102
	6,637	6,214

29 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Group (incorporated in the Cayman Islands)
The Controlling Shareholders, including Mr. Hoi Kin Hong, Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	Ultimate controlling shareholders of the Company, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also directors of the Company
Sky Infinity Holdings Limited	Shareholder of the Company and fully owned subsidiary of Mr. Hoi Wa Fong
Powerlong Group Development Co., Ltd. 寶龍集團發展有限公司	Controlled by the ultimately controlling shareholders
Macau Powerlong Group 澳門寶龍集團發展有限公司	Controlled by the ultimately controlling shareholders
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Controlled by the ultimately controlling shareholders
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Controlled by the ultimately controlling shareholders
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Controlled by the ultimately controlling shareholders
Great Merchant Limited 弘商有限公司	Controlled by the ultimately controlling shareholders
Tianjin Powerlong Jinjun Real Estate Co., Ltd. 天津寶龍金駿房地產開發有限公司	Joint venture of the Group
Hangzhou Xiaoshan Powerlong Property Co., Ltd. 杭州蕭山寶龍置業有限公司	Joint venture of the Group
Baohui Real Estate (Hong Kong) Holdings Limited 寶匯地產(香港)控股有限公司	Joint venture of the Group
Shanghai Xingwan Property Co., Ltd. 上海興萬置業有限公司	Joint venture of the Group

29 RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship with related parties (continued)

Name	Relationship
Shanghai Xuting Property Co., Ltd. 上海旭亭置業有限公司	Joint venture of the Group
Powerlong Golden Wheel Coral Company Limited 寶龍金輪珊瑚有限公司	Joint venture of the Group
Tianjin Shunji Real Estate Development Co., Ltd. 天津順集置業有限公司	Joint venture of the Group
Tianjin Binhui Real Estate Development Co., Ltd. 天津濱輝置業有限公司	Joint venture of the Group
Nanjing Baomao Real Estate Development Co., Ltd. 南京寶茂置業有限公司	Joint venture of the Group
Zhejiang Zhoushan Zhongzhou Real Estate Development Co., Ltd. 浙江舟山中軸置業有限公司	Joint venture of the Group
Ningbo Powerlong Huafeng Real Estate Development Co., Ltd. 寧波寶龍華灃置業發展有限公司	Joint venture of the Group
Hangzhou Donghui Real Estate Co., Ltd. 杭州東輝置業有限公司	Joint venture of the Group
Shanghai Baozhan Real Estate Development Co., Ltd. 上海寶展房地產開發有限公司	Joint venture of the Group
Nanjing Weirun Real Estate Development Co., Ltd. 南京威潤房地產開發有限公司	Joint venture of the Group
Hangzhou Zhanxiang Industrial Co., Ltd. 杭州展驤實業有限公司	Joint venture of the Group
Hangzhou Maohui Business Consulting Co., Ltd. 杭州茂輝商務諮詢有限公司	Joint venture of the Group
Ningbo Youngor New Longland Real Estate Development Co., Ltd. 寧波雅戈爾新長島置業有限公司	Joint venture of the Group
Shanghai Mijie Property Management Co., Ltd. 上海芈傑企業管理有限公司	Joint venture of the Group
Ningbo Youngor North City Real Estate Development Co., Ltd. 寧波雅戈爾北城置業有限公司	Joint venture of the Group
Tianjin Yujing City Real Estate Development Co., Ltd. 天津愉景城置業有限公司	Joint venture of the Group
Shanghai Xiafeng Property Management Co., Ltd. 上海夏鋒企業管理有限公司	Joint venture of the Group
Quanzhou Shimao New Miles Real Estate Development Co., Ltd. 泉州世茂新里程置業有限公司	Joint venture of the Group

29 RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship with related parties (continued)

Name	Relationship
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	Associate of the Group
Suzhou Macalline Real Estate Co., Ltd 蘇州紅星美凱龍房地產開發有限公司	Associate of the Group
Shanghai Hukang Property Management Co., Ltd. 上海湖康企業管理有限公司	Associate of the Group
Jinhua Ruilin Real Estate Development Co., Ltd. 金華市瑞麟房地產開發有限公司	Associate of the Group
Zhenjiang Hengrun Real Estate Development Co., Ltd. 鎮江恒潤房地產開發有限公司	Associate of the Group
Wenzhou Wanju Real Estate Development Co., Ltd. 溫州萬聚置業有限公司	Associate of the Group

(b) Transactions with related parties

(i) During the six months ended 30 June 2018 and 2017, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Nature of transactions		
Controlled by the ultimate controlling shareholder		
Rental income	**1,879**	1,566
Property management fee income	**64**	386
Purchase of office equipment and security intelligentisation system services from related parties	**6,084**	20,559
Hotel accommodation service fee charged by a related party	**384**	47
Joint ventures		
Sales of construction materials to joint ventures	**18,272**	18,222
Interest income from joint venture	**51,982**	30,208
Consultation services provided to joint ventures	**1,190**	4,347

The above transactions were charged in accordance with the terms of the underlying agreements.

29 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

(ii) The Group have provided guarantees for borrowings of certain joint ventures of RMB240,000,000 as at 30 June 2018 (31 December 2017: RMB1,519,000,000) (Note 27).

(iii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB2,009,356,000 at 30 June 2018 (31 December 2017: RMB2,399,356,000) (Note 19 (b)).

(iv) In the opinion of the Directors, the related party transactions were conducted in the ordinary course of business.

(c) Balances with related parties

As at 30 June 2018 and 31 December 2017, the Group had the following material balances with related parties:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Amounts due to related parties included in trade payables *(Note (i))*:		
Controlled by the ultimate controlling shareholder	**11,215**	17,561
Joint ventures	**–**	1,278
	11,215	18,839
Amounts due from related parties included in other receivables *(Note (ii))*:		
Controlled by the ultimate controlling shareholder	**41,191**	21,376
Joint ventures	**7,155,452**	5,796,673
Associates	**717,397**	14
	7,914,040	5,818,063
Amounts due to related parties included in other payables *(Note (ii))*:		
Controlled by the ultimate controlling shareholder	**681,309**	437,143
Joint ventures	**3,862,088**	3,327,941
Associates	**1,153,998**	743,515
	5,697,395	4,508,599
Amounts due to related parties included in contract liabilities/ advances from customers *(Note (iii))*:		
A close family member of ultimate controlling shareholder	**6,570**	6,570

29 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

(i) Amounts due to related parties included in trade payables are mainly derived from purchase of office equipment and security intelligentisation system service, which are unsecured, interest-free and to be settled according to contract terms.

(ii) Amounts due from/to related parties included in other receivables/payables are cash advances in nature. Save for the amounts due from certain joint ventures of RMB1,718,811,000 (31 December 2017: RMB2,100,013,000) are bearing interest at average rate of 6.10% per annum (31 December 2017: 6.30% per annum) and with fixed repayment terms (Notes 13 (b)), others are unsecured, interest-free and receivable/repayable on demand.

(iii) Amounts due to related parties included in contract liabilities/advances from customers are mainly advance paid by the ultimate controlling shareholder of the Company for purchase of properties from the Group.

30 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 8 August 2018, the Company issued 5.95%, 2-year senior notes, with an aggregated principal amount of US$250,000,000 at 94.702% to the principal amount, plus accrued interest from 19 July 2018 to 15 August 2018. The total net proceeds of the notes, after deduction of the issuance costs, amounted to approximately US$234,500,000 (equivalent to approximately RMB1,601,940,000).