建業地產股份有限公司
Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 0832.HK

INTERIM REPORT 2018

10th Anniversary of Hong Kong Listing

根植中原 造福百姓

From the land of Henan, for the people of China

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Po Sum *(Chairman)*
Mr. Liu Weixing
Ms. Yan Yingchun (resigned on 21 August 2018)
Mr. Wang Jun (appointed on 21 August 2018)

Non-executive Directors

Mr. Lucas Ignatius Loh Jen Yuh *(Vice-chairman)*
Mr. Puah Tze Shyang
Ms. Wu Wallis (alias Li Hua)

Independent Non-executive Directors

Mr. Cheung Shek Lun
Mr. Xin Luo Lin
Dr. Sun Yuyang (appointed on 8 January 2018)

BOARD COMMITTEES

Audit Committee

Mr. Cheung Shek Lun *(Chairman)*
Mr. Xin Luo Lin
Mr. Lucas Ignatius Loh Jen Yuh

Remuneration Committee

Mr. Xin Luo Lin *(Chairman)*
Mr. Wu Po Sum
Mr. Cheung Shek Lun

Nomination Committee

Mr. Wu Po Sum *(Chairman)*
Mr. Cheung Shek Lun
Mr. Xin Luo Lin

CHIEF EXECUTIVE OFFICER

Mr. Yuan Xujun

COMPANY SECRETARY

Mr. Yeung Wai Leung

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Block E, Jianye Office Building
Nongye East Road, Zhengzhou City
Henan Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 7701B–7702A
77th Floor, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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 China (Hong Kong) Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China (Asia) Limited

LEGAL ADVISERS

As to Hong Kong Law

Li & Partners

As to Cayman Islands Law

Conyers Dill & Pearman (Cayman) Limited

INDEPENDENT AUDITORS

KPMG
Certified Public Accountants

WEBSITE

www.jianye.com.cn

Corporate Profile

Central China Real Estate Limited (hereinafter referred to as "CCRE" or the "Company", together with its subsidiaries hereinafter referred to as the "Group", stock code: 832.HK) was incorporated in the Cayman Islands on 15 November 2007 as an exempt company with limited liability, the shares of which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 June 2008. The Group has been granted the "First Class Honor of Real Estate Developer" in the People's Republic of China (the "PRC" or "China").

The Company has been committed to the development of branded properties as its principal activity since its establishment. Over 26 years, we have continued to guide residents to new exposures in lifestyle through our articulately crafted architectural masterpieces in honour of our core value of "Taking Root in Central China and Contributing to Society." The Company is of the view that enterprises relate to society in the same way as trees relate to the earth. When we establish our presence in a city, we cooperate with our local peer developers to contribute to the local community by improving the standards of construction, increasing tax collections for local governments and creating job opportunities. Our relentless efforts in driving the urbanisation process and promoting the economic and social growth in Henan Province have won the accolades of government authorities, professionals, peers, investors, customers and our employees.

The Company positions itself as a facilitator of urbanisation and all-round social progress for the region of central China. Having taken root in Henan Province for 26 years, we are resolute as ever in our vision and mission of "building quality houses for the people of Henan". With the development of housing complexes such as "Forest Peninsula", "U-Town", "Code One City", "Sweet-Scented Osmanthus Garden", "Jianye Eighteen Cities" and "New Asia", we have improved the standard of residential housing in various cities in the Henan Province. In addition, the launch of light-asset model of the Company has secured synergetic effect with its property development business, making important contributions to the urbanisation process of the province. Meanwhile, the Company endeavours to construct a "tailor-made" mega service regime by integrating internal and external resources, such as property, education, hotel, football, commerce and green house, with a view to activating the "New Blue Ocean Strategy" and transforming the Company from an urban complex developer to a new lifestyle services provider for urban residents.

The Company is firmly committed to its philosophy of "providing customers with zero-defect products and first-rated services". In addition, we apply concepts of scientific decision-making, management standardisation and operation professionalisation in our business management to ensure the quality of our products and services.

In its persistent professional pursuit of premium residential housing development over the past 26 years, the Company has fostered a "CCRE model" focused on provincial and regional development, created a brand name well trusted for social responsibility, groomed a high calibre management team, given substance to the corporate philosophy of "perseverance for excellence" and embarked on a development cycle of "ongoing profitability and stable growth".

As at 30 June 2018, the Company has established its presence in Henan Province's 18 prefecture-level cities and 70 county-level cities. The Company had completed development projects with an accumulated aggregate gross floor area ("GFA") of approximately 23 million square metres ("sq.m.") and owned 88 projects under development, total GFA under development of approximately 13.32 million sq.m. and land reserves GFA of approximately 39.63 million sq.m., including beneficially interested GFA of approximately 29.91 million sq.m.. During the reporting period, GFA measured approximately 5.64 million sq.m. for newly commenced projects and approximately 3.45 million sq.m. for contracted sales.

In line with its corporate culture underpinned by "honesty, responsibility, integrity and focus", a state of business featuring a high level of integration between "economic and social benefits, material and spiritual pursuits, corporate and staff interests, strategic objectives and execution process" is coming into shape.

The Company ranked 41st in the "2017 Top 500 Chinese Property Developers" in the "2018 Assessment Report on Top 500 Chinese Property Developers" published on 21 March 2018 and topped the list of "Top 10 Chinese Property Developers in Regional Operations" for ten consecutive years in a row. According to the "Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2018" published on 25 May 2018, the Company ranked 26th on the "2018 Best 30 China Real Estate Listed Companies with Strongest Comprehensive Strengths" and ranked 4th among the listed property companies in China in terms of operations performance. The Company was listed on the "2018 Fortune China 500 List" released by the Fortune magazine on 10 July 2018, the only property developer in Henan province on the list.

The Company adheres to its corporate philosophy of "Perseverance for Excellence" and its core value of "Taking Root in Central China and Contributing to Society". The Company remains committed to making contributions to the development of the real estate industry and the private economic sector, as well as the strengthening of the nation and the prosperity of the country.

Chairman's Statement

Dear Shareholders,

I have the pleasure to present, on behalf of the board of directors of the Company, to you the unaudited consolidated interim results and the business review of the Group for the six months ended 30 June 2018.

In the first half of 2018, the Chinese economy improved amidst the overall stable situation. In the first half of 2018, China's gross domestic product (GDP) grew by 6.8% as compared with the corresponding period in 2017 to approximately RMB41.9 trillion. With the further advancement of structural adjustment and shift in new and old driving forces, quality and efficiency improved steadily and the economy has seen a good start to high quality development.

As for the property market, in the first half of 2018, property development investment amounted to approximately RMB5,553.1 billion, representing a year-on-year growth of 9.7% and the sales GFA of commodity housing amounted to 771.43 million sq.m., representing a year-on-year growth of 3.3%. Real estate policy regulation started a new stage. The Central Government, on one hand, continued to proactively suppress irrational demand and, on the other hand, focused on adjustment to the structure of supply in the medium and long term.

As an inland open highland, Henan Province saw continuous improvement of its advantages as an integrated transportation hub and vigorous industrial transformation and upgrading. The urban agglomeration in central China promoted the integrated development of urban and rural areas and released huge market demands. At the same time, the simultaneous implementation of a large number of national strategies is releasing favorable policy effects.

EQUAL STRESS ON LIGHT AND HEAVY ASSETS RESULTED IN SIGNIFICANT INCREASE IN OPERATING RESULTS

Owing to the prediction and analysis for industry environment and competitive landscape by the Company in addition to our 26-year accumulative branding effects, the sales of the Company in the first half of 2018 increased by 82.4% as compared with the corresponding period in 2017 to RMB25,329 million, and combined with that of our light-asset business, the sales of our Company in the first half of 2018 increased by 107.4% as compared with the corresponding period in 2017 to RMB31,310 million, becoming the "Double Champion" in Henan region in terms of cash flow and sales GFA. Meanwhile, the Company ranked the 41st among the "2017 Top 500 Chinese Property Developers" in the "2018 Assessment Report on Top 500 Chinese Property Developers" published on 21 March 2018 and topped the list of "Top 10 Chinese Property Developers in Regional Operations" for ten consecutive years in a row; according to the Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2018 published on 25 May 2018, the Company ranked the 26th on the "Top 30 China Real Estate Listed Companies with Strongest Comprehensive Strength in 2018" and ranked 4th among the listed property companies in China in terms of operations performance. The Company was listed on the "2018 Fortune China 500 List" released by the Fortune magazine on 10 July 2018, the only property developer in Henan province on the list.

Based on the coordination and analysis on different cities in the region, the Company has adopted a dual approach of light and heavy assets for development to explore projects resources through multi-channel expansion. In the reporting period, the Company newly acquired land reserves with a total GFA of approximately 8.16 million sq.m.. In relation to light assets, the Company has signed contracts in relation to 93 projects with a planned GFA of approximately 14.25 million sq.m. in aggregate. The diversified development will effectively enhance the market share and the brand influence of the Company, allowing the Company to achieve its development goals.

STRATEGIC TRANSFORMATION HAS ACHIEVED REMARKABLE RESULTS IN THREE YEARS, AND THE EFFECTS OF DIFFERENTIATED COMPETITION ARE PROMINENT

In the new era of socialism with Chinese characteristics, people's growing needs for a better life have become the happiness proposition of this era. To create a rich, diverse and colorful life experience has become a new direction for enterprise development.

Since 2015, the Company has officially launched the strategic transformation from a "real estate developer" to "new lifestyle service provider". After three years of practice, a business ecosystem that covers "Jianye + Real Estate, +Commerce, +Hotels, +Properties, +Technology, +Agriculture, +Cultural Tourism, +Education, +Sports, +Finance, +Tourism, +Junlin Club" has been gradually perfected and exerted a strong force.

In respect of real estate, our principal business: the Company has set its presence in 18 prefecture-level cities and possesses 120 communities and 88 projects under construction: as to light assets, it has accumulatively signed contracts in relation to 93 projects with a planned GFA of 14.25 million sq.m. in aggregate; 6 commercial projects of the Company have been delivered and 7 projects were in preparation, with over 1,000 cooperative brands and 40 million customers per year; Central China Hotel has 5 hotels subject to entrusted management and 2 proprietary brand hotels.

In respect of service system: relying on three major service regimes, the Company serves over 1 million property owners. In 2018, the Company ranked the 15th among China top 100 property service providers; the registered users of our own community service APP exceeded 300,000; through the innovation in terms of "happiness steward", "app matrix", "happiness hot spot" and smart device, a warm life scene was created for users; Jianye Junlin Club currently has over 5,000 members and more than 30 derivative interest tribes.

As to modern agriculture: during the reporting period, the Company successively signed contracts in relation to 12 countryside complexes in Yanling, Hebi, Zhoukou, Yichuan, Xinyang, Shangqiu, Lankao, Wuzhi, Xiangcheng, Nanyang and Zhumadian. With the construction of "demonstration zone of modern agricultural complex + traditional folk houses in central China + picturesque village + characteristic towns + Jianye foodcourt" as the development focus, the Company creates the pastoral life of modern urbanites for the people of Henan.

In terms of cultural tourism: "Jianye Huayi Brothers Film Town", which covers a total area of approximately 600 Mu, and "Henan Unique • The Country of Film（只有河南•戲之國）", which covers a total area of approximately 443 Mu, are created by the Company in cooperation with Huayi Brothers Media Group and Wang Chaoge（王潮歌）, a director, respectively. Both world-class works are the best interpretation of the Company's social responsibility and exploration of the New Blue Ocean.

The Company's strategy focused on Henan in the past 26 years and the superposition effect of the Company's business ecosystem continued to emerge. Since the industry regulation is intensifying and real estate companies are transforming, the Company will leverage the combined advantages brought by our brand reputation and unique business model, facilitate resources consolidation and innovate channels for land acquisition to further upgrade our products and service standards, maximise synergy of our "Jianye+" commercial ecosystem centered on the core property business, maintain our corporate culture underpinned by "honesty, responsibility, integrity and focus" so as to strive to achieve the management target of "consensus, co-creation, responsibility, win-win relations, sharing".

In the future, relying on the opportunities in a new era and the rich and large business ecological pattern, and with a new vision of "building quality houses for the people of Henan", the Company will continue to be committed to creating a new way of life for the 100 million people in Henan.

APPRECIATION

I would like to take this opportunity to express sincere gratitude to our staff for their diligent work and contributions. In this era of change, the trust and recognition of shareholders remain the driving force for us to go forward. We will continue to maximise shareholders' value by acting as the facilitator of urbanisation and social progress in cities in central China, and enhancing our contributions to the rise of central China.

Wu Po Sum
Chairman

21 August 2018

FINANCIAL HIGHLIGHTS

SUMMARY OF INCOME STATEMENT

For the period ended 30 June

	2018	2017	*Changes*
Revenue *(RMB'000)*	**4,770,643**	5,057,721	-5.7%
Gross profit *(RMB'000)*	**1,719,666**	1,331,881	29.1%
Gross profit margin	**36.0%**	26.3%	9.7%*
Gross profit from core businesses *(RMB'000)*	**1,622,658**	1,131,957	43.3%
Net profit *(RMB'000)*	**574,265**	469,036	22.4%
Net profit margin	**12.0%**	9.3%	2.7%*
Net profit from core businesses *(RMB'000)*	**626,999**	538,048	16.5%
Net profit margin from core businesses	**13.1%**	11.3%	1.8%*
Profit attributable to equity shareholders *(RMB'000)*	**550,011**	405,256	35.7%
Basic earnings per share *(RMB cents)*	**22.28**	16.59	34.3%
Diluted earnings per share *(RMB cents)*	**21.84**	16.59	31.6%

SUMMARY OF STATEMENT OF FINANCIAL POSITION

As at 30 June

	2018	2017	*Changes*
Total cash (including cash and cash equivalents and restricted bank deposits) *(RMB'000)*	**14,957,114**	10,906,672	37.1%
Total assets *(RMB'000)*	**76,812,926**	52,548,532	46.2%
Total liabilities *(RMB'000)*	**66,863,998**	44,916,586	48.9%
Total equity (including non-controlling interests) *(RMB'000)*	**9,948,928**	7,631,946	30.4%
Total borrowings *(RMB'000)*	**19,664,012**	15,236,379	29.1%
Net borrowings *(RMB'000)*	**7,097,240**	6,185,877	14.7%
Current ratio	**113.2%**	120.8%	-7.6%*
Net gearing ratio	**71.3%**	81.1%	-9.8%*
Net asset value per share *(RMB)*	**3.64**	3.12	16.7%
Equity attributable to equity shareholders *(RMB)*	**3.28**	2.83	15.9%

Notes: * change in percentage points

FINANCIAL REVIEW

Overall performance

The Group is pleased to announce a significant growth in contracted sales amounting to RMB25,329 million for the six months ended 30 June 2018, representing a year-on-year increase of 82.4%. As the increase in contracted sales and cash collection of sales were satisfactory, the cash and cash equivalents and restricted bank deposits of the Group in total amounted to approximately RMB14,957 million as at 30 June 2018.

The Group has implemented a proactive and aggressive approach to acquire land and accelerated the project construction progress since the second half of 2017, so as to shorten the development cycle. However, the property sales carried forward in terms of gross floor area ("GFA") and revenue recognized during the period decreased slightly as compared to the corresponding period of last year, due to the delay in the sales carried forward of some properties as a result of the application of HKFRS15, which no longer required the restatement of 2017 financial statement under the transition method the Group elected and thereby not allowing the delay of sales carried forward from previous years to current or subsequent periods.

In addition to property sales, the Group has been expanding its revenue base and spreading its operational risks through expanding hotel and cultural tourism projects and diversifying businesses. Yanling Jianye The Mist Hot Spring Hotel, the first self-operated hotel of the Group, has put into trial operation during the period. The management believes that injecting part of the resources into these new businesses would improve the Group's industry value-chain by integrating interactive business segments including properties, hotels and cultural tourism and offering "tailor-made" services to our customers.

As at 30 June 2018, the Group has participated in 93 light-asset projects with a total planned GFA of approximately 14.25 million sq.m.. The Group expects the light-asset projects will generate steady income to the Group in the coming years and such income will increase following the development of the projects.

Revenue: Our revenue decreased by 5.7% to approximately RMB4,771 million for the six months ended 30 June 2018 from approximately RMB5,058 million for the six months ended 30 June 2017, primarily due to the delay in the sales carried forward of some properties since the current period as a result of the application of HKFRS15.

- **Income from sales of properties:** Revenue from property sales decreased by 9.5% to approximately RMB4,329 million for the six months ended 30 June 2018 from approximately RMB4,782 million for the six months ended 30 June 2017 due to a decrease in sold area by 22.9% to 679,243 sq.m. for the six months ended 30 June 2018 from 880,741 sq.m. for the six months ended 30 June 2017. The average selling price (excluding underground parking spaces) increased by 1.3% to RMB5,427 per sq.m. for the six months ended 30 June 2018 from RMB5,358 per sq.m. for the six months ended 30 June 2017.

- **Rental income:** Income from property leasing was approximately RMB60 million for the six months ended 30 June 2018, representing an increase of 33.3% as compared to RMB45 million in the corresponding period of last year, which was mainly derived from rental income of commercial buildings and shopping malls.

- **Revenue from hotel operation:** Revenue from hotel operation was approximately RMB132 million for the six months ended 30 June 2018, basically the same with the corresponding period of last year.

- **Revenue from provision of project management service:** Revenue from provision of project management service increased by 151.5% to approximately RMB249 million for the six months ended 30 June 2018 from approximately RMB99 million for the six months ended 30 June 2017 which was derived from operation and management services provided by the Group under light-asset projects. The increase was mainly attributable to a rapid increase in projects.

Cost of sales: Our cost of sales decreased by 18.1% to approximately RMB3,051 million for the six months ended 30 June 2018 from approximately RMB3,726 million for the six months ended 30 June 2017. The decrease in cost of sales was due to a decrease in GFA sold during the current period as mentioned above.

Gross profit: The Group's gross profit increased by 29.1% to approximately RMB1,720 million for the six months ended 30 June 2018 from approximately RMB1,332 million for the six months ended 30 June 2017, while our gross profit margin increased significantly by 9.7% from 26.3% for the six months ended 30 June 2017 to 36.0% for the six months ended 30 June 2018. It was principally due to: 1) an increase in the proportion of sales of car park spaces with higher gross profit margin as a result of an increased sales volume; 2) an increase in revenue from project management service with higher gross profit margin; and 3) prior years' sales promotion resulted in revenue recognised at a lower price during the corresponding period of last year.

Other revenue: Other revenue increased by 85.9% to approximately RMB132 million for the six months ended 30 June 2018 from approximately RMB71 million for the same period of 2017. This was primarily due to 1) an increase in advances to third parties resulting in an increase in related interest income; and 2) an increase in government compensation.

Other net (loss)/income: Other net income decreased by 190.2% to a loss of approximately RMB46 million for the six months ended 30 June 2018 from an income of approximately RMB51 million for the six months ended 30 June 2017. This was primarily due to 1) the exchange loss of RMB10 million for the period as compared to the exchange gain of RMB30 million for the corresponding period of last year; and 2) the forfeited income from a tenant recorded during the corresponding period of last year.

Selling and marketing expenses: Our selling and marketing expenses increased significantly by 146.0% to approximately RMB433 million for the same period of 2018 from approximately RMB176 million for the six months ended 30 June 2017. The increase was primarily due to 1) an increase in brand advertising and property marketing expenses; and 2) the charitable donation of RMB190 million to sports recognized during the period (30 June 2017: Nil).

General and administrative expenses: Our general and administrative expenses increased by 40.8% to approximately RMB583 million for the same period of 2018 from approximately RMB414 million for the six months ended 30 June 2017. This increase was primarily due to a significant increase in the number of administrative staff as a result of our business expansion. On the other hand, since the significant increase in the demand for administrative staff with experience in Mainland real estate, the Group adjusted the wages of its administrative staff according to the market conditions so as to reduce administrative staff turnover.

Impairment losses on trade and other receivables, including contract assets: Impairment losses on trade and other receivables, including contract assets, amounted to approximately RMB41 million for the six months ended 30 June 2018, mainly due to the impairment of financial assets resulting from the application of "expected credit loss", a new impairment model under the HKFRS 9.

Finance costs: Our finance costs decreased by 30.2% to approximately RMB164 million for the six months ended 30 June 2018 from approximately RMB235 million for the corresponding period of 2017, mainly due to the change in fair value of derivatives.

Share of profits less losses of joint ventures: Our share of profits less losses of joint ventures decreased by 461.1% to a loss of approximately RMB65 million for the six months ended 30 June 2018 from a profit of approximately RMB18 million for the corresponding period of 2017, primarily due to substantial new joint ventures are still under the progress of project construction.

Net valuation gain on investment property: A valuation gain of approximately RMB564 million on our investment property for the six months ended 30 June 2018 was recorded, which was mainly due to the use of Luoyang Triumph Plaza during the period was changed from sale with lease to self-held lease and therefore the plaza was transferred from inventories to investment property.

Income tax: Income tax for the period mainly comprises corporate income tax and land appreciation tax. The Group's income tax increased by 24.8% to approximately RMB504 million for the six months ended 30 June 2018 from approximately RMB404 million for the corresponding period of 2017. It was principally due to the deferred tax incurred by the valuation gain as a result of the change in use of certain properties for sale to investment properties.

Profit for the period: As a result of the foregoing, our profit for the period increased by 22.4% to approximately RMB574 million for the six months ended 30 June 2018 as compared to approximately RMB469 million for the same period of 2017.

Financial resources and utilisation: As at 30 June 2018, the Group's cash and cash equivalents amounted to approximately RMB12,567 million (31 December 2017: approximately RMB11,284 million). Subsequent to the reporting period, the Company has declared an interim dividend of approximately RMB165 million in total to the shareholders of the Company in relation to profit attributable to the six months ended 30 June 2018 (30 June 2017: Nil).

Structure of Borrowings and Deposits

The Group continued to adopt a prudent principle on financial management and centralise our funding and financial management. Therefore, we maintained a high proportion of cash with a reasonable level of borrowing. During the period, we successfully issued the 6.50% senior notes due 2021 with a principal amount of US$300,000,000 (the "US$300m Senior Notes Due 2021"), 6.875% senior notes due 2020 with a principal amount of US$386,000,000 (the "US$386m Senior Notes Due 2020") and 6.25% senior notes due 2020 with a principal amount of SGD150,000,000 (the "SGD150m Senior Notes Due 2020"), respectively. As at 30 June 2018, the repayment schedule of the Group's bank and other borrowings was as follows:

Repayment Schedule	**As at 30 June 2018 RMB'000**	As at 31 December 2017 RMB'000
Bank loans		
Within one year	**1,113,526**	450,118
More than one year, but not exceeding two years	**1,603,996**	986,674
More than two years, but not exceeding five years	**1,687,714**	1,785,876
Exceeding five years	**552,385**	664,910
	4,957,621	3,887,578
Other loans		
Within one year	**445,000**	90,000
More than one year, but not exceeding two years	**90,000**	90,000
More than two years, but not exceeding five years	**90,000**	90,000
Exceeding five years	**–**	30,000
	625,000	300,000
Corporate bonds		
Within one year	**2,991,480**	–
More than one year, but not exceeding two years	**–**	2,986,914
	2,991,480	2,986,914
Senior notes		
Within one year	**1,315,830**	3,890,692
More than one year, but not exceeding two years	**2,035,299**	–
More than two years, but not exceeding five years	**7,738,782**	4,518,961
	11,089,911	8,409,653
Total borrowings	**19,664,012**	15,584,145

Repayment Schedule	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Deduct:		
Cash and cash equivalents	**(12,566,772)**	(11,283,853)
Net borrowings	**7,097,240**	4,300,292
Total equity	**9,948,928**	8,473,169
Net gearing ratio (%)	**71.3%**	50.8%

Pledge of assets: As at 30 June 2018, we had pledged completed properties, properties under development, properties for future development, property, plant and equipment and equity interest in a joint venture with an aggregate carrying amount of approximately RMB2,754 million (31 December 2017: approximately RMB1,567 million) to secure general bank credit facilities and other loans granted to us. We also pledged properties under development (31 December 2017: property, plant and equipment) with an aggregate carrying amount of approximately RMB450 million (31 December 2017: approximately RMB160 million) to secure bank loans (31 December 2017: other loans) of joint ventures.

Contingent liabilities: As at 30 June 2018, we provided guarantees of approximately RMB25,297 million (31 December 2017: approximately RMB23,341 million) to banks in respect of the mortgage loans provided by the banks to customers who purchased the developed properties of our Group and its joint ventures. We also provided guarantees of approximately RMB6,651 million as at 30 June 2018 (31 December 2017: approximately RMB6,512 million) in respect of bank loans and other loans of joint ventures. Apart from the above, the Group provided liquidity guarantee support in favour of Jianye Property Management in an amount of not exceeding RMB650 million as at 30 June 2018 (31 December 2017: RMB650 million) in relation to Assets-backed Securities issued by Jianye Property Management.

Capital commitment: As at 30 June 2018, we had contractual commitments undertaken by subsidiaries, the performance of which was underway or ready, in respect of property development amounting to approximately RMB11,910 million (31 December 2017: approximately RMB6,815 million), and we had authorised, but not yet contracted for, a further approximately RMB24,808 million (31 December 2017: approximately RMB12,352 million) in expenditure in respect of property development.

Foreign exchange risk: Our businesses are principally conducted in RMB. The majority of our assets are denominated in RMB. As at 30 June 2018, our major non-RMB assets and liabilities are (i) bank deposits denominated in H.K. dollar; and (ii) the senior notes denominated in U.S. dollar and Singapore dollar. We are subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities denominated in currencies other than RMB. Considering the main income stream of the Group denominated in RMB, we have changed the currency to repay the principal and interest of the US$200 million Senior Notes issued in 2016 into RMB through a foreign exchange swap contract, and locked the exchange rate of the net investment denominated in RMB and with an equivalent amount of US$200 million through foreign exchange forward contracts.

Interest rate risk: The interest rates for a portion of our loans were floating. Upward fluctuation in interest rates will increase the interest cost of new and existing loans. We have swapped the floating rate of the borrowing of US$150 million to fixed rates through interest rate swap contracts to hedge part of the interest rate risk.

REVIEW OF OPERATIONS

(I) Market and Operations Review

1. General Situation

In the first half of 2018, in the face of an extremely complicated and severe situation at home and abroad, the Chinese Central Government adhered to the general tone of striving for economic growth on the basis of steadiness as it actively practised the new development concept with dogged determination and aligned itself with the requirements on high quality development, resulting in the stable and continuous development of its economy, further advancement of its structural adjustments, continuous shift of the new and old growth drivers, and steady improvement in development quality and efficiency, securing it a good start for its economic development towards a high standard. The business environment in China continued to improve, with the operating profits of the Chinese enterprises, financial revenue of the governments at various levels and income of the Chinese residents increasing rapidly and steadily, demonstrating significantly improved economic efficiency. In the first half of 2018, China achieved a GDP of approximately RMB41.90 trillion, representing a year-on-year increase of 6.8%.

Since the beginning of the year, Henan Province has been determinedly implementing the Central Government's policies and arrangements while adhering to the general tone of striving for economic growth on the basis of steadiness and the new development concept as well as the general direction of high quality development. Under the guidelines of promoting the "Four Principles" and playing the "Four Cards (Industrial Structure Optimization and Upgrading, Innovation-driven Development, Basic Capacity Building, and New Urbanization)" with the best effect, the people in Henan, with concerted efforts and relentless hard work in exploration and innovation, strove to keep Henan Province's economic and social development in a correct and stable trend, with its economic structure adjustment constantly optimized, new growth drivers developing rapidly, quality and efficiency continuing to improve, accomplishing a good start for the sustainable development. In the first half of 2018, Henan Province achieved a GDP of approximately RMB2.22 trillion, representing a year-on-year increase of 7.8%, 1.0 percentage point higher than the national average.

2. The Property Market

In the first half of 2018, the Chinese property market continued to improve its long-term development mechanism under the basic tone of "Houses are for living, not for speculation". From the central government's perspective, focus was placed on deepening the reform of fundamental critical systems, strengthening financial supervision and risk prevention and control, accelerating the construction of property leasing system, and ensuring the people's basic housing needs; from the perspective of the local governments, efforts have been made in further promoting housing system reform, optimizing the housing and land supply structure, and improving the basic housing system.

In the first half of 2018, the GFA of commodity housing sold in the nationwide property market amounted to 771.43 million sq.m., representing a year-on-year increase of 3.3%; the sales of commodity housing amounted to RMB6,694.5 billion, representing a year-on-year growth of 13.2%; total investment in real estate development was RMB5,553.1 billion, representing a year-on-year growth of 9.7%.

Driven by new urbanization construction in Henan Province, the real estate market in Henan remained generally stable during the first half of the year. The provincial government adhered to the Central Government's basic tone of "Houses are for living, not for speculation", and started to straighten the order in the hotspots of the real estate market with specific policies tailored for specific places as well as classified regulation, in line with which Zhengzhou's control and regulation policies have been constantly tightening. Meanwhile, excited by the shanty area innovation policy, which released the demand in the short term, the real estate market in Henan resumed its vitality. In the first half of 2018, the GFA of commodity housing sold in Henan's property market amounted to 53.3750 million sq.m., representing a year-on-year increase of 15.8%; the sales of commodity housing amounted to RMB306.913 billion, representing a year-on-year growth of 24.8%; total investment in real estate development was RMB313.132 billion, representing a year-on-year growth of 5.6%.

(II) Project Development

1. Property Development

The Company continued to grow in the first half of 2018. It orderly commenced all works set out in the annual operating plan. By leveraging our strengths, the Company persistently focused on Henan while developing the cities where we operate, and moderately stocked up high quality projects in cities with better development prospects with an aim to ensure stable operation and sound development of the Company.

(a) Property Sales Performance

During the reporting period, the Company achieved steady growth in sales performance through greater sales effort and accelerated inventory clearance. As at 30 June 2018, the contracted sales achieved by the Company amounted to RMB25,329 million, representing a year-on-year increase of 82.4%; and the contracted area sold by the Company was 3,447,000 sq.m., representing a year-on-year increase of 52.3%. In terms of contracted sales amount, the market share of the Company as at 30 June 2018 in Henan province was approximately 8.3%.

Geographical Breakdown of Contracted Sales in the first half of 2018

City	Contracted sales amount (RMB million)			Contracted GFA ('000 sq.m.)		
	1H2018	1H2017	**Change**	**1H2018**	1H2017	**Change**
Zhengzhou	**7,598**	2,966	156%	**642**	277	132%
Kaifeng	**306**	190	61%	**36**	21	71%
Luoyang	**1,575**	1,555	1%	**184**	210	–12%
Pingdingshan	**508**	344	48%	**99**	70	41%
Anyang	**1,153**	762	51%	**209**	181	15%
Hebi	**125**	467	–73%	**21**	105	–80%
Xinxiang	**1,137**	854	33%	**174**	145	20%
Jiaozuo	**873**	445	96%	**150**	86	74%
Puyang	**1,283**	309	315%	**190**	68	179%
Xuchang	**1,595**	955	67%	**218**	146	49%
Luohe	**572**	440	30%	**81**	91	–11%
Sanmenxia	**718**	557	29%	**116**	99	17%
Shangqiu	**819**	1,485	–45%	**120**	273	–56%
Zhoukou	**2,865**	721	297%	**469**	170	176%
Zhumadian	**2,329**	983	137%	**474**	200	137%
Nanyang	**1,013**	567	79%	**120**	69	74%
Xinyang	**196**	239	–18%	**43**	44	–2%
Jiyuan	**664**	45	1,376%	**101**	8	1,163%
Total	**25,329**	13,884	82%	**3,447**	2,263	52%

(b) Newly Commenced Property Projects

During the reporting period, the Company commenced construction of 41 projects in total with newly commenced GFA of 5,643,321 sq.m., representing an increase of 212% as compared with the same period last year. The Company strengthened the efforts in market research and optimized product plans based on the geological distribution of customers and estimated sales. This helped the Company to further enhance its product competitiveness and market performance, and contributed to a safe and reasonable inventory structure.

City	Project Name	Principal use	Newly commenced GFA during the period (sq.m.)
Zhengzhou	Zhengxi U-Town	Residential	117,489
Zhengzhou	Gongyi CCRE Mall	Residential	53,831
Zhengzhou	Dengfeng Songyue Mansion	Residential	317,343
Zhengzhou	Wulong Century New City	Residential	241,707
Zhengzhou	Spring Time	Residential	206,780
Luoyang	Yanshi Forest Peninsula	Residential	27,987
Luoyang	Huayang Fengdu	Residential	30,900
Pingdingshan	Ruzhou Sweet-Scented Osmanthus Garden	Residential	169,869
Pingdingshan	Eighteen Cities	Residential	207,881
Anyang	Sweet-Scented Osmanthus Garden	Residential	49,300
Anyang	Linzhou CCRE Mall	Residential	141,212
Xinxiang	Beverly Manor	Residential	151,958
Xinxiang	Code One City North	Residential	53,459
Jiaozuo	Chinoiserie House	Residential	208,651
Jiaozuo	Spring Time	Residential	212,496
Puyang	Code One City	Residential	106,517
Puyang	Chinoiserie House	Residential	155,515
Puyang	Tonghe Fu	Residential	187,647

City	Project Name	Principal use	Newly commenced GFA during the period (sq.m.)
Xuchang	Changge Senyuan Eco City	Residential	95,790
Luohe	Sweet-Scented Osmanthus Garden	Residential	113,605
Shangqiu	Xingfuli	Residential	128,512
Shangqiu	Sky Mansion	Residential	123,097
Shangqiu	Central Garden	Residential	229,384
Zhoukou	Code One City	Residential	122,957
Zhoukou	Huaiyang Jianye City	Residential	210,168
Zhoukou	Luyi Jianye City	Residential	130,389
Zhoukou	Chinoiserie House	Residential	124,106
Zhumadian	Eighteen Cities	Residential	145,315
Zhumadian	Suiping Forest Peninsula	Residential	226,940
Zhumadian	Xiping Forest Peninsula	Residential	114,753
Zhumadian	Xincai CCRE Mall	Residential	36,826
Zhumadian	Ru'nan Jianye City	Residential	188,384
Zhumadian	Pingyu Jianye City	Residential	141,027
Zhumadian	Zhengyang Jianye City	Residential	168,954
Nanyang	Shilihushan	Residential	82,071
Xinyang	Gushi Jianye City	Residential	116,784
Others			503,717
Total			5,643,321

(c) Property Projects under Development

As of 30 June 2018, the Company had 88 projects under development with a total GFA of approximately 13,315,401 sq.m., including 14 projects under development in Zhengzhou and 74 projects under development in other cities of Henan Province.

City	Project Name	Principal use	GFA under development (sq.m.)
Zhengzhou	Canal Courtyard	Residential	168,452
Zhengzhou	Tihome Jianye International City	Residential	738,818
Zhengzhou	Blossom Garden	Residential	27,005
Zhengzhou	Zhengxi U-Town	Residential	241,703
Zhengzhou	Wulong Century New City	Residential	688,788
Zhengzhou	Gongyi Spring Time	Residential	165,265
Zhengzhou	Gongyi CCRE Mall	Residential	53,831
Zhengzhou	Xinmi Code One City	Residential	84,806
Zhengzhou	Xuhui Zhengrong Grand Mansion	Residential	163,666
Zhengzhou	Intelligent Palace	Residential	164,356
Zhengzhou	Dengfeng Songyue Mansion	Residential	317,342
Zhengzhou	Spring Time	Residential	206,780
Kaifeng	Chrysanthemum Garden	Residential	98,010
Kaifeng	Dongjingmenghua	Commercial	1,428
Luoyang	Sweet-Scented Osmanthus Garden	Residential	132,211
Luoyang	Yanshi Forest Peninsula	Residential	76,982
Luoyang	Poly Champagne International	Residential	15,337
Luoyang	Dingding House	Residential	101,100
Luoyang	Code Two City	Residential	208,686
Luoyang	Huayang Fengdu	Residential	30,900

City	Project Name	Principal use	GFA under development (sq.m.)
Pingdingshan	Eighteen Cities	Residential	231,795
Pingdingshan	Wugang Forest Peninsula	Residential	60,102
Pingdingshan	Wugang CCRE Mall	Residential	29,496
Anyang	Forest Peninsula	Residential	16,698
Anyang	Sweet-Scented Osmanthus Garden	Residential	99,168
Anyang	Hua County Code One City	Residential	134,499
Anyang	Jianye City	Residential	14,769
Anyang	Tangyin Forest Peninsula	Residential	70,150
Anyang	Jianye City	Residential	144,771
Anyang	Linzhou CCRE Mall	Residential	163,416
Hebi	Sweet-Scented Osmanthus Garden	Residential	4,603
Hebi	Code One City	Residential	197,996
Xinxiang	Beverly Manor	Residential	441,592
Xinxiang	Code One City	Residential	410,814
Xinxiang	Changyuan Forest Peninsula	Residential	139,890
Xinxiang	U-Town	Residential	79,173
Jiaozuo	Xiuwu Forest Peninsula	Residential	54,588
Jiaozuo	Central Garden	Residential	256,895
Jiaozuo	Qinyang Spring Time	Residential	78,733
Jiaozuo	Spring Time	Residential	212,496
Jiaozuo	Chinoiserie House	Residential	208,651
Puyang	Code One City	Residential	243,115
Puyang	Sweet-Scented Osmanthus Garden	Residential	22,608
Puyang	Jianye City	Residential	49,491
Puyang	Chinoiserie House	Residential	155,515
Puyang	Tonghefu	Residential	187,647
Xuchang	Code One City	Residential	60,860
Xuchang	Changge Spring Time	Residential	220,809

City	Project Name	Principal use	GFA under development (sq.m.)
Xuchang	Yanling Eco-City	Residential	51,529
Xuchang	Sweet-Scented Osmanthus Garden	Residential	90,718
Xuchang	Chinoiserie House	Residential	198,768
Xuchang	Yuzhou Sweet-Scented Osmanthus Garden	Residential	226,817
Xuchang	Ruzhou Sweet-Scented Osmanthus Garden	Residential	169,869
Xuchang	Changge Senyuan Eco City	Residential	95,790
Luohe	Xicheng Forest Peninsula	Residential	219,142
Luohe	Code One City	Residential	43,333
Luohe	Sweet-Scented Osmanthus Garden	Residential	113,605
Sanmenxia	Code One City	Residential	122,304
Sanmenxia	U-Town	Residential	10,025
Sanmenxia	Lingbao Forest Peninsula	Residential	38,717
Sanmenxia	New District Forest Peninsula	Residential	170,228
Shangqiu	Zhecheng U-Town	Residential	37,394
Shangqiu	Xingfuli	Residential	128,512
Shangqiu	Sky Mansion	Residential	123,097
Shangqiu	Central Garden	Residential	229,384
Zhoukou	Luyi Jianye City	Residential	292,643
Zhoukou	Forest Peninsula	Residential	47,898
Zhoukou	Landmark	Residential	94,275
Zhoukou	Shenqiu Jianye City (West)	Residential	121,581
Zhoukou	Forest Peninsula	Residential	25,037
Zhoukou	Mingdao City	Commercial	52,452
Zhoukou	Xiangcheng Spring Time	Residential	78,777
Zhoukou	Code One City	Residential	122,957
Zhoukou	Huaiyang Jianye City	Residential	210,168
Zhoukou	Chinoiserie House – Phase I	Residential	124,106

City	Project Name	Principal use	GFA under development (sq.m.)
Zhumadian	Eighteen Cities	Residential	395,497
Zhumadian	The West Lake Villa	Residential	141,190
Zhumadian	Suiping Forest Peninsula	Residential	348,446
Zhumadian	Xiping Forest Peninsula	Residential	208,652
Zhumadian	Xincai CCRE Mall	Residential	137,413
Zhumadian	Ru'nan Jianye City	Residential	188,384
Zhumadian	Pingyu Jianye City	Residential	141,027
Zhumadian	Zhengyang Jianye City	Residential	168,954
Nanyang	Code One City	Residential	275,829
Nanyang	Shilihushan	Residential	82,071
Xinyang	Jianye City	Residential	91,842
Xinyang	Gushi Jianye City	Residential	116,784
Jiyuan	Code One City North	Residential	104,380
Total			13,315,401

(d) Property Projects Completed

During the reporting period, the Company had 14 projects or phases completed in total with a total completed GFA of 733,060 sq.m..

City	Project Name	Principal use of property	Actual completed GFA (sq.m.)
Zhengzhou	Triumph Plaza	Commercial	50,263
Zhengzhou	Blossom Garden	Residential	209,176
Zhengzhou	Wulong Century New City	Residential	81,057
Luoyang	Poly Champagne International	Residential	184,828
Anyang	Linzhou CCRE Mall	Residential	51,555
Xuchang	Shenhou World	Residential	12,233
Luohe	Xicheng Forest Peninsula	Residential	3,295
Shangqiu	Zhecheng U-Town	Residential	27,277
Shangqiu	Yongcheng U-Town	Residential	75,721
Others			37,655
Total			733,060

2. **Light-asset Model Projects**

On the basis of the in-depth judgement of the development trend of the real estate industry by the Company and leveraged the impressive brand influence of CCRE in its target markets, the outstanding management team, the established product system and service system, the comprehensive capability of resources allocation and integration, the Company delivered its brands, management and capital, thus expanding its market share and enhancing its profitability, in order to accomplish the mission of "building quality houses for the people of Henan". In addition, the Company further consolidated its resources of quality lands, design, construction and other service, and constantly strengthened its capability of management, operation and providing services. The Company strove to build and share a comprehensive service platform for real estate development and operation, establish a complementary, win-win, open and dynamic enterprise ecosystem, and set up an ecological platform where the principal, property owners, suppliers, employees and investors can benefit each other and grow together, thus enhancing its comprehensive competitiveness and ability of creating value.

Henan Zhongyuan Central China Construction and City Development Limited* (河南中原建設城市發展有限公司, hereinafter referred to as "Zhongyuan Jianye"), a subsidiary of the Company, is in charge of expanding and management of light-asset business and positions itself as a comprehensive service provider for real estate development. For the six months ended 30 June 2018, the Company has entered into contracts for 18 light-asset model projects in total with expected total GFA of approximately 2 million sq.m. according to those contracts. Zhongyuan Jianye is responsible for constantly formulating and optimizing standardized management principles and agreements, improving talent development program, partnership pairing up and evaluation mechanism, enhancing products and services supervision mechanism, and building resources integration and share platform.

3. Land Reserves

During the reporting period, the Company acquired new land reserves with a total GFA of approximately 8.16 million sq.m.. As at 30 June 2018, the Company had land reserves with a total GFA of 39.63 million sq.m., including beneficially interested GFA of approximately 29.91 million sq.m..

1. **Public Land Auctions**

In January 2018, the Group acquired the land use rights of two land parcels located at the south of Guihua Road, west of residential district, north of Renmin Middle Road and east of Guihua Road, Xin Cai County, Zhumadian City. The purchase price for the acquisition was approximately RMB85 million. The two land parcels have a total site area of 77,220 sq.m..

In January 2018, the Group acquired the land use right of a land parcel located at the south of Kaiyuan Road and west of Tianyuan Road, Zhengzhou City. The purchase price for the acquisition was approximately RMB71 million. The land parcel has a site area of 8,860 sq.m..

In February 2018, the Group acquired the land use right of a land parcel located at the west of Tianjin Road, east of Longlin Road, south of flood control channels and north of Jiudu Road, Luoyang City. The purchase price for the acquisition was approximately RMB312 million. The land parcel has a site area of 45,893 sq.m..

In February 2018, the Group acquired the land use right of a land parcel located at the southwest of the intersection between Zhanhe South Road and Kaifa Second Road, Pingdingshan City. The purchase price for the acquisition was approximately RMB271 million. The land parcel has a site area of 94,240 sq.m..

In March 2018, the Group acquired the land use right of a land parcel located at the southwest of old city and northeast of the Shuizhu Avenue and Junmingongjian Road, Hui County, Xinxiang City. The purchase price for the acquisition was approximately RMB212 million. The land parcel has a site area of 67,712 sq.m..

In March 2018, the Group acquired the land use rights of two land parcels located at the west of Zijinshan Road, east of Songshan Road, north of Lianqing Road and south of Xiangyu Road, southeast of Gongyi City. The purchase price for the acquisition was approximately RMB401 million. The two land parcels have a total site area of 74,698 sq.m..

In March 2018, the Group acquired the land use right of a land parcel located at the west of Guihua Road, east of Baiyunshan Road, North of Guihualvdi and South of Jiankang Road, Gongyi City. The purchase price for the acquisition was approximately RMB262 million. The land parcel has a site area of 58,068 sq.m..

In April 2018, the Group acquired the land use right of a land parcel located at the south of Weiba Road, north of Weiqi Road, west of the Runhua Beautiful Valley and east of Zhongke Sunny Town, Xinxiang City. The purchase price for the acquisition was approximately RMB185 million. The land parcel has a site area of 48,931 sq.m..

In April 2018, the Group acquired the land use right of a land parcel located at the east of west third ring and west of the Beijing-Guangzhou Expressway, Zhengzhou High-tech Zone. The purchase price for the acquisition was approximately RMB416 million. The land parcel has a site area of 34,996 sq.m..

In May 2018, the Group acquired the land use rights of two land parcels located at the east of Jiangjun Road and north of Hongchang Avenue, Fugou County, Zhoukou City. The purchase price for the acquisition was approximately RMB246 million. The two land parcels have a total site area of 107,703 sq.m..

In May 2018, the Group acquired the land use rights of eleven land parcels located at the north of Jianye Eco-City, Chenhuadian Town, Yanling County, Xuchang City. The purchase price for the acquisition was approximately RMB200 million. The eleven land parcels have a total site area of 262,845 sq.m..

In May 2018, the Group acquired the land use right of a land parcel located at the east of Kejiao Avenue and west of Litai Road, Kaifeng City. The purchase price for the acquisition was approximately RMB120 million. The land parcel has a site area of 44,256 sq.m..

In June 2018, the Group acquired the land use right of a land parcel located at the west of the north section of Jingyi Road, Qi County, Kaifeng City. The purchase price for the acquisition was approximately RMB54 million. The land parcel has a site area of 43,080 sq.m..

In June 2018, the Group acquired the land use right of a land parcel located at the north of Guangming Road, west of Hancheng Road and east of Zhoukou Swan Technical Secondary School, Zhoukou City. The purchase price for the acquisition was approximately RMB503 million. The land parcel has a site area of 73,542 sq.m..

In June 2018, the Group acquired the land use right of a land parcel located at the south of Longcheng Road and east of Binhe East Road, Nanyang City. The purchase price for the acquisition was approximately RMB146 million. The land parcel has a site area of 41,078 sq.m..

In June 2018, the Group acquired the land use right of a land parcel located at the north of Liyuan Road, east of Redian North Road and South of Jinzhuang reservoir, Nanyang High-tech Zone. The purchase price for the acquisition was approximately RMB715 million. The land parcel has a site area of 163,138 sq.m..

In June 2018, the Group acquired the land use right of a land parcel located at the southwest of Pingyuan Road and Santai Street, Beiguan District, Anyang City. The purchase price for the acquisition was approximately RMB168 million. The land parcel has a site area of 36,778 sq.m..

2. **Equity Interest Acquisitions and Disposals**

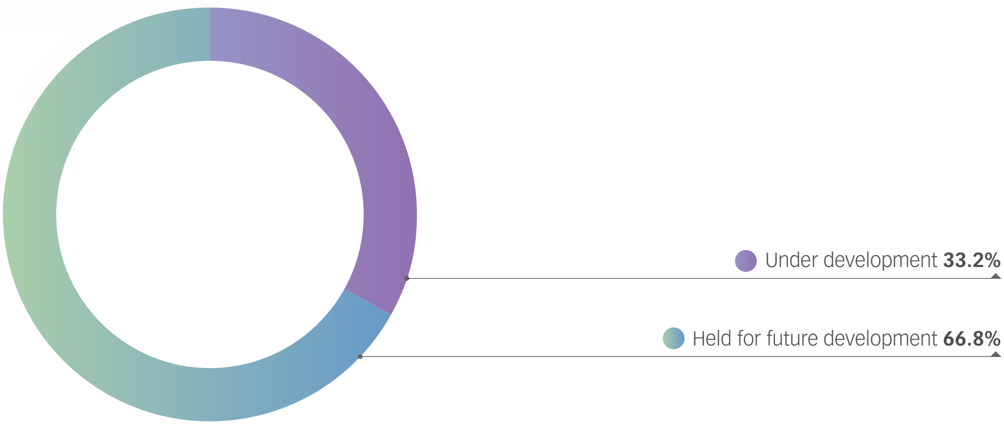
As at 30 June 2018, the Group, through equity interest acquisitions, acquired 47, in aggregate, land parcels with a total site area of 2,030,652 sq.m. in Zhengzhou City, Shangqiu City, Zhumadian City, Zhoukou City, Anyang City, Luoyang City, Puyang City, Sanmenxia City, Xuchang City, Jiyuan City, Kaifeng City, Pingdingshan City, Jiaozuo City, Nanyang City and Xinxiang City.

3. Distribution of Land Reserves

(1) Distribution of the Company's land reserves by current development status

Fig: distribution of land under development and land held for future development in the Company's land reserves

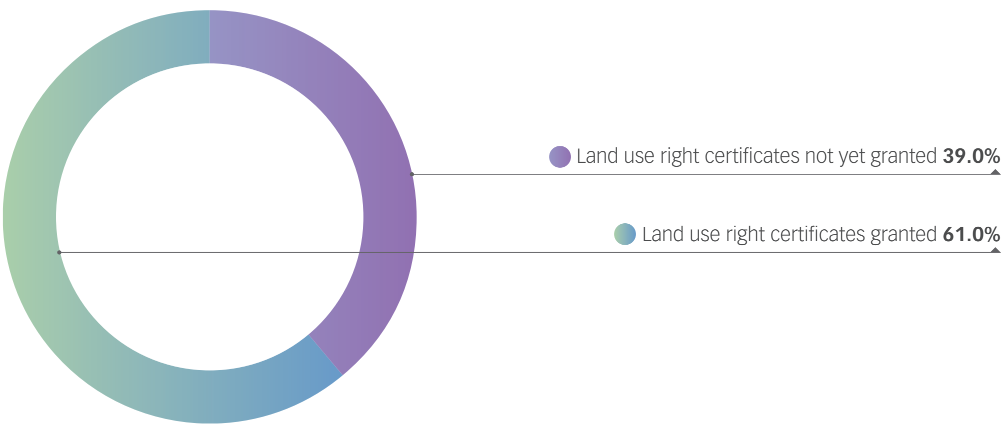
(as at 30 June 2018)



(2) Distribution of the Company's land reserves by land use right certificates

Fig: percentage of the Company's land reserves for which land use right certificates had been granted and those had not been granted

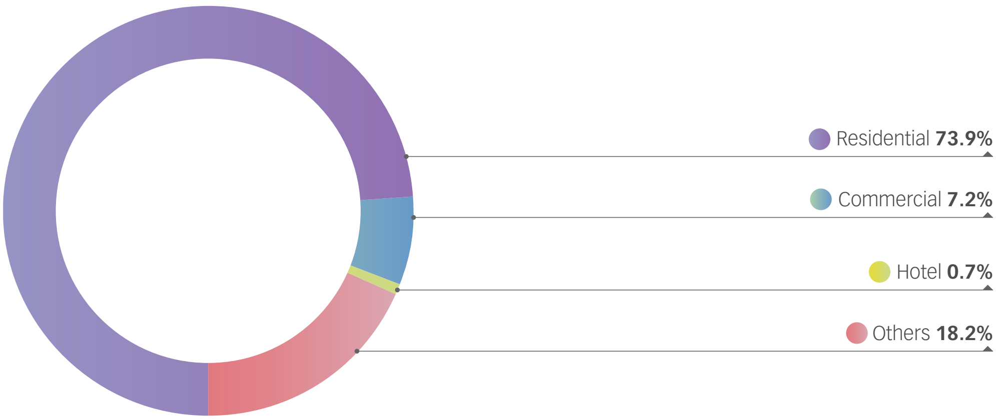
(as at 30 June 2018)



(3) Distribution of the Company's land reserves by property types

Fig: distribution of the Company's land reserves by property types

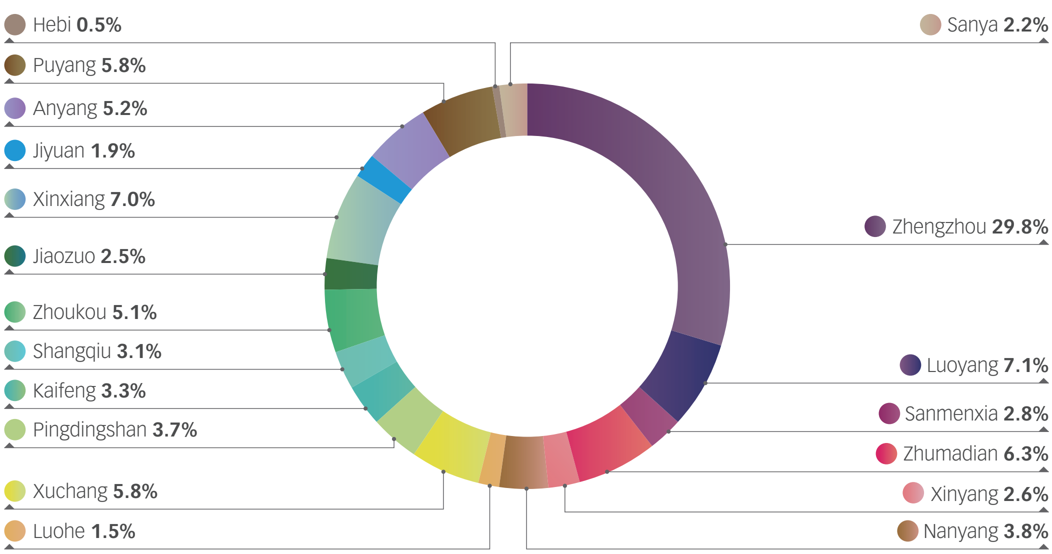
(as at 30 June 2018)



(4) Distribution of the Company's land reserves by cities

Fig: distribution of the Company's land reserves by cities

(as at 30 June 2018)



(IV) Product Research and Development

The Company has established a unique product line system on a concrete foundation of serialization and standardisation which the Company had laid for years. For product development of the Company, customers' demands has been considered as the essence, "Green, Low-carbon, Energy-saving and Technology" as the notion for research and development of product as well as design and construction.

Product Research, Development and Innovation

During the reporting period, the Company continuously deepened and refined the architectural design, and on the basis of its original series of products, developed new products through an understanding of customers' needs. New series standards such as New Asia and Metropolis have been developed to better meet the demands of market. The Company was able to improve the accuracy of design by employing the advanced BIM technology in advance for our key projects.

Fully Decorated House

The Company adheres to the development concept of "Green, Low-carbon, Energy-saving and Technology" and conducts study on the fully decorated house system. During the reporting period, through research and development, the Company formulated the guidelines and standards for refined decoration such as "Standards for C Grade Refined Decoration", "Standards for C+ Grade Refined Decoration" and "Standards for D Grade Refined Decoration" which were promoted and then applied to some key projects in Zhengzhou and other cities. By incorporating the elements of intelligence and technology into product design, the Company shows meticulous care to its customers.

Commercialisation

Riding on the established foundation of standardisation, the Company developed research and development plans of commercialisation and made technical research and development on commercialisation technology, established corresponding technical standards and applied commercialization technology to architectural design of key projects.

(V) Customer Service and Customer Relations

In the first half of 2018, after 26 years of accumulation and 3 years of exploration and development, the Company has formed a rich "Jianye+" ecosystem concerning people's well-being based on the framework of internal and external quality resources; and created a new lifestyle and happiness for our customers by providing personalised, customised and differentiated services and products.

During the reporting period, the Company focused on improving customer satisfaction, consolidated basic innovative services, and continuously improved product and service quality. It launched complete upgrade for the 9617777 call center management system, with which the previous manual dispatch and statistics was changed and more convenient and smooth services were provided to customers through access to the Group's large database to realize customer portraits, smart dispatch, voice navigation, time limit warning, WeChat customer service, return visit by way of questionnaire, defect statistics, SMS reminder, online worksheet processing and other service functions; in addition, the Company created a full-process customer service concept, built the CCRE customer risk management system, and implemented "troubleshooting operation" to sort out the complaints from customers that may be involved in six stages of land acquisition, planning, sales, construction, delivery, and occupancy, and appropriate control actions and operation guidelines were formulated to minimize the property owner's complaints that may arise in the later stage; third party delivery assessment was introduced to conduct a comprehensive assessment of higher standards and requirements for the delivered projects, to ensure delivery of products satisfactory to property owners; in respect of feedback on product and service defects, the 100+ Customer Concerns (《客戶痛點100+》) photo album was prepared to avoid recurrence of problems and promote the enhancement of product standards and product quality; the "Improvement and Enhancement" campaign (琢玉行動) was further carried out for old communities to improve the dwelling environment of old communities and dwelling quality of property owners; in addition to integration of internal and external resources, the large campaigns for property owners organized by the Company including 10,000-people brisk walking and city run received unanimous praise from the local government, all walks of life and property owners and generated positive social effects.

BUSINESS OUTLOOK

(I) Market Outlook

1. The Macro-economic Landscape

2018 represents a new start for the 40 years of Reform and Opening-up. In the first half of the year, the national economic development was generally stable and sound. Looking forward to the second half of 2018, the Central Government will adhere to the supply-side structural reform as the main direction, continue to expand the effective demand, focus on revitalising the real economy, actively respond to the external challenges, prevent and resolve potential risks, sensitively direct social expectations, and carry on its tasks in a scientific and systematic manner, i.e. stabilizing economic growth, promoting reform, adjusting structure, improving the people's livelihood, and preventing all kinds of risks, so as to ensure the stable and healthy economic operation. In the second half of the year, since the State Council executive meeting held on July 23 had deployed the guidelines of "Giving a better play of the role of fiscal and financial policies, with moderate and stable monetary policy and a more proactive fiscal policy", it is expected that economic operation will remain within a reasonable range in the second half of the year, so as to better cope with external uncertainty. At the time of the shift of new and old growth drivers, China's new economic growth momentum comes from the "Belt and Road" initiative, new urbanization, industrial structure upgrading, and state-owned enterprise reform. It is expected that China's macro economy will maintain a stable operation in the second half of 2018.

In the first half of 2018, Henan Province's economic operation was generally stable, showing good resilience, with many economic indicators conquering the annual targets, its economic structure continuing to improve, the development quality steadily enhanced, and new development momentum continuing to build up. Looking forward to the second half of the year, Henan Province will make dedicated efforts to prudently implement its policies, enhance the organic capacity and competitiveness, and promote the sustainable development of its economy. From the perspective of Henan Province's actual circumstances, its advantages of being an integrated transportation hub has been constantly enhanced, and the industrial transformation and upgrading have been vigorously advanced. The Central City Conglomerate has been driving the integrated urban and rural development, releasing huge market demand. At the same time, the superimposition of multiple national strategies is releasing policy credits and building up great momentum for its high quality development. It is expected that the macro economy of Henan Province will maintain a steady growth momentum on the track of sustainable development in the second half of 2018.

2. Outlook of the Property Market

In the first half of 2018, the operating environment of the nationwide real estate market was further restricted. The Ministry of Housing and Urban-Rural Development repeatedly reaffirmed that the real estate market regulation will be unwavering and such efforts will not be relaxed. The regulation and control over some overheated markets has been escalated with the market expectations sensitively directed. In the financial sector, the availability of credit facility in the real estate industry has been tightened, with the mortgage interest rate continuing to rise and expand to the surrounding cities. Based on the comprehensive factors such as the deepening regulation and active advancement of long-term regulation mechanism, the overall sales of the nationwide real estate market is expected to decline year-on-year in the second half of 2018; the sales of properties in the cities at various tiers will diversify year-on-year: the regulation guidelines in the first-tier cities will shift from controlling demand to increasing supply, the regulation in the second-tier cities will continue to tighten, with slight probability of new breakthroughs in the annual sales; the effect of destocking in the third– and fourth-tier cities is significant, while with the downward adjustment of the proportion of cash resettlement compensation for shanty area renovation, the effective market demand will be reduced; benefiting from the improvement in the overall supply and demand relationship, the sales prices will stabilize; construction of the new projects and investment in real estate development will maintain low– to medium-speed growth. Steadily driven by the structural deleveraging initiative, China will enter a stage of leverage stabilization, and the financing environment for the enterprises is expected to improve to some extent.

In the first half of 2018, the land price of Zhengzhou's urban area remained high, with the land market continuing to prosper and expand. The suburbs have become the main battlefields, where both the sales volume and price were increasing; the shanty area renovation in the cities and regions has been accelerated, with the construction of infrastructure transportation strengthened, resulting in the sales of properties in most third- and fourth-tier cities recording strong growth. The real estate developers, when considering deployment, preferred those areas with good planning and infrastructure such as the Zhengzhou Rim, Free Trade Zone and central cities in the region. In the second half of 2018, it is expected that policy and regulation will continue to tighten, with more precise policies tailored for the specific cities rolled out, and the real estate sales of Zhengzhou, the provincial capital of Henan, will maintain a stable price with increase in sales volume; affected by such factors as authorization in shanty area renovation being revoked, the proportion of monetized resettlement compensation dropping, the driving effect of shanty area renovation for the real estate market has also weakened. In 2017, the urbanization rate of permanent residents in Henan Province exceeded 50% for the first time. In the following five years, Henan Province will remain in the process of high-speed urbanization. With the continuous release of benefits from urbanization, the space of development of Henan's real estate market will be huge.

(II) Business Planning

In the second half of 2018, the Company will make greater vigor in land acquisitions and land development as well as the profitability enhancement of key regions with an aim to achieve quality growth in scale. In addition, co-branding partnerships will be formed for exploring creative marketing ideas to maintain a satisfactory annual performance of the Company, laying a concrete foundation for sustainable and stable development of the Company.

1. Construction Plans

In the second half of 2018, the Company plans to commence construction of a total of 39 projects, with a GFA of approximately 5,507,707 sq.m..

City	Project name	GFA Planned for construction (sq.m.)
Zhengzhou	Zhengxi U-Town	151,367
Zhengzhou	Blossom Garden	330,715
Zhengzhou	Intelligent Palace – Kaiyue Plaza	230,205
Zhengzhou	Movie Town – Chengyuan	106,181
Zhengzhou	Zhiyou Henan – Art Mansion	100,314
Zhengzhou	J18	364,206
Zhengzhou	Financial Island	220,000
Luoyang	Technology City	166,762
Luoyang	Honorable Mansion	193,384
Sanmenxia	Jianye City	116,690
Sanmenxia	Honorable Mansion	134,398
Kaifeng	Lankao Red World	9,746
Kaifeng	Taihe House	210,000
Kaifeng	Blossom Garden	76,013
Shangqiu	Headquarter Port	108,052
Zhumadian	Xincai CCRE Mall	114,374
Zhumadian	Zhengyang Jianye City	154,000
Xinyang	Jianye City	118,347
Xinyang	Yinxiang Hushan	130,183
Xuchang	Chinoiserie House	105,000
Xuchang	Changge Senyuan Eco City	14,577

City	Project name	GFA Planned for construction (sq.m.)
Pingdingshan	Wugang Forest Peninsula	71,940
Pingdingshan	Spring Time	100,000
Anyang	Hua County Code One City	197,884
Anyang	Jianye City	110,725
Anyang	Sweet-Scented Osmanthus Garden	135,504
Anyang	Chinoiserie House	180,000
Anyang	Code One City	178,000
Anyang	Tangyin Forest Peninsula	83,467
Puyang	Chinoiserie House	205,096
Xinxiang	U-Town	118,150
Xinxiang	Eighteen Cities	248,730
Jiaozuo	Chinoiserie House	12,414
Nanyang	Shilihushan	48,037
Nanyang	Longyue City	252,684
Zhoukou	Landmark	130,000
Zhoukou	Forest Peninsula	67,462
Zhoukou	Shiyue House	101,800
Zhoukou	Shangshui Jianye New City	111,300
Total		5,507,707

2. Completion plan

The Company expects to complete 42 projects or phases with a completed GFA of 4,505,149 sq.m. for delivery in the second half of 2018.

City	Project name	Planned completed GFA (sq.m.)
Zhengzhou	Zhengxi U-Town	115,605
Zhengzhou	Gongyi Spring Time	173,875
Zhengzhou	Canal Courtyard	105,498
Zhengzhou	Blossom Garden	582,152
Zhengzhou	Intelligent Palace	166,045
Zhengzhou	Wulong Century New City	33,000
Zhengzhou	Tihome Jianye International City	401,762
Luoyang	Sweet-Scented Osmanthus Garden	104,317
Luoyang	Code Two City	104,343
Kaifeng	Lankao Red World	8,973
Kaifeng	Chrysanthemum Garden	52,885
Shangqiu	Central Garden	86,923
Shangqiu	Zhecheng U-Town	73,489
Zhumadian	Eighteen Cities	148,233
Zhumadian	Xiping Forest Peninsula	89,151
Zhumadian	Xincai CCRE Mall	150,363
Zhumadian	Pingyu Jianye City	50,000
Zhumadian	Suiping Forest Peninsula	42,640
Jiaozuo	Central Garden	102,043
Sanmenxia	Lingbao Forest Peninsula	52,345
Luohe	Code One City	19,017
Luohe	Xicheng Forest Peninsula	67,220
Xuchang	Changge Spring Time	85,571
Xuchang	Chinoiserie House	67,288
Xuchang	Yuzhou Sweet-Scented Osmanthus Garden	66,742
Xuchang	Yanling Eco-City	52,105
Xuchang	Shenhou World	5,118
Xuchang	Code One City	35,095

City	Project name	Planned completed GFA (sq.m.)
Pingdingshan	Eighteen Cities	136,240
Pingdingshan	Wugang CCRE Mall	29,496
Pingdingshan	Wugang Forest Peninsula	55,768
Hebi	Code One City	92,002
Puyang	Code One City	121,452
Xinxiang	Changyuan Forest Peninsula	72,734
Xinxiang	Beverly Manor	60,826
Xinxiang	Code One City	197,775
Nanyang	Code One City	269,914
Nanyang	Shilihushan	109,033
Zhoukou	Forest Peninsula	56,609
Zhoukou	Mingdao City	53,359
Zhoukou	Jianye City	152,079
Xinyang	Jianye City	56,064
Total		4,505,149

RISK MANAGEMENT

The Company are committed to improve our risk management capability for ensuring on-going profitability and steady growth of our business.

Risk Management Philosophy of the Company

Risk is inherent in property market and the Company's business. The challenge is to identify risks and manage those risks to maximise benefit. We recognise that risk management is the responsibility of every staff within the Group. Rather than being a separate and standalone process, risk management is integrated into business processes including strategy development, business planning, capital allocation, investment decisions, internal control and day-to-day operations.

(III) Employees and remuneration policy

I. Analysis of employees as at 30 June 2018

As at 30 June 2018, the Group had 3,349 employees with an turnover rate of approximately 6.4%. The numbers of employees by age, education level and function are set out as below:

Age:	
20-30 (including 19)	1,696
31-40	1,256
41-50	325
51-60	59
61 or above	13
Education level:	
Master degree or above	327
Bachelor degree	2,022
Associate degree	942
Middle school or below	58
Function:	
Finance and accounting (finance and costing)	464
Engineering	587
Management	311
Design	222
Investment (investment, preliminary work)	161
Sales, marketing and customer service	1,022
Administration	330
Others	252

II. Remuneration policy

In order to promote healthy competition among employees and motivate them to deliver their best performance, the Company has further optimised its existing remuneration and incentive system and established a performance-oriented management concept and remuneration and incentive system, according to which the remuneration levels, remuneration adjustment and job transfer of employees will be determined based on their performance appraisal results. The overall remuneration system of the Company will also be adjusted regularly with reference to the prevailing market remuneration level to ensure the external competitiveness and internal equity of the remunerations of our employees and provide guarantees for retaining and attracting talent.

In addition, the Company has formulated and implemented human resource policies which are conducive to the sustainable development of the Company. Adhering to the talent concept of "professional spirit and professional quality", the Company takes professional ethics and professional ability as important standards for selecting and employing employees and strengthens employee training and continuing education to constantly improve their quality. Meanwhile, the Company also places high emphasis on the career development of its employees. It assists employees to plan out their career paths according to their expertise and capabilities, provides them with various career channels and development opportunities, and cultivates and retains talent for key posts to promote the continuous improvement of its organising ability.

Disclosure of Interests

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

As at 30 June 2018, the interests and short positions of the Directors and chief executives in the shares (the "Shares"), underlying Shares and debentures (the "Debentures") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules, were as follows or as disclosed under the section headed "Share Option Scheme" below:

(a) Long positions in the Shares

Name of Director or chief executive	Capacity and nature of interest	Number of share options held	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital[4]
Mr. Wu Po Sum	Interest in a controlled corporation	–	1,386,315,639[1]	50.76%
	Beneficial owner	2,050,400[2]	–	0.08%
Ms. Yan Yingchun	Beneficial owner	10,500,000[2]	–	0.38%
Mr. Liu Weixing	Beneficial owner	20,000,000[2]	1,000,000	0.73%
Ms. Wu Wallis[3] (alias Li Hua)	Interest of spouse	8,500,000[2]	–	0.31%
Mr. Yuan Xujun	Beneficial owner	20,000,000[2]	–	0.73%

(b) Long positions in the Debentures

– US$200,000,000 aggregate principal amount of its 8.0% Senior Notes due 2020 (the "US$200 Million Senior Notes")

Name	Capacity	Amount of Debentures	Approximate percentage of the interest in the US$200 Million Senior Notes[5]
Mr. Lucas Ignatius Loh Jen Yuh	Beneficial owner	US$500,000	0.25%

Notes:

1. The 1,386,315,639 Shares were registered in the name and were beneficially owned by Joy Bright Investments Limited ("Joy Bright"), a company wholly owned by Mr. Wu Po Sum. Accordingly, he is deemed to be interested in the 1,386,315,639 Shares by virtue of the SFO.

2. Such interest in the Shares is held pursuant to the share options granted under the Share Option Scheme (as defined below), the details of which are disclosed on pages 39 to 40 of this interim report.

3. The 8,500,000 share options are beneficially owned by the spouse of Ms. Wu Wallis (alias Li Hua), therefore Ms. Wu Wallis (alias Li Hua) is deemed to be interested in her spouse's share options for the purposes of the SFO.

4. The approximate percentage of the interest in the Company's issued share capital is based on a total of 2,731,262,560 Shares of the Company in issue as at 30 June 2018.

5. The percentage of the interest in the US$200 Million Senior Notes is based on the aggregate principal amount of US$200,000,000.

Save as disclosed above or under the section headed "Share Option Scheme" below, as at 30 June 2018, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any Shares, underlying Shares and Debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 the Directors and chief executives were deemed or taken to have under the provisions of the SFO), or which were required to be and are recorded in the register required to be 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.

SHARE OPTION SCHEME

The original share option scheme has expired on 13 May 2018. The shareholders of the Company (the "Shareholders") conditionally adopted the share option scheme (the "Share Option Scheme") which has been approved on the extraordinary general meeting held on 19 April 2018. The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus aligning their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

Under the Share Option Scheme, the employees of the Group (including the executive Directors) and such other persons as the Board may consider appropriate may be granted options which entitle them to subscribe for Shares representing, when aggregated with any Shares subject to any other scheme(s) of the Company, up to a maximum of 10% of the Shares in issue of the Company as of 19 April 2018, unless the Company obtains a fresh approval from the Shareholders to renew the said limit or the Shareholders specifically approve the grant.

The total number of Shares issued or to be issued upon exercise of the share options granted and yet to be exercised under the Share Option Scheme adopted by the Company must not exceed 30% of the total number of Shares in issue from time to time. The amount payable by a grantee on acceptance of a grant of the option is HK$1.00 (or its equivalent in RMB or any other currency acceptable to the Company).

The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted pursuant to the Share Option Scheme and any other share option scheme(s) of the Company to each participant in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue. Any further grant of options which would result in the number of the Shares issued as aforesaid exceeding the said 1% limit must be approved by the Shareholders in general meeting at which such participant and his or her associates must abstain from voting.

Any grant of share options to a participant who is a Director, chief executive, or substantial Shareholder or any of their respective associate must be approved by the independent non-executive Directors, excluding any independent non-executive Director who is the grantee of the share options.

The exercise periods of the share options may be specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of the grant. As at 30 June 2018, share options to subscribe for 38,825,760 Shares (representing approximately 1.42% of the issued share capital of the Company as at 30 June 2018 (i.e. 2,731,262,560 shares)) remained outstanding.

The subscription price for the Shares under the Share Option Scheme shall be determined by the Board in its absolute discretion and notified to a participant, provided that such price shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of a share option which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five consecutive trading days immediately preceding the date of offer; and (iii) the nominal value of a Share.

The Share Option Scheme will expire on 18 April 2028.

Movement of share options granted under the Share Option Scheme for the 6 months from 1 January 2018 to 30 June 2018 was as follows:

Number of share options granted under the Share Option Scheme

Name or category of participants	Date of grant	Exercise price per Share	Exercise period (Notes)	As at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2018
Directors								
Mr. Wu Po Sum	25 May 2010	HK$1.853	2	2,050,400	–	–	–	2,050,400
Ms. Yan Yingchun	27 March 2013	HK$2.560	4	500,000	–	–	–	500,000
	23 May 2017	HK$1.764	5	10,000,000	–	–	–	10,000,000
Mr. Liu Weixing	23 May 2017	HK$1.764	5	20,000,000	–	–	–	20,000,000
Ms. Wu Wallis[7] (alias Li Hua)	27 March 2013	HK$2.560	4	1,500,000	–	–	–	1,500,000
	23 May 2017	HK$1.764	5	7,000,000	–	–	–	7,000,000
Chief Executive Officer								
Mr. Yuan Xujun	23 May 2017	HK$1.764	5	20,000,000	–	–	–	20,000,000
Senior Management, other employees and consultants of the Group	25 May 2010	HK$1.853	2	3,025,520	–	–	160	3,025,360
	25 July 2011	HK$2.160	3	1,500,000	–	–	1,500,000	–
	27 March 2013	HK$2.560	4	15,650,000	–	–	2,300,000	13,350,000
	23 May 2017	HK$1.764	5	35,000,000	–	–	–	35,000,000
	12 June 2018	HK$4.296	6	–	64,000,000	–	–	64,000,000
				116,225,920	64,000,000	–	3,800,160	176,425,760

Notes:

1. In relation to each grantee of the share options granted under the Share Option Scheme, no share option is exercisable within the first year from the respective dates of grant, that is, 25 May 2010, 25 July 2011, 27 March 2013, 23 May 2017 and 12 June 2018 (the "Dates of Grant"), not more than 20% of the share options are exercisable within the second year from the respective Dates of Grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the respective Dates of Grant.

   The initial exercise price of the share options granted on 25 May 2010 under the Share Option Scheme was HK$1.9 per share and was adjusted to HK$1.853 per share on 28 June 2011 as a result of and following the Rights Issue conducted by the Company.

2. The share options are divided into 3 tranches exercisable from 25 May 2011, 25 May 2012 and 25 May 2013 respectively to 24 May 2020.

3. The share options are divided into 3 tranches exercisable from 25 July 2012, 25 July 2013 and 25 July 2014 respectively to 24 July 2021.

4. The share options are divided into 3 tranches exercisable from 27 March 2014, 27 March 2015 and 27 March 2016 respectively to 26 March 2023.

5. The share options are divided into 3 tranches exercisable from 23 May 2018, 23 May 2019 and 23 May 2020 respectively to 22 May 2027.

6. The share options are divided into 3 tranches exercisable from 12 June 2019, 12 June 2020 and 12 June 2021 respectively to 11 June 2028.

7. The 8,500,000 share options are beneficially owned by the spouse of Ms. Wu Wallis (alias Li Hua), therefore Ms. Wu Wallis (alias Li Hua) is deemed to be interested in her spouse's share options for the purposes of the SFO.

Additional information in relation to the Share Option Scheme is set out in note 23 to the financial statements of this interim report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any Directors or chief executives of the Company, as at 30 June 2018, other than the interests and short positions of the Directors or chief executives of the Company as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures" and "Share Option Scheme" above, the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital[1]
Joy Bright	Beneficial owner	1,386,315,639[2]	50.76%
CapitaLand LF (Cayman) Holdings Co., Ltd. ("CapitaLand (Cayman)")	Beneficial owner	658,116,228[3]	24.10%
CapitaLand China Holdings Pte Ltd. ("CapitaLand China")	Interest of controlled corporation	658,116,228[3]	24.10%
CapitaLand China Investments Limited ("CapitaLand China Investments")	Interest of controlled corporation	658,116,228[3]	24.10%
CapitaLand Limited ("CapitaLand")	Interest of controlled corporation	658,116,228[3]	24.10%
Temasek Holdings (Private) Limited ("Temasek Holdings")	Interest of controlled corporation	658,116,228[3]	24.10%

Notes:

(1) The approximate percentage of the interest in the Company's issued share capital is based on a total of 2,731,262,560 Shares of the Company in issue as at 30 June 2018.

(2) Mr. Wu Po Sum holds 100% of the issued share capital of Joy Bright and is deemed to be interested in the 1,386,315,639 Shares held by Joy Bright for the purposes of the SFO.

(3) CapitaLand (Cayman) is directly wholly owned by CapitaLand China. CapitaLand China is directly wholly owned by CapitaLand China Investments and CapitaLand China Investments is directly wholly owned by CapitaLand. Temasek Holdings has an interest in approximately 40.011% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand China Investments, CapitaLand and Temasek Holdings is deemed or taken to be interested in the 658,116,228 Shares which are owned by CapitaLand (Cayman) for the purposes of the SFO.

Save as disclosed above, as at 30 June 2018, there was no other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICES

The Company has always valued the superiority, steadiness and rationality of having a sound system of corporate governance and is committed to continuously improve its corporate governance and disclosure practices. For the six months ended 30 June 2018, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code (the "Corporate Governance Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") with the exception of code provisions A.6.7 and E.1.2 as addressed below.

1. **Code provision A.6.7 – This code provision stipulates that independent non-executive Directors and other non-executive Directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.**

   All Directors have given the Board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.

   Mr. Lucas Ignatius Loh Jen Yuh and Mr. Puah Tze Shyang, being non-executive Directors, and Mr. Xin Luo Lin and Dr. Sun Yuyang, being independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 19 April 2018 (the "2018 AGM") as they were out of town for other businesses.

2. **Code provision E.1.2 – This code provision requires the chairmen of the Board (the "Chairman") to invite the chairman of the audit, remuneration and nomination committees to attend the annual general meeting.**

   Mr. Wu Po Sum, being an executive Director, the chairman of the Board and the nomination committee of the Company, was unable to attend the 2018 AGM as he was out of town for other business.

   Mr. Xin Luo Lin, an independent non-executive Director and the chairman of the remuneration committee of the Company, was unable to attend the 2018 AGM as he was out of town for other business.

   In their absence, the other members of the Board, Ms. Yan Yingchun and Mr. Cheung Shek Lun, being a member of the Board, the remuneration committee and the nomination committee, attended the 2018 AGM and answered questions raised at the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules as the code of conduct for the Directors in their dealings in the Company's securities. Having made specific enquires with each Director, the Company confirmed that the Directors had complied with the required standard as set out in the Model Code for the six months ended 30 June 2018.

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

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

CHANGES SUBSEQUENT TO 31 DECEMBER 2017

There were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report of the Company for the year ended 31 December 2017.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee of the Company has discussed with the management and external auditors the accounting principles and policies adopted by the Group, and has reviewed the Group's unaudited interim consolidated financial statements for the six months ended 30 June 2018.

INTERIM DIVIDEND

The Board declared an interim dividend (the "Interim Dividend") of HK7.16 cents per share for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

The Interim Dividend will be paid on or around 14 September 2018 to the shareholders of the Company whose names appear on the register of members of the Company on 5 September 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the shareholders to the Interim Dividend, the register of members of the Company will be closed on Wednesday, 5 September 2018. In order to qualify for the Interim Dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 4 September 2018, for registration. The Interim Dividend will be paid on or around 14 September 2018.

Consolidated income statement

for the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2018	2017
	Note	**RMB'000**	RMB'000
Revenue	*4*	**4,770,643**	5,057,721
Cost of sales	*6*	**(3,050,977)**	(3,725,840)
Gross profit		**1,719,666**	1,331,881
Other revenue	*5*	**131,511**	71,255
Other net (loss)/income	*5*	**(45,794)**	50,902
Selling and marketing expenses		**(432,813)**	(175,653)
General and administrative expenses		**(582,862)**	(414,128)
Impairment losses on trade and other receivables, including contract assets	*6*	**(40,513)**	–
		749,195	864,257
Finance costs	*6*	**(163,940)**	(234,973)
Share of losses of associates		**(4,969)**	(1,703)
Share of profits less losses of joint ventures		**(65,107)**	18,257
Profit before change in fair value of investment property and income tax		**515,179**	645,838
Net valuation gains on investment property	*10*	**563,555**	227,533
Profit before taxation	*6*	**1,078,734**	873,371
Income tax	*7*	**(504,469)**	(404,335)
Profit for the period		**574,265**	469,036
Attributable to:			
Equity shareholders of the Company		**550,011**	405,256
Non-controlling interests		**24,254**	63,780
Profit for the period		**574,265**	469,036
Earnings per share	*8*		
– Basic (RMB cents)		**22.28**	16.59
– Diluted (RMB cents)		**21.84**	16.59

Note:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

(ii) The Group has aggregated the line item of "other operating income", which was presented separately before, into "other revenue" due to materiality consideration and reclassified the comparative information to conform to change in presentation in the current period.

The notes on pages 51 to 95 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 23.

Consolidated statement of comprehensive income

for the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit for the period	**574,265**	469,036
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**43,982**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on:		
– translation of financial statements to the presentation currency	**9,161**	(40,464)
– arising on a monetary item that forms part of net investment in foreign operations	**(117,547)**	91,594
Cash flow hedge:		
– effective portion of changes in fair value	**(817)**	(33,069)
– transfer from equity to profit or loss	**–**	74,225
Other comprehensive income for the period	**(65,221)**	92,286
Total comprehensive income for the period	**509,044**	561,322
Attributable to:		
Equity shareholders of the Company	**484,968**	496,981
Non-controlling interests	**24,076**	64,341
Total comprehensive income for the period	**509,044**	561,322

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 51 to 95 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-current assets			
Property, plant and equipment	*9*	**4,104,061**	3,793,340
Investment property	*10*	**2,825,020**	1,297,000
Intangible assets		**192,413**	204,300
Biological assets		**105,114**	–
Interest in associates	*11*	**518,068**	536,549
Interest in joint ventures	*12*	**8,700,373**	9,026,377
Other financial assets		**569,413**	486,366
Deferred tax assets		**170,485**	100,742
		17,184,947	15,444,674
Current assets			
Trading securities		**75,754**	97,105
Biological assets		**124,016**	–
Inventories and other contract costs	*13*	**32,721,668**	24,341,214
Contract assets		**41,635**	–
Trade and other receivables	*14*	**3,027,925**	1,664,421
Deposits and prepayments	*15*	**7,339,296**	6,554,002
Tax recoverable		**1,340,571**	1,016,854
Restricted bank deposits	*16*	**2,390,342**	2,125,062
Cash and cash equivalents	*17*	**12,566,772**	11,283,853
		59,627,979	47,082,511
Current liabilities			
Bank loans	*18*	**(1,113,526)**	(450,118)
Other loans	*19*	**(445,000)**	(90,000)
Trade and other payables	*20*	**(18,936,408)**	(22,034,089)
Receipts in advance		**–**	(15,087,593)
Contract liabilities		**(26,882,551)**	–
Corporate bonds	*22*	**(2,991,480)**	–
Senior notes	*21*	**(1,315,830)**	(3,890,692)
Taxation payable		**(998,489)**	(1,116,940)
		(52,683,284)	(42,669,432)
Net current assets		**6,944,695**	4,413,079
Total assets less current liabilities		**24,129,642**	19,857,753

at 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-current liabilities			
Bank loans	*18*	**(3,844,095)**	(3,437,460)
Other loans	*19*	**(180,000)**	(210,000)
Trade and other payables		**(28,302)**	(58,302)
Corporate bonds	*22*	**–**	(2,986,914)
Senior notes	*21*	**(9,774,081)**	(4,518,961)
Deferred tax liabilities		**(354,236)**	(172,947)
		(14,180,714)	(11,384,584)
Net assets		**9,948,928**	8,473,169
Capital and reserves			
Share capital		**239,958**	216,916
Reserves		**8,706,324**	7,477,757
Total equity attributable to equity shareholders of the Company		**8,946,282**	7,694,673
Non-controlling interests		**1,002,646**	778,496
Total equity		**9,948,928**	8,473,169

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

Approved and authorised for issue by the board of directors on 21 August 2018.

Wu Po Sum
Executive Director

Liu Weixing
Executive Director

The notes on pages 51 to 95 form part of these financial statements.

Consolidated statement of changes in equity

for the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company												
	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserve fund RMB'000	Other capital reserve RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Property revaluation reserve RMB'000	Hedging reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		216,322	1,666,254	1,966,919	462,807	(492,448)	17,116	6,479	(41,156)	–	2,619,770	6,422,063	575,263	6,997,326
Changes in equity for the six months ended 30 June 2017:														
Profit/(loss) for the period		–	–	–	–	–	–	–	–	–	405,256	405,256	63,780	469,036
Other comprehensive income		–	–	–	–	50,569	–	–	41,156	–	–	91,725	561	92,286
Total comprehensive income		–	–	–	–	50,569	–	–	41,156	–	405,256	496,981	64,341	561,322
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(10,265)	(10,265)
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	65,357	65,357
Equity settled share-based payment		–	–	–	–	–	1,456	–	–	–	–	1,456	–	1,456
Appropriation to statutory reserves fund		–	–	27,399	–	–	–	–	–	–	(27,399)	–	–	–
Disposal of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	(24,802)	(24,802)
Disposal of partial interest in a subsidiary		–	–	–	–	–	–	–	–	–	–	–	3,973	3,973
Acquisitions of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	37,579	37,579
Balanced at 30 June 2017 and 1 July 2017		216,322	1,666,254	1,994,318	462,807	(441,879)	18,572	6,479	–	–	2,997,627	6,920,500	711,446	7,631,946
Changes in equity for the six months ended 31 December 2017:														
Profit for the period		–	–	–	–	–	–	–	–	–	406,109	406,109	24,137	430,246
Other comprehensive income		–	–	–	–	343,391	–	–	–	–	–	343,391	593	343,984
Total comprehensive income		–	–	–	–	343,391	–	–	–	–	406,109	749,500	24,730	774,230
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(54,594)	(54,594)
Appropriation to statutory reserve fund		–	–	316,360	–	–	–	–	–	–	(316,360)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	34,243	34,243
Shares issued under share option scheme		594	14,467	–	–	–	(2,444)	–	–	–	–	12,617	–	12,617
Equity settled share-based payment		–	–	–	–	–	10,802	–	–	–	–	10,802	–	10,802
Disposal of partial interest in subsidiaries		–	–	–	448	–	–	–	–	–	–	448	4,536	4,984
Acquisitions of additional interests in subsidiaries		–	–	–	806	–	–	–	–	–	–	806	(10,806)	(10,000)
Acquisitions of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	68,941	68,941
		594	14,467	316,360	1,254	–	8,358	–	–	–	(316,360)	24,673	42,320	66,993
Balance at 31 December 2017 (Note)		216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	–	–	3,087,376	7,694,673	778,496	8,473,169

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company												
	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserve fund RMB'000	Other capital reserve RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Property revaluation reserve RMB'000	Hedging reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2017		216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	–	–	3,087,376	7,694,673	778,496	8,473,169
Impact on initial application of HKFRS 15	*2*	–	–	–	–	–	–	–	–	–	164,619	164,619	13,741	178,360
Impact on initial application of HKFRS 9	*2*	–	–	–	–	–	–	–	–	24,752	(34,078)	(9,326)	–	(9,326)
Adjusted balance at 1 January 2018		216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	–	24,752	3,217,917	7,849,966	792,237	8,642,203
Changes in equity for the six months ended 30 June 2018:														
Profit for the period		–	–	–	–	–	–	–	–	–	550,011	550,011	24,254	574,265
Other comprehensive income		–	–	–	–	(108,208)	–	–	(817)	43,982	–	(65,043)	(178)	(65,221)
Total comprehensive income		–	–	–	–	(108,208)	–	–	(817)	43,982	550,011	484,968	24,076	509,044
Dividend approved in respect of previous years	*23(a)*	–	–	–	–	–	–	–	–	–	(243,915)	(243,915)	(4,480)	(248,395)
Appropriation to statutory reserve fund		–	–	52,161	–	–	–	–	–	–	(52,161)	–	–	–
Issue of ordinary shares		23,042	809,114	–	–	–	–	–	–	–	–	832,156	–	832,156
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	68,874	68,874
Equity settled share-based payment		–	–	–	–	–	8,520	–	–	–	2,260	10,780	–	10,780
Disposal of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	(49,003)	(49,003)
Acquisitions of additional interests in subsidiaries		–	–	–	12,327	–	–	–	–	–	–	12,327	(9,746)	2,581
Acquisitions of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	180,688	180,688
		23,042	809,114	52,161	12,327	–	8,520	–	–	–	(293,816)	611,348	186,333	797,681
Balance at 30 June 2018		239,958	2,489,835	2,362,839	476,388	(206,696)	35,450	6,479	(817)	68,734	3,474,112	8,946,282	1,002,646	9,948,928

The notes on pages 51 to 95 form part of these financial statements.

Condensed consolidated cash flow statement

for the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Operating activities		
Cash (used in)/generated from operations	**(205,189)**	2,229,385
Income tax paid	**(845,957)**	(730,299)
Net cash (used in)/generated from operating activities	**(1,051,146)**	1,499,086
Investing activities		
Payment for the purchase of property, plant and equipment	**(426,336)**	(138,530)
Payment for the purchase of intangible assets	**(5,000)**	(94,339)
Net cash paid upon acquisitions of subsidiaries	**(561,703)**	(314,780)
Net cash outflow upon deemed disposals of subsidiaries	**–**	(876)
Net cash inflow upon disposal of partial interest of a subsidiary	**–**	3,973
Advances to joint ventures	**(1,186,939)**	(1,461,774)
Repayment from joint ventures	**1,067,543**	56,831
Investment in joint ventures	**(935,893)**	(4,500)
Interest received	**91,845**	42,965
Dividend received	**225,324**	21,929
Other cash flows arising from investing activities	**(35,702)**	309
Net cash used in investing activities	**(1,766,861)**	(1,888,792)
Financing activities		
Net proceeds from issuance of senior notes	**4,967,851**	–
Redemption of senior notes	**(2,632,467)**	(1,098,655)
Proceeds from bank loans and other loans	**1,976,000**	1,896,128
Repayment of bank loans and other loans	**(597,875)**	(558,667)
Interest paid	**(516,652)**	(593,547)
Proceeds from issuance of ordinary shares	**832,156**	–
Dividends paid	**(248,395)**	–
Other cash flows arising from financing activities	**68,874**	55,092
Net cash generated from/(used in) financing activities	**3,849,492**	(299,649)
Net increase/(decrease) in cash and cash equivalents	**1,031,485**	(689,355)
Cash and cash equivalents at 1 January	**11,283,853**	9,776,310
Effect of changes in foreign exchange rate	**251,434**	(36,453)
Cash and cash equivalents at 30 June	**12,566,772**	9,050,502

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 51 to 95 form part of these financial statements.

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 21 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2 and the accounting policy added for biological assets (note 1(a)).

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Central China Real Estates Limited (the "Company") and its subsidiaries (collectively referred as the "Group") since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 96.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory annual consolidated financial statements for the year ended 31 December 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 12 March 2018.

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, while the Company's functional currency is the Hong Kong dollar ("HK$").

1 BASIS OF PREPARATION (continued)

(a) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(a) Overview (continued)

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and/or HKFRS 15:

	At 31 December 2017	Impact on initial application of HKFRS 9	Impact on initial application of HKFRS 15	At 1 January 2018
		(Note 2(b))	*(Note 2(c))*	
	RMB'000	RMB'000	RMB'000	RMB'000
Interest in joint ventures	9,026,377	–	15,779	9,042,156
Other financial assets	486,366	33,002	–	519,368
Deferred tax assets	100,742	11,359	(5,103)	106,998
Total non-current assets	15,444,674	44,361	10,676	15,499,711
Inventories and other contract costs	24,341,214	–	(671,649)	23,669,565
Contract assets	–	–	42,542	42,542
Trade and other receivables	1,664,421	(45,437)	(42,542)	1,576,442
Total current assets	47,082,511	(45,437)	(671,649)	46,365,425
Contract liabilities	–	–	(14,179,075)	(14,179,075)
Receipts in advance	(15,087,593)	–	15,087,593	–
Taxation payable	(1,116,940)	–	(60,313)	(1,177,253)
Total current liabilities	(42,669,432)	–	848,205	(41,821,227)
Net current assets	4,413,079	(45,437)	176,556	4,544,198
Total assets less current liabilities	19,857,753	(1,076)	187,232	20,043,909
Deferred tax liabilities	(172,947)	(8,250)	(8,872)	(190,069)
Total non-current liabilities	(11,384,584)	(8,250)	(8,872)	(11,401,706)
Net assets	8,473,169	(9,326)	178,360	8,642,203
Reserves	7,477,757	(9,326)	178,360	7,646,791
Total equity attributable to equity shareholders of the Company	7,694,673	(9,326)	164,619	7,849,966
Non-controlling interests	778,496	–	13,741	792,237
Total equity	8,473,169	(9,326)	178,360	8,642,203

Further details of these changes are set out in sub-sections (b) and (c) of this note.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on:	
–financial assets measured at amortised cost	(45,437)
Related tax	11,359
Net decrease in retained earnings at 1 January 2018	(34,078)
Fair value reserve (non-recycling)	
Recognition of fair value changes relating to equity securities which were measured at cost less impairment losses and are now measured at FVOCI (non-recycling) and increase in fair value reserve (non-recycling) at 1 January 2018	33,002
Related tax	(8,250)
Net increase in fair value reserve (non-recycling) at 1 January 2018	24,752

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (continued)

(i) Classification of financial assets and financial liabilities (continued)

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1 January 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets carried at amortised cost				
Cash and cash equivalents	11,283,853	–	–	11,283,853
Trade and other receivables *(note (i))*	1,620,572	(42,542)	(45,437)	1,532,593
	12,904,425	(42,542)	(45,437)	12,816,446

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (continued)

(i) Classification of financial assets and financial liabilities (continued)

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1 January 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets measured at FVOCI (non-recyclable)				
Equity securities *(note (ii))*	–	486,366	33,002	519,368
Financial assets classified as available-for-sale measured at cost less impairment losses under HKAS 39				
Equity securities *(note (ii))*	486,366	(486,366)	–	–
Financial assets carried at FVPL				
Trading securities *(note (iii))*	97,105	–	–	97,105
Other derivative assets *(note (iii))*	43,849	–	–	43,849
	140,954	–	–	140,954

Notes:

(i) Trade and other receivables of RMB42,542,000 were reclassified to contract assets at 1 January 2018 as a result of the initial application of HKFRS 15 (see note 2(c)).

(ii) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investments in these investments at FVOCI (non-recycling), as these investments are held for strategic purposes.

(iii) Trading securities and derivative financial assets (except for those designated as hedging instruments in cash flow hedges) were classified as financial assets at FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (continued)

(i) Classification of financial assets and financial liabilities (continued)

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts.

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see note 2(b)(ii)) on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(b)(ii) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (continued)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables);

– contract assets as defined in HKFRS 15 (see note 2(c));

– debt securities measured at FVOCI (recycling);

– lease receivables;

– financial guarantee contracts issued (see note 2(b)(i)); and

– loan commitments issued, which are not measured at FVPL.

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (continued)

(ii) Credit losses (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable;

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (continued)

(ii) Credit losses (continued)

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (continued)

(ii) Credit losses (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (continued)

(ii) Credit losses (continued)

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB45,437,000, which decreased retained earnings by RMB34,078,000 and increased gross deferred tax assets by RMB11,359,000 at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under HKAS 39	–
Additional credit loss recognised at 1 January 2018 on:	
– Trade debtors and bills receivables, including contract assets	1,946
– Other debtors	43,491
Loss allowance at 1 January 2018 under HKFRS 9	45,437

(iii) Hedge accounting

The Group has elected to adopt the new general hedge accounting model in HKFRS 9. Depending on the complexity of the hedge, this new accounting model allows a more qualitative approach to assessing hedge effectiveness compared to HKAS 39 to be applied, and the assessment is always forward-looking. The adoption of HKFRS 9 has not had a significant impact on the Group's financial statements in this regard.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (continued)

(iv) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  - the determination of the business model within which a financial asset is held; and

  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

- All hedging relationships designated under HKAS 39 at 31 December 2017 met the criteria for hedge accounting under HKFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships. Changes to hedge accounting policies have been applied prospectively.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, *Revenue from contracts with customers (continued)*

The following table summarises the impact of transition to HKFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	RMB'000
Retained earnings	
Earlier revenue and profit recognition for certain sales of properties	201,380
Capitalisation of sales commissions	35,489
Related tax	(74,288)
Net increase in share of profit in joint ventures resulted from application of HKFRS 15	15,779
Less: attributable to non-controlling interests	(13,741)
Net increase in retained earnings at 1 January 2018	164,619

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of properties was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, *Revenue from contracts with customers* (continued)

(i) Timing of revenue recognition (continued)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from provision of services. However, the timing of revenue recognition for sales of properties is affected as follows:

- Sales of properties: the Group's property development activities are carried out in Mainland China only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the People's Republic of China ("PRC"), certain property pre-sale contracts meet the criteria for recognising revenue over time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. For certain fully prepaid pre-sales of properties under development, when the properties under development 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, satisfy the criteria for category C for recognising revenue over time during the developing process, whereas previously the Group did not recognise revenue until the risks and rewards of ownership of the property were transferred to the customer. Accordingly, revenue and the associated costs for these contracts are recognised in profit or loss earlier under HKFRS 15 than under HKAS 18.

  As a result of this change in policy, the Group has made adjustments to opening balance at 1 January 2018 which increased retained earnings by RMB138,002,000, increased non-controlling interests by RMB13,741,000, increased current tax liabilities by RMB60,313,000, increased in investment in joint ventures by RMB15,779,000, decreased receipts in advance by RMB1,113,672,000, decreased inventories by RMB912,292,000 and decreased deferred tax assets by RMB5,103,000 as at 1 January 2018.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, *Revenue from contracts with customers* (continued)

(ii) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

Advance payments are common in the Group's arrangement with its customers, when properties are marketed by the Group while the property is still under construction.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*.

As a result of this change in policy, the Group has made adjustments which increased inventories and contract liabilities by RMB205,154,000 at 1 January 2018. As all of the accrued interest was eligible to be capitalised into projects still under construction, this change in policy has had no effect on retained earnings as at 1 January 2018.

(iii) Sales commissions payable related to property sales contracts

The Group previously recognised sales commissions payable related to property sales contracts as selling and marketing expenses when they were incurred. Under HKFRS 15, the Group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as selling and marketing expenses at that time.

As a result of this change in accounting policy, the Group has capitalised sales commissions payable related to property sales contracts and increased other contract costs by RMB35,489,000, increased deferred tax liabilities by RMB8,872,000 and increased retained earnings by RMB26,617,000 at 1 January 2018.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, *Revenue from contracts with customers* (continued)

(iv) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to sales of properties and provision of services were presented in the statement of financial position under "trade and other receivables" or "receipts in advance" respectively, and properties under development in respect of the Group's properties sales which meet the situations for recognising revenue over time was included within inventory until the such properties were transferred to the customers, and the risk and reward of ownership of revenue was recognised for the reasons explained in paragraph (i) above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

a. "Trade debtors and bills receivable" amounting to RMB42,542,000 relating to provision of services and sales of properties, which were previously included in trade and other receivables are now included under contract assets;

b. "Receipts in advance" amounting to RMB13,973,921,000 are now included under contract liabilities;

c. As explained in (i) above, reclassification to opening balances have been made to contract liabilities by RMB1,113,672,000 from "Receipts in advance" related to sale of properties and decrease inventories (properties under development) by RMB912,292,000 in respect of the Group's properties sales which meet the situations for recognising revenue over time.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(d) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)22 does not have any material impact on the financial position and the financial result of the Group.

3 SEGMENT REPORTING

(a) Products and services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8, *Operating segments*.

(b) Revenue from principal activities

The Group's revenue from its principal activities is set out in note 4.

(c) Geographic information

No geographical information is shown as the revenue and profit from operations of the Group is substantially derived from activities in Henan province in the PRC.

4 REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and timing of revenue recognition is as follows:

The principal activities of the Group are property development, property leasing, hotel operations and provision of project management service. Revenue of the Group for the period is analysed as follows:

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS15		
Disaggregation by major products or service lines		
– Sales of properties	**4,329,414**	4,781,586
– Revenue from hotel operations	**132,356**	132,113
– Revenue from project management service	**248,901**	99,024
Revenue from other sources		
– Rental income	**59,972**	44,998
	4,770,643	5,057,721
Disaggregation by timing of revenue recognition:		
– Point in time	**1,281,552**	4,913,699
– Over time	**3,489,091**	144,022
	4,770,643	5,057,721

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see note 2(c)).

5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Other revenue		
Interest income on financial assets measured at amortised cost	**91,845**	42,965
Dividend income	**2,076**	15,090
Government grants	**22,443**	750
Financial guarantee contract issued	**915**	975
Others	**14,232**	11,475
	131,511	71,255
Other net (loss)/income		
Net exchange (loss)/gain	**(10,061)**	30,360
Unrealised loss on trading securities	**(21,778)**	(8,695)
Net fair value gain on deemed disposals of a joint venture	**14,107**	–
Inventory write-down and losses net of reversals *(note 13)*	**(18,670)**	(5,845)
Net gain on deemed disposals of subsidiaries	**–**	280
Net gain/(loss) on disposals of property, plant and equipment *(note 9)*	**136**	(91)
Forfeited income from a tenant	**–**	31,623
Others	**(9,528)**	3,270
	(45,794)	50,902

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	RMB'000
(a) Finance costs		
Interest on borrowings	**916,146**	507,555
Less: borrowing costs capitalised	**(776,068)**	(392,996)
	140,078	114,559
Net change in fair value of derivatives	**23,862**	120,414
Total finance costs	**163,940**	234,973
(b) Other items		
Depreciation and amortisation	**127,703**	126,518
Impairment losses on trade and other receivables, including contract assets	**40,513**	–
Cost of properties sold	**2,971,852**	3,649,629
Sponsorship fee for local football development	**190,000**	–

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

7 INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current tax		
PRC Corporate Income Tax	**229,371**	186,577
PRC Land Appreciation Tax		
– Provision for the period	**216,114**	147,889
– Over-provision in prior years	**(27,036)**	(6,458)
	418,449	328,008
Deferred tax		
Revaluation of properties	**140,889**	56,883
PRC Land Appreciation Tax	**(56,703)**	22,084
Others	**1,834**	(2,640)
	86,020	76,327
	504,469	404,335

(a) Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(b) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

(c) PRC Corporate Income Tax ("CIT")

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the Company's subsidiaries in the PRC ("PRC subsidiaries") as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain PRC subsidiaries were subject to CIT calculated based on the deemed profit which represents 10% (2017: 10%) of their revenue in accordance with the authorised taxation method pursuant to the applicable PRC tax regulations. The tax rate was 25% (2017: 25%) on the deemed profit. Other PRC subsidiaries, which were subject to the actual taxation method, were charged CIT at a rate of 25% (2017: 25%) on the estimated assessable profits for the period.

7 INCOME TAX (continued)

(d) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 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 property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB550,011,000 (2017: RMB405,256,000) and the weighted average of 2,468,577,628 ordinary shares (2017: 2,442,270,760 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share was based on the profit attributable to ordinary equity shareholders of the Company of RMB550,011,000 (2017: RMB405,256,000) and the weighted average number of ordinary shares of 2,518,263,696 (2017: 2,442,270,760 shares).

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	Six months ended 30 June 2018 RMB'000	Six months ended 30 June 2017 RMB'000
Profit attributable to equity shareholders (diluted)	**550,011**	405,256

8 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share (continued)

(ii) Weighted average number of ordinary shares (diluted)

	Six months ended 30 June 2018 '000	Six months ended 30 June 2017 '000
Weighted average number of ordinary shares at 30 June	**2,468,578**	2,442,271
Effect of deemed issue of ordinary shares under the Company's share option scheme	**49,686**	–
Weighted average number of ordinary shares at 30 June (diluted)	**2,518,264**	2,442,271

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost of RMB426,336,000 (2017: RMB138,530,000). Items of property, plant and equipment with a net book value of RMB113,000 (2017: RMB532,000) were disposed of during the six months ended 30 June 2018, resulting in a net gain on disposal of RMB136,000 (2017: net loss of RMB91,000).

10 INVESTMENT PROPERTY

The valuations of investment property were updated at 30 June 2018 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2017 valuations.

As a result of the update, a net gain of RMB563,555,000 (2017: RMB227,533,000), and deferred tax thereon of RMB140,889,000 (2017: RMB56,883,000) has been recognised in profit or loss for the period.

During the six months ended 30 June 2018, properties held for sale of RMB962,020,000 (2017: RMB445,726,000) were transferred from "properties for sale" to "investment property" as a result of change of use. The property was measured at fair value at the time of transfer and a revaluation gain of RMB582,980,000 (2017: gain of RMB202,724,000) had been recognised in the consolidated income statement.

11 INTEREST IN ASSOCIATES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Share of net assets	**118,778**	122,746
Amounts due from associates	**399,290**	413,803
	518,068	536,549

12 INTEREST IN JOINT VENTURES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Share of net assets	**3,197,225**	3,642,625
Amounts due from joint ventures	**5,503,148**	5,383,752
	8,700,373	9,026,377

13 INVENTORIES AND OTHER CONTRACT COSTS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Properties held for future development and under development for sale	**28,660,118**	19,785,224
Completed properties held for sale	**3,992,090**	4,555,990
Other contract costs	**69,460**	–
	32,721,668	24,341,214

Notes: The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balances at 1 January 2018. Comparative information has not been restated (see note 2(c)).

During six months ended 30 June 2018, RMB18,670,000 (six months ended 30 June 2017: RMB5,845,000) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period in order to state these properties at the lower of their cost and estimate net realisable value.

13 INVENTORIES AND OTHER CONTRACT COSTS (continued)

As at 30 June 2018, the Group's inventories of RMB449,954,000 (31 December 2017:RMBNil) were pledged as securities of a joint venture's other loan.

14 TRADE AND OTHER RECEIVABLES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade debtors and bills receivable, net of loss allowance *(note (a))*	**113,118**	82,354
Other debtors	**1,935,023**	912,098
Amounts due from related companies *(note (b))*	**79,365**	35,501
Amounts due from non-controlling interests *(note (c))*	**854,122**	590,619
Financial assets measured at amortised cost	**2,981,628**	1,620,572
Derivative financial instruments		
– Redemption call options embedded in senior notes	**28,974**	43,849
– Foreign exchange forward contracts	**17,323**	–
	3,027,925	1,664,421

Notes:

(a) As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable and net of loss allowance based on the invoice date (or date of revenue recognition, if earlier) is as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 month	**21,558**	32,853
1 to 3 months	**4,215**	2,593
3 to 6 months	**41,021**	6,199
6 to 12 months	**18,423**	24,131
Over 1 year	**27,901**	16,578
	113,118	82,354

Upon the adoption of HKFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones, were reclassified to "contract assets" (see note 2(c)(iv)).

14 TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(b) The balance included amount due from a joint venture of RMB69,688,000 and amount due from entities controlled by the ultimate controlling shareholder of RMB9,677,000 which are unsecured, interest-free and have no fixed terms of repayment.

(c) The amounts due from non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

15 DEPOSITS AND PREPAYMENTS

At 30 June 2018, the balance included deposits and prepayments for leasehold land of RMB4,432,058,000 (31 December 2017: RMB3,829,342,000).

16 RESTRICTED BANK DEPOSITS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Guarantee deposits in respect of:		
– mortgage loans related to property sale	**1,228,960**	1,634,073
– bills payable	**1,161,382**	490,989
	2,390,342	2,125,062

17 CASH AND CASH EQUIVALENTS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Deposits with banks and other financial institutions	**465,713**	581,884
Cash at bank and in hand	**12,101,059**	10,701,969
Cash and cash equivalents in the statement of financial position and cash flow statement	**12,566,772**	11,283,853

18 BANK LOANS

(a) At 30 June 2018, bank loans were repayable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year or on demand	**1,113,526**	450,118
After 1 year but within 2 years	**1,603,996**	986,674
After 2 years but within 5 years	**1,687,714**	1,785,876
After 5 years	**552,385**	664,910
	3,844,095	3,437,460
	4,957,621	3,887,578

(b) At 30 June 2018, the bank loans were secured as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Bank loans		
– secured	**3,086,250**	2,003,125
– unsecured	**1,871,371**	1,884,453
	4,957,621	3,887,578

As at 30 June 2018, the secured bank loans are secured over equity interest in subsidiaries of the Group and other assets as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Properties for sale	**1,579,007**	721,365
Property, plant and equipment	**762,725**	792,220
Equity interest in a joint venture	**412,305**	53,197
	2,754,037	1,566,782

18 BANK LOANS (continued)

(c) Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2018 and 31 December 2017, none of the covenants relating to drawn down facilities had been breached.

19 OTHER LOANS

At 30 June 2018, other loans were repayable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year or on demand	**445,000**	90,000
After 1 year but within 2 years	**90,000**	90,000
After 2 years but within 5 years	**90,000**	90,000
After 5 years	**–**	30,000
	180,000	210,000
	625,000	300,000

As at 30 June 2018, the other loans are unsecured (31 December 2017: unsecured).

20 TRADE AND OTHER PAYABLES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade creditors and bills payables *(note (a))*	**10,174,816**	8,450,966
Other creditors and accruals	**3,269,505**	3,281,632
Patent payables	**60,000**	35,000
Amounts due to related parties *(note (b))*	**4,158,457**	9,352,517
Amounts due to non-controlling interests *(note (c))*	**1,176,990**	830,852
Financial liabilities measured at amortised cost	**18,839,768**	21,950,967
Financial guarantee issued	**3,042**	3,957
Derivative financial instruments		
– Foreign exchange rate swap contract *(note 21(d))*	**92,781**	79,165
– Interest rate swap contracts	**817**	–
	18,936,408	22,034,089

At 30 June 2018, included in trade and other payables are retention payable of RMB40,843,000 (31 December 2017: RMB47,993,000), which are expected to be settled after more than one year.

Notes:

(a) As of the end of the reporting period, the ageing analysis of trade creditors and bills payables based on the invoice date is as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 month	**2,423,354**	1,817,736
1 – 3 months	**1,077,828**	1,711,165
3 – 6 months	**2,513,501**	2,281,060
6 – 12 months	**2,378,283**	1,035,045
Over 12 months	**1,781,850**	1,605,960
	10,174,816	8,450,966

20 TRADE AND OTHER PAYABLES (continued)

Notes: (continued)

(b) The balance included amounts due to joint ventures of RMB4,152,203,000 (31 December 2017: RMB9,352,517,000) and amounts due to entities controlled by the ultimate controlling shareholder of RMB6,254,000 (31 December 2017:Nil) which are unsecured, interest-free and have no fixed terms of repayment.

(c) The amounts due to non-controlling interests included an amount of RMB268,500,000 (31 December 2017: RMB105,000,000) which is unsecured, interest bearing at 10%-12% (31 December 2017: 10%) per annum and has no fixed terms of repayment.

The remaining amounts due to non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

21 SENIOR NOTES

Liability component of the Senior Notes:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
USD200million due in 2020 *(note (a))*	**1,313,646**	1,295,951
USD400million due in 2018 *(note (b))*	**–**	2,596,209
USD300million due in 2021 *(note (c))*	**1,964,560**	1,937,635
USD200million due in 2021 *(note (d))*	**1,303,729**	1,285,374
USD200million due in 2018 *(note (e))*	**1,315,830**	1,294,484
USD300million due in 2021 *(note (f))*	**1,956,323**	–
USD386million due in 2020 *(note (g))*	**2,514,170**	–
SGD150million due in 2020 *(note (h))*	**721,653**	–
	11,089,911	8,409,653
Less: amount due for maturity within 12 months (classified as current liabilities)	**(1,315,830)**	(3,890,692)
	9,774,081	4,518,961

(a) On 21 January 2013, the Company issued senior notes with principal amount of USD200million due in 2020. The senior notes are interest bearing at 8% per annum which is payable semiannually in arrears and with a redemption call option.

21 SENIOR NOTES (continued)

Liability component of the Senior Notes: (continued)

(b) On 22 May 2013, the Company issued senior notes with principal amount of USD400million due in 2018. The senior notes are interest bearing at 6.5% per annum which is payable semiannually in arrears and with a redemption call option.

On 4 June 2018, the Company redeemed the outstanding senior notes upon maturity.

(c) On 23 April 2015, the Company issued senior notes with principal amount of USD300million due in 2021. The senior notes are interest bearing at 8.75% per annum which is payable semiannually in arrears and with a redemption call option.

(d) On 8 November 2016, the Company issued senior notes with principal amount of USD200million due in 2021. The senior notes are interest bearing at 6.75% per annum which is payable semi-annually in arrears and with a redemption call option.

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of the USD200m senior notes due in 2021 by swapping the senior notes principal of USD200million into RMB1,385,600,000. The aggregate notional principal amounts of the foreign exchange rate swap contract is USD200 million and the contract will mature on 8 November 2021. The foreign exchange rate swap contract is accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group's accounting policy. As at 30 June 2018, the fair value of the foreign exchange rate swap contract liability amounted to RMB92,781,000 (note 20) is measured based on market price quoted by brokers and the fair value change loss of RMB12,113,000 is recorded under "Finance cost" (note 6(a)).

(e) On 18 July 2017, the Company issued senior notes with principal amount of USD200million due in 2018. The senior notes are interest bearing at 6% per annum which is payable semi-annually in arrears and with a redemption call option.

(f) On 5 March 2018, the Company issued senior notes with principal amount of USD300million due in 2021. The senior notes are interest bearing at 6.5% per annum which is payable semi-annually in arrears and with a redemption call option.

(g) On 23 April 2018 and 5 June 2018, the Company issued senior notes with principal amount of USD386million due in 2020. The senior notes are interest bearing at 6.875% per annum which is payable semiannually in arrears and with a redemption call option.

21 SENIOR NOTES (continued)

Liability component of the Senior Notes: (continued)

(h) On 2 May 2018, the Company issued senior notes with principal amount of SGD150million due in 2020. The senior notes are interest bearing at 6.25% per annum which is payable semiannually in arrears and with a redemption call option.

(i) The above senior notes are secured by the corporate guarantees given by certain subsidiaries of the Company. The details of the senior notes are disclosed in the relevant offering memorandums.

22 CORPORATE BONDS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
At the beginning of the period/year	**2,986,914**	2,978,128
Interest and transaction costs amortised	**4,566**	8,786
	2,991,480	2,986,914

On 15 March 2016, China Securities Regulatory Commission approved the application of Central China Real Estate Group (China) Company Limited ("CCRE China"), a company established in the PRC and a wholly-owned subsidiary of the Company, for a proposed issue of corporate bonds of up to RMB3,000,000,000 (the "Corporate Bonds").

On 13 April 2016, CCRE China issued Corporate Bonds with principal amount of RMB3,000,000,000 due in 2021 listed on the Shanghai Stock Exchange. The coupon rate of the Corporate Bonds was fixed at 6% per annum which is payable annually in arrears. The maturity date of the Corporate Bonds is 12 April 2021.

At the end of third year, CCRE China may at its option adjust the coupon rate of the Corporate Bonds and the holders of the Corporate Bonds may at their options redeem the Corporate Bonds, in whole or in part, at a predetermined price.

The details of Corporate Bonds are disclosed in the relevant offering memorandum.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

	2018 RMB'000	2017 RMB'000
Interim dividend declared after the interim period of HK7.16 cents (equivalent to RMB6.04 cents) (2017: Nil) per ordinary share	**165,000**	–

The interim dividend has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK12.29 cents (equivalent to RMB9.96 cents) (six months ended 30 June 2017: Nil) per ordinary share	**243,915**	–

(b) Equity Settled Share-Based Transaction

(i) Share options granted on 25 May 2010

On 25 May 2010, the Company conditionally granted share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK$1.9 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

On 28 June 2011, upon the rights issue of the Company, the exercise price of share options granted on 25 May 2010 was adjusted to HK$1.853 and the number of outstanding share options was adjusted from 20,000,000 to 20,504,000.

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Equity Settled Share-Based Transaction (continued)

(ii) Share options granted on 25 July 2011

On 25 July 2011, the Company conditionally granted certain share options to the Company's employees. The exercise of these share options would entitle the employees of the Group to subscribe for an aggregate of 12,500,000 shares of the Company. The exercise price is HK$2.16 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(iii) Share options granted on 27 March 2013

On 27 March 2013, the Company conditionally granted certain share options to the Company's director and employees. The exercise of these share options would entitle the Company's director and employees of the Group to subscribe for an aggregate of 24,000,000 shares of the Company. The exercise price is HK$2.56 per share. The share option scheme was effective from 27 March 2013. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(iv) Share options granted on 23 May 2017

On 23 May 2017, the Company conditionally granted certain share options to the Company's director and employees. The exercise of these share options would entitle the Company's director and employees of the Group to subscribe for an aggregate of 95,000,000 shares of the Company. The exercise price is HK$1.764 per share. The share option scheme was effective from 23 May 2017. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(Expressed in Renminbi unless otherwise indicated)

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Equity Settled Share-Based Transaction (continued)

(v) Share options granted on 12 June 2018

On 12 June 2018, the Company conditionally granted certain share options to the Company's employees. The exercise of these share options would entitle the Company's employees of the Group to subscribe for an aggregate of 64,000,000 shares of the Company. The exercise price is HK$4.296 per share. The share option scheme was effective from 12 June 2018. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumption

Fair value at measurement date	HK$1.583
Share price	HK$4.290
Exercise price	HK$4.296
Expected volatility	45%
Option life	10 years
Expected dividends	2.85%
Risk-free interest rate	2.92%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(Expressed in Renminbi unless otherwise indicated)

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Equity Settled Share-Based Transaction (continued)

(vi) The number and the weighted average exercise price of share options are as follows:

	2018		2017	
	Weighted average exercise price HK$	**Number of options**	Weighted average exercise price HK$	Number of options
Outstanding at 1 January	**1.89**	**116,225,920**	2.33	31,217,720
Issued during the period	**4.30**	**64,000,000**	1.76	95,000,000
Forfeited/lapsed during the period	**2.40**	**(3,800,160)**	–	–
Outstanding at 30 June	**2.75**	**176,425,760**	1.90	126,217,720
Exercisable at 30 June	**2.09**	**38,825,760**	2.33	31,217,720

The options outstanding at 30 June 2018 had a weighted average exercise price of HK$2.75 (30 June 2017: HK$1.90) and a weighted average remaining contractual life of 8.72 years (2017: 8.69 years).

(c) Reserve

(i) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 2(b)(i)).

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

– Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance controller performing valuations for the financial instruments, mainly the unlisted equity securities. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer.

	Fair value at 30 June 2018 RMB'000	Fair value measurements as at 30 June 2018 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
Trading securities:				
– Listed equity securities in Hong Kong	75,754	75,754	–	–
Other financial assets:				
– Non-trading listed equity securities	234,425	234,425	–	–
– Unlisted equity securities	334,988	–	–	334,988
Derivative financial instruments:				
– Redemption call options embedded in senior notes	28,974	–	28,974	–
– Foreign exchange forward contracts	17,323	–	17,323	–
Financial liabilities:				
Derivative financial instruments:				
– Foreign exchange rate swap contract	92,781	–	92,781	–
– Interest rate swap contracts	817	–	817	–

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
Trading securities:				
– Listed equity securities in Hong Kong	97,105	97,105	–	–
Derivative financial instruments:				
– Redemption call options embedded in Senior Notes	43,849	–	43,849	–
Financial liabilities:				
Derivative financial instruments:				
– Foreign exchange rate swap contract	79,165	–	79,165	–

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2017: Nil). The Group's policy is to recognised transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of redemption call options in Level 2 are determined by assessing the difference between the fair value of the senior notes by quoted price and the pure bond value.

The fair value of foreign exchange forward contracts, interest rate swap contracts and foreign exchange rate swap contract in Level 2 are determined using forward exchange rates and interest rates that are quoted in active market.

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(iii) Information about level 3 fair value measurements

The fair value of non-publicly traded equity investments as of 30 June 2018 of RMB334,988,000 in Level 3 is determined by reference to the net asset value of these investments.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2018 RMB'000
Unlisted equity securities:	
At 1 January	**326,286**
Impact on initial application of HKFRS 9	**783**
Net unrealised gains or losses recognised in other comprehensive income during the period	**7,919**
At 30 June	**334,988**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**–**

From 1 January 2018, any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings. Prior to 1 January 2018, the unlisted equity securities were stated at cost less impairment losses.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 30 June 2018.

25 COMMITMENTS

Capital commitments outstanding not provided for in the interim financial report are as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Properties under development undertaken by the Group		
– Authorised but not contracted for	**24,808,437**	12,352,427
– Contracted for	**11,909,906**	6,814,843
	36,718,343	19,167,270

26 CONTINGENT LIABILITIES

(a) Guarantees given to financial institutions for mortgage facilities granted to buyers of the Group's and joint ventures' properties

The Group and joint ventures provide guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's and joint ventures' properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group and joint ventures are responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's and joint ventures' guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the buyers obtain the individual property ownership certificates of the properties purchased. The amount of guarantees given to banks for mortgage facilities granted to the buyers of the Group's and joint ventures' properties at 30 June 2018 are as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Guarantees given to banks for mortgage facilities granted to buyers of:		
– the Group's properties	**22,179,918**	18,738,540
– the joint ventures' properties (the Group's shared portion)	**3,116,880**	4,602,718
	25,296,798	23,341,258

26 CONTINGENT LIABILITIES (continued)

(a) Guarantees given to financial institutions for mortgage facilities granted to buyers of the Group's and joint ventures' properties (continued)

The directors do not consider it is probable that the Group and joint ventures will sustain a loss under these guarantees during the periods under guarantees as the Group and joint ventures have not applied for individual property ownership certificates for these buyers and can take over the ownership of the related properties and sell the properties to recover any amounts paid by the Group/joint ventures to the banks. The Group and joint ventures have not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group and joint ventures in the event that the buyers default payments to the banks.

(b) Guarantees given to financial institutions for bank loans and other loans granted to joint ventures:

The Group provided guarantees to bank loans and other loans of joint ventures amounting to RMB6,650,935,000 as at 30 June 2018 (31 December 2017: RMB6,511,840,000). At the end of the reporting period, the directors do not consider it is probable that claims will be made against the Group under these guarantees. The Group has not recognised any deferred income in respect of these guarantees as their fair values cannot be reliably measured using observable market data and their transaction prices were RMBNil (31 December 2017: RMBNil).

(c) Liquidity support given to 河南建業物業管理有限公司 (for identification purpose, in English, Henan Jianye Property Management Company Limited ("Jianye Property Management")):

The Group provided liquidity support, not exceeding RMB650,000,000, in favour of Jianye Property Management for outstanding amount in relation to Asset-backed Securities of RMB850,000,000 issued by Jianye Property Management in April 2016.

The liquidity support fee of RMB915,000 was recognised for the six months ended 30 June 2018 (2017: RMB975,000).

27 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, other material related party transactions entered by the Group during the six months ended 30 June 2018 are as follows:

		Six months ended 30 June	
		2018	2017
	Note	**RMB'000**	RMB'000
Project management service income from joint ventures or associates		**9,299**	–
Interest income from joint ventures	*(a)*	**40**	5,821
Interest income from non-controlling interests	*(a)*	**–**	377
Interest expenses to non-controlling interests	*(b)*	**5,250**	–
Receiving service from entities controlled by the ultimate controlling shareholder	*(c)*	**20,359**	–
Directors' and chief executive's emoluments		**11,471**	8,137

Notes:

(a) The amounts represent interest income in relation to advances to joint ventures and non-controlling interests.

(b) The amounts represent interest expenses in relation to loans from non-controlling interests.

(c) In December 2017, Mr. Wu Po Sum, the ultimate controlling shareholder of the Company acquired 100% of the equity interest in 河南建業新生活服務有限公司 (for identification purpose, in English, Henan Jianye New Life Service Company Limited ("New Life")) from its former equity interest owner. New Life, together with its subsidiaries including Jianye Property Management, provides various types of services for the Group, mainly including property management service, consultancy service and other miscellaneous services. The property management service fees are charged either under lump sum basis or commission basis, when Jianye Property Management acts as an agent of the Group.

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 4 July 2018, the Group entered into the Pledge Agreement and the Guarantee Agreement with Ping An Trust, pursuant to which the Group agreed to provide pledge and guarantee in favor of a Group's joint venture for its trust loan of RMB1,600,000,000 granted by Ping An Trust.

(b) On 16 July 2018, the Company has redeemed outstanding senior notes due in 2018 upon maturity with principal amount of USD200,000,000 and nominal interest rate of 6% at the predetermined redemption price.

(c) After the end of the reporting period, the board of directors of the Company declared an interim dividend. Further details are disclosed in note 23(a).

29 COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. Except for the amendments to HKFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as HKFRS 9 (see note 2(b)), the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 30 June 2018:

	Properties RMB'000
Amounts payable:	
Within 6 months	2,127
After 6 months but within 1 year	2,127
After 1 year but within 5 years	17,016
After 5 years	82,243
	103,513

Upon the initial adoption of HKFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.

Review report to the board of directors of
Central China Real Estate Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 44 to 95 which comprises the consolidated statement of financial position of Central China Real Estate Limited (the "company") as of 30 June 2018 and the related consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 August 2018