CHINA SCE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1966.HK

2018
Interim Report

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CORPORATE PROFILE

China SCE Group Holdings Limited (formerly known as "China SCE Property Holdings Limited") ("China SCE" or the "Company"), together with its subsidiaries (collectively, the "Group"), were established in 1996 and with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in February 2010 (Stock Code: 1966.HK). The Group's major businesses include property development, property investment and property management. The Company is headquartered in Shanghai for its business operations, while implementing regional focused development strategy targeting the first- and second-tier cities in the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, Guangdong — Hong Kong — Macao Greater Bay Area, the West Taiwan Strait Economic Zone and Central Western Region.

The Group's property projects are distributed in 30 cities, including Beijing, Shanghai, Shenzhen, Tianjin, Chongqing, Suzhou, Hangzhou, Nanjing, Qingdao, Jinan, Nanchang and Xiamen, etc. Its products cover a wide range of properties including high-rise residential buildings, low-rise residential buildings, villas, commercial buildings and offices. The Company upholds "We Build to Inspire" (專築您的感動) as its key value proposition, "Creating Smart Living to Help Seize Happiness" (創建智慧生活，讓幸福觸手可及) as mission. The Company was awarded the "2018 Best 40 China Real Estate Listed Companies with Strongest Comprehensive Strengths", "2018 Best 50 of China Real Estate Developers" (2018中國房地產開發企業50強) and "Fortune China 500" in 2018.

As of 30 June 2018, the Group together with its joint ventures and associates owned a land bank with an aggregate planned gross floor area ("GFA") of approximately 19.86 million square metres ("sq.m."), which is believed to suffice the development by the Group in the next three to four years. In the future, China SCE will continue to deepen the strategic plan of "Regional Focused, Multi-industries Development" (區域聚焦，多業態發展) and secure the regional leading position by implementing more proactive and prudent development strategies. In addition, the Company will strive to become a more competitive developer in the People's Republic of China ("PRC").

Shanghai • SCE Plaza

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Chiu Yeung *(Chairman)*
Mr. Chen Yuanlai
Mr. Cheng Hiu Lok
Mr. Huang Youquan
Mr. Wong Lun

Independent Non-executive Directors

Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te
Mr. Dai Yiyi

COMPANY SECRETARY

Mr. Li Siu Po

AUTHORISED REPRESENTATIVES

Mr. Wong Chiu Yeung
Mr. Li Siu Po

AUDIT COMMITTEE

Mr. Ting Leung Huel Stephen *(Chairman)*
Mr. Lu Hong Te
Mr. Dai Yiyi

REMUNERATION COMMITTEE

Mr. Dai Yiyi *(Chairman)*
Mr. Wong Chiu Yeung
Mr. Ting Leung Huel Stephen

NOMINATION COMMITTEE

Mr. Wong Chiu Yeung *(Chairman)*
Mr. Lu Hong Te
Mr. Dai Yiyi

CORPORATE GOVERNANCE COMMITTEE

Mr. Huang Youquan *(Chairman)*
Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS AS TO HONG KONG LAWS

Chiu & Partners

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

SCE Tower
No. 2, Lane 1688, Shengchang Road
Hongqiao Business District, Shanghai
China

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2801, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
Ping An Bank Co., Ltd.
Industrial Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
BOC Hong Kong (Holdings) Limited

INVESTOR RELATIONS

Email: ir@sce-re.com
Fax: (852) 2342 6643

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1966.HK

COMPANY WEBSITE

www.sce-re.com

FINANCIAL HIGHLIGHTS

SUMMARY OF STATEMENT OF PROFIT OR LOSS

	For the six months ended 30 June		
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	Increase (%)
Revenue	**9,414,763**	8,166,170	15.3
Gross profit	**3,041,951**	2,505,111	21.4
Profit for the period	**2,069,330**	1,210,735	70.9
Profit attributable to owners of the parent	**2,020,225**	1,013,530	99.3
Core profit attributable to owners of the parent	**1,197,578**	938,985	27.5
Interim dividend per share	**HK7 cents**	HK6 cents	16.7

SUMMARY OF STATEMENT OF FINANCIAL POSITION

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000	Increase (%)
Total assets	**86,067,693**	66,175,008	30.1
Cash and bank balances	**17,071,303**	9,642,125	77.0
Total debts	**(30,170,437)**	(21,523,080)	40.2
Total liabilities	**(67,132,913)**	(49,617,138)	35.3
Total equity	**18,934,780**	16,557,870	14.4

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

Shanghai • The Prestige

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Contracted Sales

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

In the first half of 2018, the Group together with its joint ventures and associates had an aggregate of over 60 projects for sale in 23 cities, among which 15 projects were newly launched in the period, namely Parkview Manor in Tianjin, Parkview Bay in Hangzhou, Cullinan Mansion in Suzhou, Royal Bay Phase 1 in Chongqing, Royal Terrace in Nanjing, SCE Uptown and Royal Palace in Jinan, Imperial Manor, Parkview Bay and Enjoy City in Quanzhou, Sunshine City (Changtai) in Zhangzhou, Metropolis in Nantong, Royal Terrace in Huizhou, Golden Riviera in Xuzhou and The Royal Bay Phase 1 in Dezhou.

Shanghai • Marina Bay

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

By City

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

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

By Region

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

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

Quanzhou • Sunshine Park

By City Tier

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

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

Recognised Property Sales Income

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

By City

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

By Region

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

By City Tier

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

Linfen • SCE International Community

MANAGEMENT DISCUSSION AND ANALYSIS

Land Bank

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

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

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

Quanzhou • Sapphire Residences

The new land acquisitions were as follows:

City	Project Name	Type of Property	Above-ground GFA (sq.m.)	Land Cost (RMB Million)	Average Land Cost (RMB/sq.m.)	Percentage of Interest Attributable to the Group (%)
Bohai Rim Economic Zone						
Beijing	Royal River Villa	Residential	58,878	3,365	57,152	19.7
Tianjin	Peaceful Residence	Residential	43,520	263	6,036	16.5
Tianjin	Tianjin Project	Residential	75,237	765	10,168	33.0
Tangshan	Sunshine City	Residential and commercial	167,146	220	1,314	90.0
Yangtze River Delta Economic Zone						
Hangzhou	Majestic Mansion	Residential	155,080	1,135	7,319	25.0
Suzhou	Cloudview Terrace	Residential	106,563	704	6,610	100.0
Nanjing	Cloudview Pavilion	Residential and commercial	218,215	1,390	6,370	50.0
Wuxi	Wuxi Project (Xishan)	Residential and commercial	226,278	1,053	4,654	40.0
Wuxi	Wuxi Project (Xinwu)	Residential	216,438	1,730	7,993	33.0
Xuzhou	Parkview Palace	Residential and commercial	58,620	238	4,060	29.2
Jiaxing	Jiaxing Project (Jingyi Road East)	Residential and commercial	120,102	850	7,080	10.0
Jiaxing	Jiaxing Project (Tingqiao Village)	Residential and commercial	89,089	631	7,080	15.0
Jiaxing	Jiaxing Project (Baishui Tang Road)	Residential and commercial	144,153	1,021	7,080	50.0
Jiaxing	Jiaxing Project (Jingyi Road West)	Residential and commercial	107,693	762	7,080	30.0
Yangzhou	Light of the Future	Residential	84,847	176	2,079	20.0
Lianyungang	The Royal Bay	Residential and commercial	58,626	52	886	70.0

City	Project Name	Type of Property	Above-ground GFA (sq.m.)	Land Cost (RMB Million)	Average Land Cost (RMB/sq.m.)	Percentage of Interest Attributable to the Group (%)
West Taiwan Strait Economic Zone						
Xiamen	Xiamen Project	Residential and commercial	116,000	2,910	25,086	25.0
Quanzhou	Sunshine Park	Residential and commercial	55,570	99	1,773	50.0
Quanzhou	Cloudview Palace	Residential	97,615	44	453	51.0
Quanzhou	Quanzhou Project	Residential and commercial	142,504	145	1,018	25.0
Nanchang	Imperial Manor	Residential	80,491	376	4,670	21.4
Zhangzhou	Cloudview Terrace	Residential	146,481	267	1,823	100.0
Zhangzhou	Zhangzhou Project	Residential and commercial	178,137	642	3,604	33.0
Jiujiang	The Royal Bay	Residential and commercial	95,049	223	2,346	51.0
Central Western Region						
Chongqing	Meridian Avenue	Residential and commercial	189,628	702	3,701	31.7
Chongqing	Nebula Mansion	Residential	143,858	792	5,504	20.0
Chongqing	Campus Park	Residential and commercial	558,947	2,037	3,645	17.5
Chongqing	Chongqing Project (Liangjiang Airport)	Residential and commercial	359,161	1,820	5,067	50.0
Chongqing	Imperial Terrace	Residential and commercial	389,274	672	1,725	50.0
Chongqing	Chongqing Project (Banan)	Residential and commercial	279,497	1,118	4,000	33.0
Luoyang	Royal Bay	Residential	308,364	70	226	90.0
Total			5,071,061	26,272	5,181	

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

Financial Strategy

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

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

OUTLOOK

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

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

- **Sales of properties**

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

- **Rental income**

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

- **Property management fees**

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

- **Project management income**

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

Gross Profit

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

Changes in Fair Value of Investment Properties

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Finance Costs

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

Share of Profits and Losses of Joint Ventures

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

Income Tax Expense

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

Profit for the Period

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

Profit Attributable to Owners of the Parent

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

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

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

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

Borrowings and Pledged Assets

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

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

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

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

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

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

Gearing Ratio

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

Exchange Rate Fluctuation Exposures

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

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

CONTINGENT LIABILITIES

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

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

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

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

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

CAPITAL COMMITMENTS

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

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

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

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

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2018, the Group had a total of 5,398 employees (31 December 2017: 4,657 employees). During the period under review, the total cost of employees was approximately RMB306,300,000 (six months ended 30 June 2017: approximately RMB229,885,000). The Group provides employees with competitive remuneration and benefits and has adopted a share option scheme to provide incentives and rewards to, among others, the employees (please refer to the section headed "Disclosure of Interests — Share Option Scheme" of this report for further details of the share option scheme). The remuneration policy is reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance its employees' skills and capabilities in all aspects. The Group has launched its management trainee programme since 2011 for positions in selected functional areas in order to build pipeline for succession.

MATERIAL ACQUISITION OF SUBSIDIARIES

Details of material acquisition of subsidiaries of the Group during the period are set out in Note 17 to the unaudited interim condensed consolidated financial statements.

DISCLOSURE OF INTERESTS

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

As at 30 June 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), are as follows:

Long positions in ordinary shares (the "Shares") of the Company:

	Interest in Shares			
Name of Director	Beneficial Owner	Interest of Controlled Corporation	Total Number of Shares Held or Interested	Percentage of the Company's Issued Share Capital
Mr. Wong Chiu Yeung ("Mr. Wong")	–	2,002,200,000 (Note 1)	2,002,200,000	52.36%
Mr. Chen Yuanlai ("Mr. Chen")	20,000,000	144,000,000 (Note 2)	164,000,000	4.29%
Mr. Cheng Hiu Lok ("Mr. Cheng")	–	144,000,000 (Note 3)	144,000,000	3.77%

Long positions in share options of the Company:

Name of Director	Number of share options directly beneficially owned	Percentage of the Company's Issued Share Capital
Mr. Huang Youquan	34,000,000	0.89%

Note 1: These 2,002,200,000 Shares were registered in the name of Newup Holdings Limited ("Newup"). Mr. Wong held 100% of the entire issued share capital of Newup and was deemed to be interested in the 2,002,200,000 Shares held by Newup pursuant to the SFO.

Note 2: These 144,000,000 Shares were registered in the name of Rising Trade Holdings Limited. Mr. Chen held 100% of the entire issued share capital of Rising Trade Holdings Limited and was deemed to be interested in the 144,000,000 Shares held by Rising Trade Holdings Limited pursuant to the SFO.

Note 3: These 144,000,000 Shares were registered in the name of Wealthy Gate Holdings Limited. Mr. Cheng held 100% of the entire issued share capital of Wealthy Gate Holdings Limited and was deemed to be interested in the 144,000,000 Shares held by Wealthy Gate Holdings Limited pursuant to the SFO.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the interests and short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO are as follows:

Long positions:

Name	Capacity and Nature of Interest	Number of Shares Held or Interested	Percentage of the Company's Issued Share Capital
Newup (Note)	Beneficial owner	2,002,200,000	52.36%

Note: Newup was wholly-owned and controlled by Mr. Wong. Accordingly, Mr. Wong was deemed to be interested in the shares held by Newup pursuant to the SFO. Mr. Wong was the sole director of Newup.

Save as disclosed above, as at 30 June 2018, no person, other than a Director or chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEMES

(a) 2010 Share Option Scheme

The Company adopted a share option scheme in 2010 (the "2010 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The participants of the 2010 Share Option Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The 2010 Share Option Scheme became effective on 6 January 2010 and unless otherwise cancelled or amended, will remain in force for a period of 10 years up to 5 January 2020.

DISCLOSURE OF INTERESTS

During the six months ended 30 June 2018, details of movements in the share options under the 2010 Share Option Scheme are as follows:

Category and name of grantee	Outstanding at 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 June 2018	Exercise price per share	Date of grant	Exercise period
Director									
Mr. Huang Youquan	24,000,000	–	–	–	–	24,000,000	HK$2.4	23 December 2016	23 June 2017 to 5 January 2020
	10,000,000	–	–	–	–	10,000,000	HK$2.4	23 December 2016	23 December 2018 to 5 January 2020
Sub-total	34,000,000	–	–	–	–	34,000,000			
Employees of the Group	190,000,000	–	–	–	–	190,000,000	HK$2.4	23 December 2016	23 June 2017 to 5 January 2020
	60,000,000	–	–	–	–	60,000,000	HK$2.4	23 December 2016	23 December 2018 to 5 January 2020
Sub-total	250,000,000	–	–	–	–	250,000,000			
Total	284,000,000	–	–	–	–	284,000,000			

The exercise price of the share options is determinable by the board (the "Board") of Directors of the Company, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Hong Kong Stock Exchange's daily quotation sheets on the date of grant of the share options; (ii) the average closing price of the Company's shares as quoted on the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares on the date of grant.

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

As at 30 June 2018, the Company had 284,000,000 share options outstanding under the 2010 Share Option Scheme (31 December 2017: 284,000,000 share options). Should they be fully exercised, the Company will receive HK$681,600,000 (before issue expenses). The fair value of these unexercised options measured in accordance with the Group's accounting policy amounted to HK$78,448,000.

(b) 2018 Share Option Scheme

A new share option scheme (the "2018 Share Option Scheme") was adopted by the Company at the annual general meeting held on 23 April 2018. The Company operates the 2018 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The participants of the 2018 Share Option Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The 2018 Share Option Scheme became effective on 23 April 2018 and unless otherwise cancelled or amended, will remain in force for a period of 10 years to 22 April 2028.

The exercise price of the share options is determinable by the Board, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Hong Kong Stock Exchange's daily quotation sheets on the date of the offer of the share options; (ii) the average closing price of the Company's shares as quoted on the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

During the six months ended 30 June 2018, no share options were granted, cancelled or exercised or had lapsed under the 2018 Share Option Scheme since the date of adoption. There were no outstanding share options under the 2018 Share Option Scheme as at 30 June 2018.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has been committed to maintain a high standard of corporate governance so as to enhance the operational efficiency of the Company. The Company believes that such commitment is beneficial to safeguard the interests of the Company and its shareholders. During the six months ended 30 June 2018, save as disclosed below, the Company and the Board had been in compliance with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

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

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

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

As disclosed in the announcement of the Company dated 4 January 2016, pursuant to an agreement (the "2016 Facility Agreement") dated 4 January 2016 entered into by and among, inter alia, the Company as borrower, certain of its subsidiaries as original guarantors, and a syndicate of banks, the banks have agreed to grant to the Company an US$400,000,000 term loan facility (the "2016 Facility") to finance repayment of certain existing indebtedness of the Group.

The 2016 Facility is for a term of three years and six months commencing from the date on which the first utilisation of the 2016 Facility is made under the 2016 Facility Agreement, and is guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

The 2016 Facility Agreement contains a requirement that Mr. Wong, a controlling shareholder of the Company and an executive Director, and his family members (together with Mr. Wong, the "Wong Family"), (a) must remain the single largest shareholder in the Company; (b) must hold legally and beneficially and directly or indirectly 40% or more of all classes of the Company's voting share capital and/or must directly or indirectly control (as defined in the Code on Takeovers and Mergers) the Company; and (c) Mr. Wong or a member of the Wong Family must remain to be the chairman of the Board of the Company. A breach of such requirement will constitute an event of default under the 2016 Facility Agreement, and as a result, the 2016 Facility will be liable to be declared immediately due and payable.

As disclosed in the announcement of the Company dated 14 March 2018, pursuant to an agreement (the "2018 Facility Agreement") dated 14 March 2018 entered into by and among, inter alia, the Company as borrower, certain of its subsidiaries as original guarantors, and a syndicate of banks, the banks have agreed to grant to the Company a HK$3,172,100,000 and US$9,000,000 dual tranche term loan facility (the "2018 Facility") to refinance existing financial indebtedness and finance the general corporate funding requirements of the Group.

The 2018 Facility is for a term of three years and six months commencing from the date on which the first utilisation of the 2018 Facility is made under the 2018 Facility Agreement, and is guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

The 2018 Facility Agreement contains a requirement that Wong Family, (a) must remain the single largest shareholder in the Company; (b) must hold legally and beneficially and directly or indirectly 40% or more of all classes of the Company's voting share capital and/or must directly or indirectly control (as defined in the Code on Takeovers and Mergers) the Company; and (c) Mr. Wong or a member of the Wong Family must remain to be the chairman of the Board of the Company. A breach of such requirement will constitute an event of default under the 2018 Facility Agreement, and as a result, the 2018 Facility will be liable to be declared immediately due and payable.

As at the date of this interim report, Mr. Wong and his associates own an aggregate of 52.38% of the voting share capital of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors.

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

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

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

The shareholders will be given an option to receive the interim dividend for the six months ended 30 June 2018 in cash or wholly or partly in new Shares credited as fully paid up in lieu of cash by scrip dividend (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to the Hong Kong Stock Exchange granting the listing of and permission to deal in the Shares to be allotted and issued pursuant thereto. A circular containing the details of the Scrip Dividend Scheme together with an election form will be sent to the shareholders of the Company as soon as practicable.

CLOSURE OF REGISTER OF MEMBERS

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

By order of the Board
Wong Chiu Yeung
Chairman

Hong Kong, 23 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment	10	**703,868**	104,894
Investment properties		**18,873,800**	10,251,718
Prepaid land lease payments		**3,883,003**	5,414,497
Intangible asset		**3,405**	3,489
Properties under development	10	**1,167,691**	1,524,085
Contract in progress	10	**404,578**	340,667
Investments in joint ventures		**1,241,759**	3,308,894
Investments in associates		**111,521**	115,265
Available-for-sale investments		**–**	229,541
Prepayments and deposits		**6,345,516**	2,948,515
Deferred tax assets		**295,661**	344,923
Total non-current assets		**33,030,802**	24,586,488
CURRENT ASSETS			
Properties under development	10	**22,877,597**	21,740,001
Completed properties held for sale		**3,030,392**	2,967,252
Trade receivables	11	**95,477**	57,634
Contract assets		**82,223**	–
Prepayments, deposits and other receivables		**3,302,764**	2,881,509
Financial assets at fair value through profit or loss		**494,487**	–
Due from related parties		**4,993,253**	3,468,627
Prepaid income tax		**1,089,395**	831,372
Restricted cash		**2,146,983**	1,471,342
Pledged deposits		**2,253**	25,300
Cash and cash equivalents		**14,922,067**	8,145,483
Total current assets		**53,036,891**	41,588,520
CURRENT LIABILITIES			
Trade and bills payables	12	**6,066,948**	3,152,203
Other payables and accruals		**10,142,677**	20,136,559
Contract liabilities		**14,680,548**	–
Interest-bearing bank and other borrowings	13	**6,805,492**	4,481,209
Derivative financial instruments		**27,995**	40,364
Senior notes and domestic bonds	14	**3,480,098**	3,477,192
Due to related parties		**1,822,452**	1,707,222
Tax payable		**2,023,628**	1,643,712
Total current liabilities		**45,049,838**	34,638,461
NET CURRENT ASSETS		**7,987,053**	6,950,059
TOTAL ASSETS LESS CURRENT LIABILITIES		**41,017,855**	31,536,547

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**41,017,855**	31,536,547
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**10,508,450**	8,150,246
Derivative financial instruments		**113,195**	149,031
Senior notes and domestic bonds	14	**9,376,397**	5,414,433
Deferred tax liabilities		**2,039,640**	1,226,399
Provision for major overhauls		**45,393**	38,568
Total non-current liabilities		**22,083,075**	14,978,677
Net assets		**18,934,780**	16,557,870
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	**329,804**	329,804
Reserves		**13,694,177**	12,128,322
		14,023,981	12,458,126
Perpetual capital instruments	16	**700,000**	700,000
Non-controlling interests		**4,210,799**	3,399,744
Total equity		**18,934,780**	16,557,870

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the parent															
	Issued capital (Unaudited) RMB'000	Share premium account (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory surplus reserve (Unaudited) RMB'000	Merger reserve (Unaudited) RMB'000	Available-for-sale investments revaluation reserve (Unaudited) RMB'000	Property revaluation reserve (Unaudited) RMB'000	Other reserves (Unaudited) RMB'000	Share option reserve (Unaudited) RMB'000	Hedging reserve (Unaudited) RMB'000	Exchange fluctuation reserve (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Total (Unaudited) RMB'000	Perpetual capital instruments (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 31 December 2017	329,804	1,760,214*	(274,445)*	1,114,988*	30*	52,051*	82,872*	(24,502)*	56,798*	(44,811)*	42,910*	9,362,217*	12,458,126	700,000	3,399,744	16,557,870
Adjustment on adoption of HKFRS 15, net of tax *(note 2)*	–	–	–	–	–	–	–	–	–	–	–	50,466	50,466	–	761	51,227
Adjustment on adoption of HKFRS 9 *(note 2)*	–	–	–	–	–	(52,051)	–	–	–	–	–	52,051	–	–	–	–
Adjusted balance at 1 January 2018	329,804	1,760,214	(274,445)	1,114,988	30	–	82,872	(24,502)	56,798	(44,811)	42,910	9,464,734	12,508,592	700,000	3,400,505	16,609,097
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	2,020,225	2,020,225	26,542	22,563	2,069,330
Other comprehensive income/(loss) for the period:																
Share of other comprehensive loss of joint ventures	–	–	–	–	–	–	–	(9,355)	–	–	–	–	(9,355)	–	–	(9,355)
Share of other comprehensive loss of associates	–	–	–	–	–	–	–	(7)	–	–	–	–	(7)	–	–	(7)
Release of other reserves upon deemed acquisition of subsidiaries	–	–	–	–	–	–	–	40,539	–	–	–	–	40,539	–	–	40,539
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	(128,493)	–	(128,493)	–	(13,769)	(142,262)
Total comprehensive income for the period	–	–	–	–	–	–	–	31,177	–	–	(128,493)	2,020,225	1,922,909	26,542	8,794	1,958,245
Capital reduction of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(24,739)	(24,739)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	95,484	95,484
Dividend to non-controlling shareholders of subsidiaries	–	–	–	(63,060)	–	–	–	–	–	–	–	63,060	–	–	(535,550)	(535,550)
Acquisition of subsidiaries *(note 17)*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,266,305	1,266,305
Distribution to holders of perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	(26,542)	–	(26,542)
2017 Final dividend approved	–	(413,984)	–	–	–	–	–	–	–	–	–	–	(413,984)	–	–	(413,984)
Equity-settled share option arrangements	–	–	–	–	–	–	–	–	6,464	–	–	–	6,464	–	–	6,464
At 30 June 2018	329,804	1,346,230*	(274,445)*	1,051,928*	30*	–*	82,872*	6,675*	63,262*	(44,811)*	(85,583)*	11,548,019*	14,023,981	700,000	4,210,799	18,934,780

* These reserve accounts comprise the consolidated reserves of RMB13,694,177,000 (31 December 2017: RMB12,128,322,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the parent													
	Issued capital (Unaudited) RMB'000	Share premium account (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory surplus reserve (Unaudited) RMB'000	Merger reserve (Unaudited) RMB'000	Other reserves (Unaudited) RMB'000	Share option reserve (Unaudited) RMB'000	Hedging reserve (Unaudited) RMB'000	Exchange fluctuation reserve (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Total (Unaudited) RMB'000	Perpetual capital instruments (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2017	295,732	1,195,848	(155,839)	755,856	30	(70,676)	2,833	(44,811)	(452,470)	6,881,314	8,407,817	900,000	2,764,014	12,071,831
Profit for the period	–	–	–	–	–	–	–	–	–	1,013,530	1,013,530	25,356	171,849	1,210,735
Other comprehensive income for the period:														
Share of other comprehensive income of joint ventures	–	–	–	–	–	18,201	–	–	–	–	18,201	–	–	18,201
Share of other comprehensive income of associates	–	–	–	–	–	114	–	–	–	–	114	–	–	114
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	198,844	–	198,844	–	35,714	234,558
Total comprehensive income for the period	–	–	–	–	–	18,315	–	–	198,844	1,013,530	1,230,689	25,356	207,563	1,463,608
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	495,000	495,000
Acquisition of non-controlling interests	–	–	(114,046)	–	–	–	–	–	–	–	(114,046)	–	(198,668)	(312,714)
Acquisition of subsidiaries that are not a business	–	–	–	–	–	–	–	–	–	–	–	–	46,175	46,175
Redemption of perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	–	(200,000)	–	(200,000)
Distribution to holders of perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	–	(25,356)	–	(25,356)
2016 Final dividend approved	–	(429,439)	–	–	–	–	–	–	–	–	(429,439)	–	–	(429,439)
Equity-settled share option arrangements	–	–	–	–	–	–	53,965	–	–	–	53,965	–	–	53,965
At 30 June 2017	295,732	766,409	(269,885)	755,856	30	(52,361)	56,798	(44,811)	(253,626)	7,894,844	9,148,986	700,000	3,314,084	13,163,070

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		**7,172,207**	2,542,966
Interest received		**24,259**	16,715
Interest paid		**(755,847)**	(587,271)
PRC corporate income tax paid		**(731,164)**	(499,674)
PRC land appreciation tax paid		**(374,072)**	(232,621)
Net cash flows from operating activities		**5,335,383**	1,240,115
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(21,848)**	(15,512)
Proceeds from disposal of items of property and equipment		**19,108**	–
Proceeds from disposal of an investment property		**8,088**	–
Prepayment for establishment of joint ventures		**(4,410,415)**	–
Additions to investment properties		**(430,904)**	(110,143)
Acquisition of subsidiaries	17	**19,245**	(1,046,051)
Investment in a joint venture		**(293)**	(1,069,290)
Increase in advances of loans to joint ventures and associates		**(129,494)**	(746,813)
Dividend from a joint venture		**73,500**	148,128
Increase in restricted cash		**(675,641)**	(207,613)
Decrease in pledged deposits		**23,047**	142,542
Other investing cash flows, net		**(259,337)**	(116,256)
Net cash flows used in investing activities		**(5,784,944)**	(3,021,008)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of senior notes		**3,753,015**	3,425,382
Issuance costs of senior notes		**(48,546)**	(42,206)
New bank and other borrowings		**9,987,805**	5,158,706
Repayment of bank and other borrowings		**(5,933,160)**	(2,563,030)
Capital contribution from non-controlling shareholders		**95,484**	495,000
Distribution to holders of perpetual capital instruments		**(26,542)**	(25,356)
Redemption of perpetual capital instruments	16	**–**	(200,000)
Other financing cash flows, net		**(669,389)**	310,476
Net cash flows from financing activities		**7,158,667**	6,558,972
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,709,106**	4,778,079
Cash and cash equivalents at beginning of period		**8,145,483**	7,211,994
Effect of foreign exchange rate changes, net		**67,478**	(2,115)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**14,922,067**	11,987,958
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**14,922,067**	11,987,958

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

1. BASIS OF PREPARATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and whose shares are publicly traded on the Hong Kong Stock Exchange. The principal activities of the Group are described in note 3 to the unaudited interim condensed consolidated financial statements.

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 15 ***Revenue from Contracts with Customers*** *(Continued)*

Revenue recognition

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

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

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

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

Accounting for revenue from sales of properties and land development

Sales of properties

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

Accounting for revenue from sales of properties and land development *(Continued)*

Land development

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

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

Accounting for significant financing component for sales of properties

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

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

Accounting for sales commission

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9 *Financial Instruments*

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

(a) Classification and measurement

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

(a) Classification and measurement *(Continued)*

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

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

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

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

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

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

(b) Impairment of financial assets

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

(c) Hedge accounting

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

The Group's revenue from external customers from each product or service is set out in note 4 to the unaudited interim condensed consolidated financial statements.

The Group's revenue from external customers is derived solely from its operations in the PRC, and the non-current assets of the Group are substantially located in the PRC.

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

Disaggregation of revenue

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

For the six months ended 30 June 2018

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

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Revenue		
Sales of properties	9,133,627	7,971,375
Gross rental income	75,077	60,647
Property management fees	142,650	124,942
Project management income	63,409	9,206
	9,414,763	8,166,170
Other income and gains		
Bank interest income	24,259	16,715
Gain on disposal of items of property and equipment, net	10,179	1,239
Fair value gain on financial assets at FVPL, net	2,440	–
Fair value gain of derivative financial instruments — transactions not qualifying as hedges	48,936	–
Gain on deemed acquisition of subsidiaries (note 17)	3,182	–
Others	44,376	28,314
	133,372	46,268

5. FINANCE COSTS

An analysis of finance costs is as follows:

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

6. PROFIT BEFORE TAX

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

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

* The amortisation of an intangible asset for the period is included in "Cost of sales" in the consolidated statements of profit or loss and other comprehensive income.

** This item is included in "Other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX

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

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

During the six months ended 30 June 2018, the share of tax charge attributable to joint ventures amounting to RMB164,841,000 (six months ended 30 June 2017: RMB55,460,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

8. DIVIDENDS

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

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

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

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

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

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

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

10. ADDITIONS TO PROPERTY AND EQUIPMENT, PROPERTIES UNDER DEVELOPMENT AND CONTRACT IN PROGRESS

During the six months ended 30 June 2018, the Group incurred approximately RMB21,849,000 (six months ended 30 June 2017: RMB15,517,000) on the acquisition of items of property and equipment.

During the six months ended 30 June 2018, the Group incurred approximately RMB3,442,970,000 (six months ended 30 June 2017: RMB3,615,334,000) and approximately RMB63,911,000 (six months ended 30 June 2017: RMB24,429,000) on the additions to properties under development and contract in progress, respectively.

11. TRADE RECEIVABLES

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

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

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

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

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

11. TRADE RECEIVABLES *(Continued)*

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

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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2018, no expected credit loss (31 December 2017: Nil) was made against the gross amounts of trade receivables.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of diversified customers with no recent history of default and have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12. TRADE AND BILLS PAYABLES

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

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

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

As at 30 June 2018, certain bills payable of the Group with an aggregate amount of RMB169,026,000 (31 December 2017: RMB204,743,000) were secured by certain bank deposits of the Group.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Contractual interest rate (%) per annum	Maturity	RMB'000	Contractual interest rate (%) per annum	Maturity	RMB'000
Current						
Bank loans — secured	4.35–7.13	2018–2019	4,503,076	4.35–5.94	2018	2,517,312
Bank loans — unsecured	3.59	2018–2019	229,016	3.06	2018	225,897
Other loans — secured	4.75–9.00	2018–2019	2,073,400	4.75–8.00	2018	1,738,000
			6,805,492			4,481,209
Non-current						
Bank loans — secured	4.35–7.13	2019–2033	7,558,450	4.35–5.94	2019–2027	4,076,546
Other loans — secured	6.43–8.75	2020–2021	2,950,000	5.70–8.75	2019–2020	4,073,700
			10,508,450			8,150,246
			17,313,942			12,631,455

13. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**4,732,092**	2,743,209
In the second year	**3,400,504**	3,151,071
In the third to fifth years, inclusive	**4,087,048**	846,755
Beyond fifth years	**70,898**	78,720
	12,290,542	6,819,755
Other borrowings repayable:		
Within one year	**2,073,400**	1,738,000
In the second year	**1,050,000**	3,363,700
In the third to fifth years, inclusive	**1,900,000**	710,000
	5,023,400	5,811,700
	17,313,942	12,631,455

Notes:

(a) Certain of the Group's bank and other borrowings are secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale, details of which are disclosed in note 20 to the unaudited interim condensed consolidated financial statements.

(b) As at 30 June 2018, certain of the Group's bank and other borrowings with an aggregate amount of RMB6,008,508,000 (31 December 2017: RMB3,790,998,000) were secured by share charges in respect of the equity interests of certain subsidiaries of the Group.

(c) Except for certain bank and other borrowings of RMB1,283,409,000 (31 December 2017: Nil) and RMB2,598,933,000 (31 December 2017: RMB2,527,195,000) as at 30 June 2018, which were denominated in HK$ and US$, respectively, all of the Group's bank and other borrowings were denominated in RMB.

(d) At the end of the reporting period, except for certain bank and other borrowings of RMB5,747,700,000 (31 December 2017: RMB5,195,760,000) with fixed interest rates, all of the Group's bank and other borrowings bear interest at floating interest rates.

(e) As at 30 June 2018, the Group's bank and other borrowings of RMB3,653,326,000 (31 December 2017: RMB2,301,298,000) were secured by a specific performance obligation imposed on the Wong Family and pursuant to which (i) the Wong Family must remain the single largest shareholder in the Company; (ii) the Wong Family must hold legally and beneficially and directly or indirectly 40% or more of all classes of the Company's voting share capital and/or must directly or indirectly control the Company; and (iii) Mr. Wong or a member of the Wong Family must remain to be the chairman of the Board of the Company.

14. SENIOR NOTES AND DOMESTIC BONDS

	30 June 2018 (Unaudited)				31 December 2017 (Audited)			
	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000
2015 Senior Notes	US$350	10.00	2020	2,264,996	US$350	10.00	2020	2,229,024
2017 Senior Notes	US$500	5.875	2022	3,233,729	US$500	5.875	2022	3,185,409
2018 Senior Notes	US$600	7.45	2021	3,877,672	–	–	–	–
Domestic Bonds	RMB3,500	5.18–5.30	2020	3,480,098	RMB3,500	5.18–5.30	2020	3,477,192
				12,856,495				8,891,625
Non-current portion				(9,376,397)				(5,414,433)
Current portion				3,480,098				3,477,192

(a) Senior Notes

In April 2018, the Group issued senior notes at coupon rate of 7.45% due 2021 in the aggregate principal amounts of US$600,000,000. The Group raised net proceeds of US$592,238,000 (after deduction of underwriting discount and commissions and other expenses).

The Company, at its option, can redeem all or a portion of the 2015 Senior Notes, the 2017 Senior Notes and the 2018 Senior Notes at any time prior to the maturity date at the redemption prices (principal amount plus applicable premium) plus accrued and unpaid interest up to the redemption date, as set forth in the written agreements between the Company and the trustees of the 2015 Senior Notes, the 2017 Senior Notes and the 2018 Senior Notes.

The 2015 Senior Notes, the 2017 Senior Notes and the 2018 Senior Notes are secured by pledges over the equity interests of certain subsidiaries of the Company.

The fair values of the early redemption options of the 2015 Senior Notes, the 2017 Senior Notes and the 2018 Senior Notes were not significant and therefore were not recognised by the Group on inception and at 30 June 2018.

14. SENIOR NOTES AND DOMESTIC BONDS *(Continued)*

(b) Domestic Bonds

At the end of the third year subsequent to the inception date in October 2015, Xiamen Zhongjun Industrial Co., Ltd. ("Xiamen Zhongjun") as the issuer is entitled to adjust the interest rate and the holders of Domestic Bonds may at their options to sell back the bonds to Xiamen Zhongjun in whole or in part at their principal amounts at any time prior to the maturity. In light of the above terms becoming effective in 2018, the Domestic Bonds have been classified as current liabilities as at 30 June 2018.

At 30 June 2018, the fair values for the 2015 Senior Notes, the 2017 Senior Notes, the 2018 Senior Notes and the Domestic Bonds amounted to RMB2,411,362,000 (31 December 2017: RMB2,436,761,000), RMB2,981,079,000 (31 December 2017: RMB3,139,485,000), RMB3,875,403,000 (31 December 2017: Nil) and RMB3,479,655,000 (31 December 2017: RMB3,463,250,000), respectively.

The fair values of the 2015 Senior Notes, the 2017 Senior Notes, the 2018 Senior Notes and the Domestic Bonds are based on price quotations from financial institution at the reporting date.

15. SHARE CAPITAL

Shares

	30 June 2018 (Unaudited) HK$	31 December 2017 (Audited) HK$
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000,000**	1,000,000,000
Issued and fully paid:		
3,823,840,000 (31 December 2017: 3,823,840,000) ordinary shares of HK$0.10 each	**382,384,000**	382,384,000
Equivalent to RMB'000	**329,804**	329,804

16. PERPETUAL CAPITAL INSTRUMENTS

	RMB'000
Carrying amount at 1 January 2017 (Audited)	900,000
Redemption of perpetual capital instruments	(200,000)
Carrying amount at 31 December 2017 (Audited), 1 January 2018 and 30 June 2018 (Unaudited)	700,000

The perpetual capital instruments are jointly guaranteed by the Company and certain subsidiaries, secured by pledged of the shares of the subsidiaries. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the issuers of the perpetual capital instruments.

17. ACQUISITION OF SUBSIDIARIES

(a) Deemed acquisition of subsidiaries

On 13 June 2018, the Group reached a resolution with the joint venture partner of Cheer Rich Investments Limited ("Cheer Rich"), which was a 44.5% joint venture of the Group holding 70% equity interests in Shanghai Zhongjun Chuangfu Real Estate Co., Ltd. ("Shanghai Zhongjun Chuangfu"), the Group is entitled to appoint a majority of directors in the board of directors of Cheer Rich and the board of directors of Shanghai Zhongjun Chuangfu. The Group is entitled to control the financing and operating activities of Cheer Rich and Shanghai Zhongjun Chuangfu. After the completion of acquisition on 13 June 2018, Cheer Rich and Shanghai Zhongjun Chuangfu (collectively the "Cheer Rich Group") became the 44.5% and 61.15% owned subsidiaries of the Group, respectively. The Cheer Rich Group is principally engaged in the business of property development and property investment in Shanghai.

17. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Deemed acquisition of subsidiaries *(Continued)*

The fair values of the identifiable assets and liabilities of the Cheer Rich Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property and equipment	534
Investment properties	6,340,000
Completed properties held for sale	73,600
Trade receivables	53,384
Prepayments, deposits and other receivables	203,794
Due from related parties	1,992,891
Restricted cash	24,815
Cash and cash equivalents	16,999
Trade and bills payables	(941,646)
Other payables and accruals	(1,721,796)
Contract liabilities	(44,541)
Tax payable	(129,347)
Due to related parties	(759,881)
Interest-bearing bank and other borrowings	(544,000)
Deferred tax liabilities	(779,714)
Non-controlling interests	(1,244,621)
Total identifiable net assets at fair value	2,540,471
Reclassification of investments in joint ventures	(2,537,289)
Gain on deemed acquisition of subsidiaries (note 4)	3,182

17. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Deemed acquisition of subsidiaries *(Continued)*

An analysis of the cash flows in respect of the acquisition of the Cheer Rich Group is as follows:

	RMB'000
Cash and cash equivalents acquired	41,814
Net inflow of cash and cash equivalents included in cash flows from investing activities	41,814

The results of the Cheer Rich Group acquired during the period had no significant impact on the Group's consolidated revenue or profit for the six months ended 30 June 2018.

(b) Acquisition of a subsidiary that is not a business

During the six months ended 30 June 2018, the Group acquired a subsidiary in the PRC at consideration approximately RMB22,569,000. The subsidiary only held parcels of land and did not conduct any substantial operation before it was acquired by the Group. The acquisition was accounted for by the Group as acquisition of assets, as the operation of the subsidiary do not constitute a business. The acquisition resulted in an increase in the non-controlling interests of the Group RMB21,684,000.

18. FINANCIAL GUARANTEES

(a) At the end of the reporting period, the Group had financial guarantees which are not provided for in these unaudited interim condensed consolidated financial statements as follows:

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

Notes:

(i) As at 30 June 2018, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any auction proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

(ii) The fair value of the guarantees is not significant and the directors of the Company consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in these unaudited interim condensed consolidated financial statements for the guarantees.

18. FINANCIAL GUARANTEES *(Continued)*

(a) *(Continued)*

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

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

(b) At the end of the reporting period, contingent liabilities not provided for in these unaudited interim condensed consolidated financial statements is as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Guarantee given to a bank in connection with loan facilities granted to a joint venture	**1,700,000**	2,800,000

As at 30 June 2018, the loan facilities guaranteed by the Group to a joint venture were utilised to the extent of RMB1,240,000,000 (31 December 2017: RMB1,934,000,000).

19. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

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

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

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

20. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to secure certain bank and other borrowings granted to the Group:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Bank deposits	**2,253**	25,300
Property and equipment	**29,120**	30,568
Investment properties	**16,268,000**	5,771,766
Prepaid land lease payments	**994,650**	1,004,198
Properties under development	**11,542,296**	12,162,467
Completed properties held for sale	**366,263**	503,085
	29,202,582	19,497,384

21. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	Notes	Six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Property rental income from companies controlled by the Wong Family	(i)	**6,177**	3,773
Property management fees from companies controlled by Mr. Wong	(ii)	**3,375**	2,433
Project management income received from joint ventures	(iii)	**63,409**	9,206
Aircraft leasing expense paid to a company controlled by Mr. Wong	(iv)	**1,963**	2,057
Purchase of a property from a joint venture	(v)	**543,418**	–

Notes:

(i) The property rental income was charged at rates ranging from RMB13 to RMB130 (six months ended 30 June 2017: from RMB13 to RMB174) per square metre.

(ii) The property management fees were charged at rates ranging from RMB13 to RMB34 (six months ended 30 June 2017: from RMB13 to RMB60) per square metre.

(iii) The project management income was charged with reference to the contracted sales amount and certain costs incurred on property development projects.

(iv) The leasing expense was charged at US$50,000 (six months ended 30 June 2017: US$50,000) per month.

(v) Purchase of a property in Shanghai from a joint venture at cash consideration of RMB543,418,000.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Short term employee benefits	**3,634**	3,606
Post-employment benefits	**48**	47
Total compensation paid to key management personnel	**3,682**	3,653

In the opinion of the directors, the directors of the Company represent the key management personnel of the Group.

Transactions of items (a)(i), (a)(ii) and (a)(iv) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments classified as current assets and liabilities are reasonably approximate to their fair values largely due to the short term maturity of these instruments.

The fair values of the non-current portion of deposits and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2018 was assessed to be insignificant.

The derivative financial instruments are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

The fair values of the unlisted equity investments are either estimated by using prices from recent transaction without adjustment and dividend discount model based on assumptions that are not supported by observable market prices or rate or based on valuation statements from the relevant investments funds at the reporting date. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the investment.

During the period, there were no transfer of fair value measurements between level 1 and level 2 and no transfer into or out of level 3 for both financial assets and financial liabilities.

23. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved by the Board of the Company on 23 August 2018.