Chen Xing Development Holdings Limited

辰興發展控股有限公司

誠以致遠，信達天下

2018 INTERIM REPORT

中期報告

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）

Stock code: 2286
股份代號：2286

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Bai Xuankui *(Chairman)*
Mr. Bai Wukui
Mr. Bai Guohua
Mr. Dong Shiguang

Independent Non-executive Directors

Mr. Gu Jiong
Mr. Tian Hua
Mr. Qiu Yongqing

COMPANY SECRETARY

Ms. Ng Wing Shan

AUTHORIZED REPRESENTATIVES

Mr. Bai Guohua
Ms. Ng Wing Shan

AUDIT COMMITTEE

Mr. Gu Jiong *(Chairman)*
Mr. Tian Hua
Mr. Qiu Yongqing

REMUNERATION COMMITTEE

Mr. Tian Hua *(Chairman)*
Mr. Gu Jiong
Mr. Bai Xuankui

NOMINATION COMMITTEE

Mr. Bai Xuankui *(Chairman)*
Mr. Qiu Yongqing
Mr. Gu Jiong

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
China Merchants Bank Co., Ltd.
China Construction Bank Corporation
Bank of China Limited
Bank of Jinzhong Co., Ltd.

CORPORATE INFORMATION

LEGAL ADVISORS

As to Hong Kong law
L&C Legal LLP (in association with Jingtian & Gongcheng)

As to PRC law
Jingtian & Gongcheng

REGISTERED OFFICE

Cricket Square, Hutchins Drive,
PO Box 2681 Grand Cayman,
KY1-1111, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

18 Anning Street
Yuci District, Jinzhong City
Shanxi Province
The People's Republic of China ("**PRC**")

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")

STOCK CODE

2286

COMPANY WEBSITE

www.chen-xing.cn

FINANCIAL HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of Chen Xing Development Holdings Limited (the "**Company**") is pleased to announce to the Company's shareholders (the "**Shareholders**") the interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 together with the comparative figures for the same period in 2017.

— For the six months ended 30 June 2018 (the "**Reporting Period**"), the contracted sales amounted to approximately RMB1,015.4 million and the corresponding contracted gross floor area ("**GFA**") amounted to approximately 125,507 square metre ("**sq.m.**"), representing an increase of approximately 1.0% and a decrease of approximately 24.0% as compared with the same period of last year, respectively;

— Revenue for the Reporting Period amounted to approximately RMB426.7 million, of which approximately RMB423.5 million was revenue from property development;

— Gross profit for the Reporting Period amounted to approximately RMB149.5 million, of which approximately RMB146.3 million was gross profit from property development;

— Net profit for the Reporting Period amounted to approximately RMB64.9 million, of which approximately RMB58.9 million was net profit attributable to equity holders of the Company;

— Total GFA of land bank amounted to approximately 3,115,505 sq.m. and the average cost of land bank was approximately RMB708.6 per sq.m. as at the end of Reporting Period;

— Contracted average sales price (the "**Average Sales Price**") for the Reporting Period was approximately RMB8,090.4 per sq.m.;

— Basic earnings per share for the Reporting Period was approximately RMB0.12; and

— The Board resolved not to declare any interim dividend for the six months ended 30 June 2018.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the interim results of the Group for the six months ended 30 June 2018.

REVIEW OF FIRST HALF YEAR OF 2018

In the first half year of 2018, the PRC property industry entered into a new stage of control with tight overall regulation. The PRC government continued to intensify control of the industry by frequently introducing a number of policies. With the strict policy control, the transaction volume of new houses in the first- and second-tier cities continued to shrink in the first half year of 2018, as compared with relatively larger transaction volume in the third- and fourth-tier cities as the government put more efforts on the renovation of shanty towns in those cities in the first half of 2018. The Group adjusted its operating strategy timely according to industry policies, achieving a significant growth in sales performance and revenue from its main businesses.

During the Reporting Period, the amount of the Group's contracted sales was approximately RMB1,015.4 million, representing an increase of approximately 1.0% as compared with the same period of last year. Contracted GFA sold amounted to approximately 125,507 sq.m., representing a decrease of approximately 24.0% as compared with that in the same period of last year.

During the Reporting Period, the Group recorded a revenue of approximately RMB426.7 million, representing an increase of approximately 53% as compared with the same period of last year, including revenue from property development of approximately RMB423.5 million, an increase of approximately 54% as compared with the same period of last year. The profit for the period attributable to equity holders of the Group was approximately RMB58.9 million, an increase of 104% as compared with the same period of last year.

In terms of industrial structure, the Group established Jinzhong Chenxing Shiguang Zhicheng Real Estate Development Co., Ltd. (晉中辰興時光之城房地產開發有限公司) and Jinzhong Chenxing Yijun Real Estate Development Co., Ltd. (晉中辰興頤郡房地產開發有限公司) on 24 January 2018, and Shanxi Chenxing Cultural Industry Co., Ltd. (山西辰興文化產業有限公司) on 21 March 2018.

As at 30 June 2018, the Group had a land bank of approximately 3,115,505 sq.m..

PROSPECTS FOR SECOND HALF YEAR OF 2018

In the first half year of 2018, the overall environment of the PRC property market continued to tighten, and the restrictive control policies continued to extend or intensify. It is therefore expected that the control policies will continue to be stringent in the second half of 2018. Although some projects of the Group are located in cities that have been affected by the control policies, the impacts are all within the control of the Group. Therefore, the Group does not expect such policies will have a significant adverse impact on the Group's performance in the second half of 2018.

According to its judgement on the current situation of the PRC property market and future development trend, the Group will, in line with the policies, develop a number of new businesses through a diversified development strategy in the second half year of 2018. The Group will be strategically positioned to enlarge its scale to achieve accelerated growth by expanding its industry chain. Meanwhile, it will continue to focus on developing residential properties for buyers of rigid demand, minimizing the development cycle during the development, controlling the development cost effectively and increasing its industry and product competitiveness.

In respect of land investment, the Group will increase its scope of land selections and include premium land parcels with investment values into its land bank from an investment perspective which is more precise and accurate. In addition, the Group will continue to actively seek for strategic partners as well as a win-win cooperative development model, with an aim to achieve accelerated growth and create greater benefits for the Group, partners and the Shareholders.

ACKNOWLEDGEMENT

Finally, I would like to express my sincerest gratitude on behalf of the Board to the management and staff of the Company for their hard work. At the same time, I would also like to thank the investors, customers and partners for their great support and trust in the Group.

Bai Xuankui
Chairman

Jinzhong, Shanxi, the PRC
28 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the amount of the Group's contracted sales was approximately RMB1,015.4 million, representing an increase of approximately 1.0% as compared with the same period of last year. During the Reporting Period, the Group's revenue was approximately RMB426.7 million, representing an increase of 53% as compared to the same period of last year. Revenue derived from property development was approximately RMB423.5 million, representing an increase of approximately 54% as compared with the same period of last year. During the Reporting Period, the Group had gross profit of approximately RMB149.5 million, net profit of approximately RMB64.9 million, of which net profit attributable to equity holders of the Company was approximately RMB58.9 million.

CONTRACTED SALES

For the six months ended 30 June 2018 and 2017, the Group's contracted sales were approximately RMB1,015.4 million and approximately RMB1,005.4 million, respectively, representing an increase of approximately 1.0%. Contracted total GFA for the six months ended 30 June 2018 and 2017 were approximately 125,507 sq.m. and approximately 165,159 sq.m., respectively, representing a decrease of approximately 24.0%. The Group's contracted sales by geographic location from Jinzhong, Taiyuan and Mianyang were approximately RMB28.6 million, RMB775.3 million and RMB211.3 million, respectively, accounting for approximately 2.8%, 76.4% and 20.8% of the Group's total contracted sales, respectively.

The table below sets forth the Group's contracted sales for the six months ended 30 June 2018 by geographic location:

	Contracted Sales for 2018 (RMB million)	Contracted Sales for 2017 (RMB million)	Contracted GFA for 2018 (sq.m.)	Contracted GFA for 2017 (sq.m.)	Contracted Average Sales Price for 2018 (RMB/sq.m.)	Contracted Average Sales Price for 2017 (RMB/sq.m.)
Jinzhong						
Upper East Gardens (上東庭院) Phase II	—	4.2	—	930	—	4,506.8
Grand International Apartments (君豪公寓)	—	4.3	—	1,012	—	4,283.1
Xin Xing International Cultural Town (新興國際文教城) (Phases III, IV and V)	28.6	3.9	6,454	1,408	4,424.4	2,751.2
Taiyuan						
Yosemite Valley Town — Taiyuan (龍城優山美郡) (Phase I)	116.3	336.7	13,896	47,467	8,367.8	7,093.4
Yosemite Valley Town — Taiyuan (龍城優山美郡) (Phase II)	659.1	290.5	77,618	42,094	8,491.1	6,900.4
Mianyang						
Yosemite Valley Town — Mianyang (綿陽優山美郡)	7.1	9.1	1,154	2,319	6,117.4	3,927.3
Elite Gardens (綿陽天御)	0.7	4.8	341	1,148	2,033.5	4,165.0
Chang Xing Star Gardens (綿陽長興星城)	203.6	351.9	26,044	68,781	7,816.9	5,116.3
Total	1,015.4	1,005.4	125,507	165,159	8,090.4	6,087.5

Note:

Contracted sales, total contracted GFA and contracted average sales price in the above table also include car parking spaces sold, if applicable.

Property Projects

The Group's property projects are divided into the following three categories depending on their development stages: completed properties, properties under development and properties held for future development. As some of projects are developed successively in several phases, a single project may involve different development phases like completed, under development and held for future development.

As at 30 June 2018, the Group had completed projects with a total GFA of approximately 2,484,143 sq.m. and a land bank with a total GFA of approximately 3,115,505 sq.m. comprising (i) a total GFA of approximately 349,148 sq.m. which is completed but unsold; (ii) a total GFA of approximately 1,245,153 sq.m. which is under development; and (iii) a total planned GFA of approximately 1,521,204 sq.m. which is held for future development.

The Group selectively retains the ownership of substantially all self-developed commercial properties with strategic values to generate sustainable and stable revenue. As at 30 June 2018, the Group had investment properties with a total GFA of approximately 21,613 sq.m.

Property Portfolio Summary

Intended use[1]	Completed Total GFA (sq.m.)	Under development Total GFA (sq.m.)	Held for future development Total GFA (sq.m.)
Mid-rise	786,168	91,322	632,108
High-rise	869,043	625,390	316,977
Townhouses	27,612	—	—
Multi-story garden apartments	576,743	21,735	54,452
Retail outlets	153,235	170,063	199,969
SOHO apartments	6,931	—	60,878
Hotels	—	12,182	35,831
Parking spaces	59,524	319,705	208,240
Ancillary	4,887	4,756	12,749
Total GFA	2,484,143	1,245,153	1,521,204
Attributable GFA	2,398,491	945,116	1,307,379

Notes:

(1) Includes the portion of GFA held by the Group as utilities not saleable or leasable.

(2) Comprises primarily utilities which are not available for sale.

(3) Comprises the portion of the total GFA attributable to the Group based on the Group's effective interest in the relevant projects or project phases.

Completed Projects

The following table sets forth a summary of information on the Group's completed projects and corresponding project phases, if any, as at 30 June 2018:

Project	Project type	Actual completion date	Site area (sq.m.)	Completed GFA (sq.m.)	Saleable/ Leasable GFA remaining unsold (sq.m.)	GFA held for investment (sq.m.)	GFA sold (sq.m.)	Other GFA (sq.m.)	Ownership interest (%)
Jinzhong									
1. East Lake Mall (東湖井)	Retail Outlet	July 2000	1,330	17,886	–	10,610	7,276	–	100.00
2. Grand International Mall & Apartments (君豪國際)	Residential/ Commercial	June 2007	7,465	65,544	9,874	8,241	47,429	–	100.00
3. Blossom Gardens (錦繡新城)	Residential	April 2007	5,261	39,080	–	–	39,080	–	100.00
4. Xin Xing International Cultural Town (新興國際文教城)									
Phase I	Residential	December 2005	5,600	24,602	–	–	24,602	–	100.00
Phase II	Residential/ Commercial	April 2012	17,968	93,060	–	–	92,909	151	100.00
Phase III	Residential/ Commercial	December 2009	255,918	545,046	3,321	–	541,725	–	100.00
Phase IV	Residential/ Commercial	July 2016	30,987	71,103	3,335	–	67,768	–	100.00
Phase V	Residential/ Commercial	July 2016	22,578	50,438	3,597	–	45,806	1,035	100.00
5. Upper East Gardens (上東庭院)									
Phase I	Residential/ Commercial	November 2006	19,361	47,926	–	–	47,926	–	100.00
Phase II	Residential/ Commercial	December 2011	24,343	75,889	–	–	75,889	–	100.00
6. Riverside Gardens – Zuoqua (左權濱河嘉園)	Residential/ Commercial	December 2007	73,035	98,545	–	–	97,990	555	100.00
7. SOLO Apartments (尚座公寓)	Commercial/ Complex	September 2009	2,411	9,783	255	–	9,528	–	100.00

Project	Project type	Actual completion date	Site area (sq.m.)	Completed GFA (sq.m.)	Saleable/ Leasable GFA remaining unsold (sq.m.)	GFA held for investment (sq.m.)	GFA sold (sq.m.)	Other GFA (sq.m.)	Ownership interest (%)
8. Riverside Gardens – Heshun (和順濱河小區)									
Phase I	Residential	June 2008	60,100	62,507	–	–	62,167	340	100.00
Phase II	Residential	October 2012	5,898	51,217	–	–	51,217	–	100.00
9. Mandarin Gardens – Taigu (太谷文華庭院)	Residential/ Commercial	May 2011	30,690	51,525	–	–	51,525	–	100.00
10. Shuncheng Street Underground Space (順城街地下空間)	Retail Outlet	August 2015	–	897	–	–	897	–	100.00
Taiyuan									
1. Yosemite Valley Town – Taiyuan (龍城優山美郡) – Part of Southern District, Phase I	Residential/ Commercial	December 2014	115,050	340,012	34,938	–	305,074	–	100.00
2. Yosemite Valley Town – Taiyuan (龍城優山美郡) – Part of Northern District, Phase I	Residential	November 2016	91,048	307,416	109,375	–	198,041	–	100.00
Mianyang									
1. Yosemite Valley Town — Mianyang (綿陽優山美郡)	Residential/ Commercial	May 2012	74,124	126,329	18,778	–	105,706	1,845	83.89
2. Elite Gardens (綿陽天御)	Residential/ Commercial	September 2014	68,529	116,888	16,200	–	100,001	687	83.89
3. Chang Xing Star Gardens (Phase I) (綿陽星城一期)	Residential/ Commercial	June 2017	68,150	288,450	149,475	–	137,654	1,321	83.89
Total			**979,846**	**2,484,143**	**349,148**	**18,851**	**2,110,210**	**5,934**	
Total Attributable GFA[3]			**945,886**	**2,398,491**	**319,443**	**18,851**	**2,054,895**	**5,313**	

Notes:

(1) Includes the portion of GFA held by the Group as utilities not saleable or leasable.

(2) Calculated based on the Group's effective ownership interest in the respective project companies.

(3) Comprises the portion of the total GFA attributable to the Group based on the Group's effective interest in the relevant projects or project phases.

Properties under Development and Properties Held for Future Development

The following table sets forth a summary of information on the Group's projects under development and corresponding project stages, if any, and properties held for future development as at 30 June 2018:

Project	Project type	Site area (sq.m.)	Actual/ Estimated completion date	Under development: GFA under development (sq.m.)	Under development: Saleable/ Leasable GFA (sq.m.)	Under development: GFA pre-sold (sq.m.)	Held for future development: Planned GFA (sq.m.)	Held for future development: GFA with the land use right certificate not yet obtained (sq.m.)	Ownership interest[1] (%)
Jinzhong									
1. Phase I of Longtian Project (龍田項目一期)		**129,049**		**449,634**	**428,000**	**28,921**	**–**	**–**	**51.00**
Stage I	Residential/ Commercial/ Parking Space	14,346	June 2019	78,954	74,203	28,921	–	–	51.00
Stage II	Residential/ Commercial/ Parking Space	24,367	June 2019	110,725	101,386	–	–	–	51.00
Stage III	Residential/ Commercial/ Parking Space	26,682	December 2019	126,120	121,061	–	–	–	51.00
Stage IV	Commercial/ Parking Space	13,422	June 2019	28,819	28,819	–	–	–	51.00
Stage V	Commercial/ Parking Space	50,232	June 2019	105,016	102,531	–	–	–	51.00
2. Beiliubao (北六堡)		**63,173**		**116,149**	**114,704**	**–**	**154,347**	**–**	**51.00**
Phase I	Residential	46,763	December 2019	116,149	114,704	–	–	–	51.00
Phase II	Commercial	16,410	August 2020	–	–	–	44,157	–	51.00
Phase III	Residential/ Commercial	41,691	December 2020	–	–	–	110,190		51.00
3. 頤居美郡		**197,285**		–	–	–	**516,858**	–	**100.00**
Phase I	Residential/ Commercial	197,285	December 2020	–	–	–	516,858	–	100.00
4. Shiguang Zhicheng (時光之城)	Commercial	**28,296**	December 2019	–	–	–	–	**120,000**	**100.00**
5. Xi Yuan (熙苑)	Residential/ Commercial	**46,603**	December 2020	–	–	–	**208,313**	–	**33.66**

Project	Project type	Site area (sq.m.)	Actual/ Estimated completion date	Under development: GFA under development (sq.m.)	Under development: Saleable/ Leasable GFA (sq.m.)	Under development: GFA pre-sold (sq.m.)	Held for future development: Planned GFA (sq.m.)	Held for future development: GFA with the land use right certificate not yet obtained (sq.m.)	Ownership interest[1] (%)
Taiyuan									
1. Yosemite Valley Town — Taiyuan (龍城優山美郡)		**212,392**		**525,645**	**441,336**	**262,326**	**232,693**	**–**	**100.00**
Phase I (Southern District)	Commercial/ Parking Space	2,078	December 2018	72,399	72,325	37,867	–	–	100.00
Phase I (Northern District)	Commercial/ Parking Space	16,957	December 2018	84,662	13,835	2,573	–	–	100.00
Phase II	Residential/ Commercial	111,477	December 2018	368,584	355,176	221,885	8,893	–	100.00
Phase III	Residential/ Commercial	60,080	December 2019	–	–	–	212,400	–	100.00
Phase IV	Primary School	21,800	December 2018	–	–	–	11,400	–	100.00
Mianyang									
1. Chang Xing Star Gardens (綿陽長興星城)		**36,158**		**141,543**	**140,586**	**48,107**	**–**	**–**	**83.89**
Phase II	Residential/ Commercial	36,158	May 2019	141,543	140,586	48,107	–	–	83.89
Haikou		**130,816**		**–**	**–**	**–**	**170,118**	**–**	**100.00**
1. Degao (德高)	Commercial	43,795	April 2020	–	–	–	65,692	–	**100.00**
2. Yousheng (友升)	Residential	87,021	April 2020	–	–	–	104,426	–	100.00
Wuzhishan		**92,522**		**12,182**	**–**	**–**	**118,875**	**–**	**100.00**
Phase I of Yijun (頤郡)	Commercial	28,745	December 2018	12,182	–	–	35,831	–	100.00
Phase II of Yijun (頤郡)	Residential	23,827	October 2019	–	–	–	28,592	–	100.00
Phase III of Yijun (頤郡)	Residential	18,244	October 2019	–	–	–	21,893	–	100.00
Phase IV of Yijun (頤郡)	Residential	21,706	October 2020	–	–	–	32,559	–	100.00
Total		**936,295**		**1,245,153**	**1,124,626**	**339,354**	**1,401,204**	**120,000**	
Total Attributable GFA[2]				**945,117**	**836,052**	**317,433**	**1,187,379**	**120,000**	

Notes:

(1) Calculated based on the Group's effective ownership interest in the respective project companies.

(2) Comprises the portion of the total GFA attributable to the Group based on the Group's effective interest in the relevant projects or project phases.

The table below sets forth a summary of information on the Group's investment properties as at 30 June 2018:

Project	Type of property	Total GFA held for investment (sq.m.)	Effective leased GFA (sq.m.)	Occupancy rate (%)	Rental income for the six months ended 30 June 2018 (RMB million)	2017 (RMB million)
Grand International Mall & Apartments (君豪國際)	Retail Outlet	8,241	3,376	69.7	**0.7**	1.4
East Lake Mall (東湖井)	Retail Outlet	10,610	9,584	100.0	**0.9**	0.8
Office Building of West Yingbin Street (迎賓西街辦公樓)	Retail Outlet	2,762	2,762	100.0	**1.6**	1.6
Total		**21,613**	**15,722**	**—**	**3.2**	**3.8**

The table below sets forth a summary of the Group's land bank as at 30 June 2018 by geographical location:

	Completed	Under development	Future development	Total land bank[1]	% of total land bank	Average land cost
	Saleable/ Leasable GFA remaining unsold (sq.m.)	GFA under development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)	(%)	(RMB/sq.m.)
Jinzhong	20,383	565,783	999,518	1,585,684	47.4	767.4
Taiyuan	144,313	525,645	232,693	902,651	31.0	393.5
Mianyang	184,452	141,543	—	325,995	11.2	643.5
Haikou	—	—	170,119	170,119	5.9	2,204.8
Wuzhishan	—	12,182	118,874	131,056	4.5	1,192.1
Total	**349,148**	**1,245,153**	**1,521,204**	**3,115,505**	**100.0**	**708.6**

Note:

(1) Land bank equals the sum of (i) saleable/leasable GFA remaining unsold, (ii) total GFA under development and (iii) total planned GFA held for future development.

The table below sets forth a summary of the Group's land bank as at 30 June 2018 by type of property:

	Completed	Under development	Future development	Total land bank[1]	% of total land bank
	Saleable/ Leasable GFA remaining unsold (sq.m.)	GFA under development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)	(%)
Mid-rise	3,759	91,322	632,108	727,189	23.3
High-rise	196,100	625,390	316,977	1,138,467	36.5
Townhouses	1,909	—	—	1,909	0.1
Multi-story garden apartments	16,165	21,735	54,452	92,352	3.0
Available-for-sale office/commercial properties	73,102	170,063	199,969	443,134	14.2
SOHO apartments	58	—	60,878	60,936	2.0
Hotels	—	12,182	35,831	48,013	1.5
Parking spaces	58,055	319,705	208,240	586,000	18.8
Ancillary[2]	—	4,756	12,749	17,505	0.6
Total	**349,148**	**1,245,153**	**1,521,204**	**3,115,505**	**100.0**

Notes:

(1) Land bank equals the sum of (i) saleable/leasable GFA remaining unsold, (ii) total GFA under development and (iii) total planned GFA held for future development.

(2) Comprises primarily utilities which are not available for sale.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue was approximately RMB426.7 million, representing an increase of approximately 53% as compared with approximately RMB279.6 million for the corresponding period of last year. The increase was mainly due to the substantially large number of deliveries of Chang Xing Star Gardens Phase I during the Reporting Period which did not happen during the corresponding period of last year.

The Group's revenue from property development during the Reporting Period was approximately RMB423.5 million, representing an increase of approximately 54% as compared with the corresponding period of last year. The increase was primarily due to the substantially large number of deliveries of Chang Xing Star Gardens Phase I during the Reporting Period, which did not happen during the corresponding period of last year.

Sales and Services Cost

The Group's sales and services cost increased by approximately 53% from approximately RMB181.0 million for the six months ended 30 June 2017 to approximately RMB277.2 million for the six months ended 30 June 2018, which was mainly due to a corresponding increase in cost of sales during the Reporting Period with the increase in the sales for the period.

Gross Profit

During the Reporting Period, the Group's gross profit was approximately RMB149.5 million, representing an increase of approximately 52% from approximately RMB98.6 million for the six months ended 30 June 2017. The Group's gross profit margin during the Reporting Period was approximately 35% as compared with approximately 35% for the corresponding period of last year.

During the Reporting Period, the Group's gross profit on property development was approximately RMB146.3 million, representing an increase of approximately 54% as compared with approximately RMB94.8 million for the corresponding period of last year. The increase in the gross profit on property development of the Group during the Reporting Period was mainly due to an increase in the gross profit on property development of Chang Xing Star Gardens Phase I.

During the Reporting Period, the gross profit margin of property development of the Group was approximately 35%, while that for the six months ended 30 June 2017 was approximately 34%.

Other Income and Gains

The Group's other income and gains amounted to approximately RMB11.2 million during the Reporting Period, as compared with approximately RMB11.1 million for the six months ended 30 June 2017.

Net Profit Attributable to Owners of the Company

During the Reporting Period, net profit attributable to owners of the Company was approximately RMB58.9 million, representing an increase of approximately 104% from approximately RMB28.9 million for the six months ended 30 June 2017. The increase of the net profit attributable to owners of the Company was primarily due to the increase in revenue from property development and gross profit from property development during the Reporting Period.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately 29% from approximately RMB20.2 million for the six months ended 30 June 2017 to approximately RMB14.3 million for the six months ended 30 June 2018, primarily due to the impact of the initial adoption of HKFRS 15 during the Reporting Period.

Administrative Expenses

The Group's administrative expenses increased by approximately 9% from approximately RMB26.8 million for the six months ended 30 June 2017 to approximately RMB29.3 million for the six months ended 30 June 2018. This was primarily due to the growth of business during the Reporting Period.

Finance Costs

The Group's finance costs decreased by approximately 37% from approximately RMB8.7 million for the six months ended 30 June 2017 to approximately RMB5.5 million for the six months ended 30 June 2018, primarily due to more borrowings costs capitalised during the Reporting Period.

Income Tax Expense

The Group's income tax expense increased by approximately 47% from approximately RMB27.5 million for the six months ended 30 June 2017 to approximately RMB40.4 million for the six months ended 30 June 2018, primarily due to the increase in corporate income tax as a result of an increase in profit before tax during the Reporting Period.

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, the Group's profit and total comprehensive income for the period increased by approximately 169% from approximately RMB24.3 million for the six months ended 30 June 2017 to approximately RMB65.2 million for the six months ended 30 June 2018.

Cash Position

As at 30 June 2018, the Group's cash and cash equivalents amounted to approximately RMB914.0 million, representing an increase of approximately 224% as compared with approximately RMB282.5 million as at 31 December 2017.

Net Operating Cash Flow

The Group recorded a positive operating cash flow of approximately RMB239.6 million as at 30 June 2018 as compared with a positive operating cash flow of approximately RMB219.8 million as at 30 June 2017.

Borrowings

The Group had outstanding bank borrowings of approximately RMB811.5 million as at 30 June 2018 as compared with outstanding bank borrowings of approximately RMB446.0 million as at 31 December 2017. As at 30 June 2018, all the bank borrowings bear interest at floating rates and bank borrowings of approximately RMB112.0 million is repayable within one year. The increased borrowings of the Group during the Reporting Period were mainly used for the developments of the Beiliubao project and the Yonsemite Valley Town-Taiyuan project.

Pledged Assets

Certain of the Group's borrowings were secured by properties under development and investment properties or a combination of the above items. As at 30 June 2018, the assets pledged to secure certain borrowings granted to the Group amounted to RMB538.1 million. As at 31 December 2017, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB587.2 million.

Financial Guarantees and Contingent Liabilities

In line with the market practice, the Group has entered into agreements of arrangements with various banks for the provision of mortgage financing to its customers. The Group does not conduct any independent credit checks on customers, but relies on the credit checks conducted by mortgagee banks. As with other PRC property developers, the banks usually require the Group to guarantee its customers' obligation to repay the mortgage loans on the properties. The guarantee period normally lasts until the bank receives the strata-title building ownership certificate (分戶產權證) from the customer as security of the mortgage loan granted. As at 30 June 2018, the Group's outstanding guarantees in respect of the mortgages of its customers amounted to approximately RMB908.7 million. As at 31 December 2017, the Group's outstanding guarantees in respect of the mortgages of its customers amounted to approximately RMB1,548.7 million.

The Group had no material contingent liabilities as at 30 June 2018.

Gearing Ratio

As at 30 June 2018, based on the Group's total debt of approximately RMB811.5 million and total equity of approximately RMB1,130.5 million, the gearing ratio of the Group was approximately 72% (31 December 2017: approximately 40%). The gearing ratio is calculated as total debt divided by total equity, and total debt includes interest bearing bank borrowings and amounts due to related parties. The increase in gearing ratio was mainly due to an increase in bank borrowings during the Reporting Period.

Foreign Exchange Risk

The Group operates mainly in the PRC. Most of its revenue and expenses are settled in RMB. The Group is exposed to foreign currency risk because its bank balances are denominated in HK dollar and their values are subject to fluctuations due to changes in foreign exchange rates. Effects of various factors, such as changes in the political and economic conditions in the PRC may result in the fluctuation of the exchange rate of RMB against HK dollar. The Board expects that the fluctuation of RMB exchange rate will not have material and adverse effects to the Group. The Group does not have hedging policy in respect of the foreign currency risk.

Material Acquisitions and Disposals and Significant Investments

Save as disclosed in this report, the Group did not have any material acquisition and disposal and significant investment during the Reporting Period.

Events after the Reporting Period

On 17 July 2018, Shanxi Chenxing Zhicheng Construction Engineering Co., Ltd. (山西辰興致誠建築工程有限公司), a domestic subsidiary of the Group, acquired 80% equity interest in Shanxi Chang Xing Zhicheng Construction Engineering Co., Ltd. (山西昌興致誠建築工程有限公司)("**Shanxi Chang Xing**") at a consideration of no more than RMB40,000,000 (equivalent to approximately HK$47,395,297). Shanxi Chang Xing is a company established under the laws of the PRC with limited liability in January 2018. It is currently not engaged in any business activity. For details of the acquisition, please refer to the announcement of the Company dated 29 June 2018.

On 27 August 2018, the Group received the decision by the Beijing Arbitration Commission (the "**Beijing Arbitration Commission**") in respect of the arbitration proceeding of dispute of transfer of equity interest between the Group and Hainan DeGao Investment Co., Ltd. (海南德高投資有限公司). The Beijing Arbitration Commission ruled in favour of the Company. For details in relation to the conclusion of arbitration proceeding, please refer to the announcement of the Group dated 27 August 2018.

Save as disclosed above, the Group did not have any material event from 30 June 2018 up to the date of this report that needs to be disclosed.

Future Plans for Material Investments or Capital Assets

The Company will continue to invest in property development projects and acquire suitable land parcels in selected cities as it sees fit. It is expected that internal resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed in the prospectus of the Company dated 22 June 2015 and above, the Group did not have any future plans for material investments as at the date of this report.

Employees and Remuneration Policies

During the Reporting Period, the Group had 183 employees. During the Reporting Period, the Group incurred employee costs of approximately RMB16.5 million. Remuneration for the employees generally includes salary and performance-based quarterly bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medical, maternity, occupational injury and unemployment benefit plans.

* For identification purpose only

The Group has established the remuneration committee to review the remuneration policy and structure of the Group for the remuneration of all Directors and the senior management of the Group after considering the operating results of the Group, individual performance and contribution, time commitment and responsibilities of the Directors and senior management as well as the remuneration paid by comparable companies.

The Group has formulated and implemented remuneration policies to motivate employees and, in turn, support the long-term development of the Group. Such policies are consistent with the business strategies and development objectives of the Group, which will be helpful in attracting and retaining professional employees with the relevant knowledge and skills.

Employee Training

In order to enhance the professional quality and work ethics of the employees of the Group, to raise their service awareness and service level, to boost the cohesion, attractiveness, centripetal force and combatant power of the Group, to reduce errors at work, to increase efficiency at work, we cultivate talents for the Group. Along with the development of the Group, the Group puts emphasis on the training of new employees. Through new employees training, the Group promotes the history of the Group, the organizational structure, the corporate culture and personnel policies, and increase employees' organization ability, communication skills, team spirit, etc. The Group helps strengthen organizational discipline so that employees can adapt to the new environment and the corporate culture as soon as possible. Each department is asked to hold departmental and positional training for new employees so that they can get used to the new working environment as soon as possible and increase their efficiency at work. In order to push the employees' development further and to enrich their professional knowledge, the Group conducts internal training according to departmental needs, and pay for external training expenses. Other than professional and technical training, the Group also improves management skills of the middle and senior levels. Training includes seven habits of highly effective people, executive power, leadership, comprehensive budget management, etc..

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

CORPORATE GOVERNANCE AND OTHER MATTERS

CORPORATE GOVERNANCE PRACTICES

The Company is always committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company and protect the interests of all Shareholders. The Company is fully aware that transparency and accountability in corporate governance are crucially important to the Shareholders. The Board considers that sound corporate governance maximizes the Shareholders' interest.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange as its own code of corporate governance. During the Reporting Period, the Company has complied with the CG Code.

To ensure that the Company complies with the CG Code, the Company shall constantly review and strengthen its corporate governance practice and enhance its risk management and internal control in reliance on the assistance of its legal advisors as to PRC and Hong Kong laws.

The Board consists of four executive Directors and three independent non-executive Directors. The Board is responsible for the operation and coordination of the development of the Company and monitoring the Company's businesses, strategic decisions and performance, and has full and timely access to all relevant information in relation to the Company's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess professional qualifications and related management experience in the areas of financial accounting, corporate governance, etc. and have contributed to the Board with their professional opinions.

Mr. Bai Xuankui ("**Chairman Ba**i") is an executive Director and the Chairman of the Board. He is responsible for the management of the Board and the overall strategic planning, business development and corporate governance functions. The Company believes that Chairman Bai, who has been serving as a Director and the Chairman of the Board since its establishment, can facilitate the Company in formulating appropriate development strategies. Regarding business operations, the Company's senior management, which comprises experienced and high-caliber individuals from various sectors, will ensure decisions made by the Board be thoroughly implemented.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the Directors. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he has complied with the Model Code during the Reporting Period.

DISCLOSURE OF INTEREST

Interests and/or Short Positions of Directors and Chief Executives in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations

As at 30 June 2018, the following Directors and chief executives of the Company had interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be entered into the register mentioned under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") of Appendix 10 to the Listing Rules:

Long Positions in the Shares of the Company

Name of Director/chief executive	Capacity/ Nature of interest	Number of shares held	Percentage of equity interest (Note 1)
Mr. Bai Xuankui ("**Mr. Bai**") (Note 2)	Settlor of a discretionary trust	289,120,000	57.82%
Mr. Bai Wukui (Note 3)	Interest of a controlled corporation	54,120,000	10.82%
Mr. Bai Guohua (Note 4)	Beneficiary of a discretionary trust	289,120,000	57.82%
Mr. Dong Shiguang ("**Mr. Dong**") (Note 5)	Interest of a controlled corporation	9,023,117	1.80%

Notes:

1. As at 30 June 2018, the total number of issued shares of the Company was 500,000,000 shares.

2. Such shares were held by White Dynasty Global Holdings Limited ("**White Dynasty BVI**") in the capacity of a legal beneficial owner, which was a corporate controlling shareholder of the Company, and White Dynasty BVI was owned by White Empire (PTC) Limited ("**White Empire BVI**") in the capacity of a legal beneficial owner. White Empire BVI was the trustee of the family trust established for the benefit of Mr. Bai Guohua, Ms. Cheng Guilian ("**Mrs. Bai**", the spouse of Mr. Bai), and other beneficiaries to be nominated by the trustee from time to time. Since Mr. Bai was the settlor of the family trust, Mr. Bai was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

3. The shares were held by White Legend Global Holdings Limited ("**White Legend BVI**") in the capacity of a legal beneficial owner. White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui held the entire issued share capital of White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.

4. The shares were held by White Dynasty BVI in the capacity of a legal beneficial owner. Since (i) Mr. Bai Guohua was a beneficiary of the family trust; and (ii) Mr. Bai Guohua was a person acting in accordance with the instructions from Mr. Bai, the settlor of the family trust, at all times, hence Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

5. The shares were held by Honesty Priority Global Holdings Limited ("**Honesty Priority BVI**") in the capacity of a legal beneficial owner. Since Mr. Dong owned 34.87% shares in Honesty Priority BVI, Mr. Dong was deemed to be interested in the shares held by Honesty Priority BVI under the SFO.

Long Positions in the Shares of Associated Corporations of the Company

Name of Director/ chief executive	Name of associated corporation	Capacity/ Nature of interest	Number of shares held	Percentage of shareholdings
Mr. Bai	White Dynasty BVI (Note 1)	Settlor of a discretionary trust	10,000	100%
Mr. Bai	White Empire BVI (Note 1)	Settlor of a discretionary trust		100%
Mr. Bai Guohua	White Dynasty BVI (Note 1)	Beneficiary of a discretionary trust	10,000	100%
Mr. Bai Guohua	White Empire BVI (Note 1)	Beneficiary of a discretionary trust		100%

Note:

1. White Dynasty BVI was a corporate controlling shareholder of the Company and was wholly-owned by White Empire BVI in the capacity of a legal beneficial owner. White Empire BVI was a company limited by guarantee incorporated in the British Virgin Islands and the trustee of the family trust which was held for the benefits of Mr. Bai Guohua, Mrs. Bai and other beneficiaries to be nominated by the trustee from time to time, and Mr. Bai was the settlor of the family trust.

As at 30 June 2018, save as disclosed above, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register mentioned under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and/or Short Positions in the Shares and Underlying Shares of the Company Held by Substantial Shareholders

As at 30 June 2018, to the best knowledge of the Company and the Directors, the following persons (other than Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company, which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered into the register mentioned under Section 336 of the SFO:

Name of shareholder	Capacity/Nature of interest	Number of shares held	Percentage of shareholdings (Note 1)
White Dynasty BVI (Note 2)	Beneficial owner	298,120,000	57.82%
White Empire BVI (Note 2)	Interest of a controlled corporation	289,120,000	57.82%
White Legend BVI (Note 3)	Beneficial owner	54,120,000	10.82%
Mrs. Bai (Note 4)	Beneficiary of a discretionary trust	289,120,000	57.82%
Ms. Zhang Lindi (Note 5)	Interest of spouse	289,120,000	57.82%
Ms. Gan Xuelin (Note 6)	Interest of spouse	54,120,000	10.82%
Hwabao Trust Co. Ltd.	Trustee	51,800,000	10.36%

Notes:

1. As at 30 June 2018, the Company had a total number of 500,000,000 shares in issue.

2. White Dynasty BVI was wholly-owned by White Empire BVI, hence White Empire BVI was deemed to be interested in the shares owned by White Dynasty BVI under the SFO. White Empire BVI was the trustee for the family trust established for the benefit of Mr. Bai Guohua, Mrs. Bai and other beneficiaries to be nominated by the trustee from time to time. Mr. Bai was the settlor of the family trust.

3. White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui had a controlling interest in White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.

4. Mrs. Bai was the wife of Mr. Bai. Since Mrs. Bai was a beneficiary of the family trust, Mr. Bai was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

5. Ms. Zhang Lindi was the wife of Mr. Bai Guohua. Since Mr. Bai Guohua was a beneficiary of the family trust, Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO, therefore, Ms. Zhang Lindi was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

6. Ms. Gan Xuelin was the wife of Mr. Bai Wukui. Since Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO, therefore, Ms. Gan Xuelin was deemed to be interested in the shares held by White Legend BVI.

As at 30 June 2018, save as disclosed above, the Company was not aware of any other persons (other than Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company, which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered into the register mentioned under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 12 June 2015. Since the date of adoption, the Company has not granted any share options under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed amount of public float as required by the Stock Exchange.

AUDIT COMMITTEE

The Company has established the audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors including Mr. Gu Jiong, Mr. Tian Hua and Mr. Qiu Yongqing. The Audit Committee is chaired by Mr. Gu Jiong.

The Audit Committee has reviewed, with the management and the Board of the Company, the accounting principles and policies adopted by the Company, as well as relevant laws and regulations, and discussed risk management, internal control and financial reporting matters of the Group, including review of the unaudited interim results of the Group for the six months ended 30 June 2018. The Audit Committee considered that the interim results are in compliance with the applicable accounting principles and policies, laws and regulations, and the Company has made appropriate disclosures thereof.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
REVENUE	5	**426,692**	279,643
Cost of sales		**(277,200)**	(181,002)
Gross profit		**149,492**	98,641
Other income and gains	5	**11,161**	11,131
Selling and marketing expenses		**(14,347)**	(20,247)
Administrative expenses		**(29,305)**	(26,830)
Other expenses		**(6,207)**	(1,036)
Finance costs		**(5,510)**	(8,692)
PROFIT BEFORE TAX	6	**105,284**	52,967
Income tax expense	7	**(40,405)**	(27,459)
PROFIT FOR THE PERIOD		**64,879**	25,508
Attributable to:			
Owners of the parent		**58,889**	28,919
Non-controlling interests		**5,990**	(3,411)
		64,879	25,508
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— for profit for the period	9	**RMB0.12**	RMB0.06

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
PROFIT FOR THE PERIOD	**64,879**	25,508
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments changes in fair value	**—**	1,205
Exchange differences on translation of foreign operations	**331**	(2,426)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**331**	(1,221)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**331**	(1,221)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**65,210**	24,287
Attributable to:		
Owners of the parent	**59,220**	27,698
Non-controlling interests	**5,990**	(3,411)
	65,210	24,287

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**77,681**	65,471
Investment properties		**163,000**	163,000
Properties under development	11	**557,224**	546,057
Intangible assets		**154**	300
Investments in an associate		**490**	—
Deferred tax assets		**193,166**	173,179
Prepaid land lease payments		**1,352**	1,374
Prepayments for land use rights		**—**	416,300
Prepayments for property, plant and equipment		**—**	6,086
Total non-current assets		**993,067**	1,371,767
CURRENT ASSETS			
Properties under development	11	**4,256,628**	3,158,817
Completed properties held for sale	12	**1,196,518**	1,333,444
Inventories		**205**	2,160
Contract assets		**45,801**	—
Prepayments, deposits and other receivables		**487,203**	468,564
Tax recoverable		**60,840**	57,310
Financial assets at fair value through profit or loss ("**FVPL**")	13	**157,310**	—
Available-for-sale investments		**—**	173,610
Pledged deposits	14	**21,431**	22,305
Restricted bank balances	14	**103,909**	103,839
Cash and cash equivalents	14	**914,033**	282,513
Total current assets		**7,243,878**	5,602,562
CURRENT LIABILITIES			
Trade payables	15	**705,622**	753,398
Other payables, deposits received and accruals		**1,823,275**	1,665,188
Contract liabilities		**3,714,372**	—
Advances from customers		**4,414**	2,889,441
Interest-bearing bank borrowings	16	**112,000**	151,000
Due to related parties	20	**1,954**	1,717
Due to a director	20	**87**	87
Tax payable		**42,238**	101,054
Total current liabilities		**6,403,962**	5,561,885
NET CURRENT ASSETS		**839,916**	40,677
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,832,983**	1,412,444

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	16	**699,527**	295,000
Deferred tax liabilities		**2,953**	9,740
Total non-current liabilities		**702,480**	304,740
NET ASSETS		**1,130,503**	1,107,704
EQUITY			
Equity attributable to owners of the parent			
Share capital		**4,003**	4,003
Reserves		**1,007,246**	1,015,118
		1,011,249	1,019,121
Non-controlling interests		**119,254**	88,583
TOTAL EQUITY		**1,130,503**	1,107,704

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital RMB'000 (note 28)	Share premium account* RMB'000 (note 28)	Capital reserves* RMB'000	Statutory surplus reserve* RMB'000	Asset revaluation reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained earnings* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017	4,003	219,418	101,849	109,882	23,331	10,624	550,014	1,019,121	88,583	1,107,704
Change in accounting policies (note 3)	–	–	–	–	–	–	14,748	14,748	(999)	13,749
Restated balance at 1 January 2018	4,003	219,418	101,849	109,882	23,331	10,624	564,762	1,033,869	87,584	1,121,453
Profit for the period	–	–	–	–	–	–	58,889	58,889	5,990	64,879
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	331	–	331	–	331
Total comprehensive income for the period	–	–	–	–	–	331	58,889	59,220	5,990	65,210
Capital contribution by a non-controlling shareholder	–	–	–	–	–	–	–	–	25,680	25,680
Final 2017 dividend declared	–	–	–	–	–	–	(81,840)	(81,840)	–	(81,840)
At 30 June 2018 (unaudited)	4,003	219,418*	101,849*	109,882*	23,331*	10,955*	541,811*	1,011,249	119,254	1,130,503

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium account RMB'000	Capital reserves RMB'000	Statutory surplus reserve RMB'000	Asset revaluation reserve RMB'000	Unrealised gain reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	4,003	219,418	101,849	102,574	23,331	–	13,753	517,573	982,501	79,534	1,062,035
Profit for the period	–	–	–	–	–	–	–	28,919	28,919	(3,411)	25,508
Other comprehensive income for the period											
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	1,205	–	–	1,205	–	1,205
Exchange differences related to foreign operations	–	–	–	–	–	–	(2,426)	–	(2,426)	–	(2,426)
Total comprehensive income for the period	–	–	–	–	–	1,205	(2,426)	28,919	27,698	(3,411)	24,287
Final 2016 dividends declared	–	–	–	–	–	–	–	(130,770)	(130,770)	–	(130,770)
At 30 June 2017 (unaudited)	4,003	219,418	101,849	102,574	23,331	1,205	11,327	415,722	879,429	76,123	955,552

* These reserve accounts comprise the consolidated reserves of RMB1,007,246 the condensed consolidated statement of financial position as at 30 June 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**105,284**	52,967
Adjustments for:			
Depreciation	6	**3,987**	4,540
Amortisation of intangible assets	6	**146**	152
Amortisation of prepaid land lease payments	6	**22**	22
Income from financial assets at FVPL	5	**(4,428)**	—
Income from available-for-sale investments	5	**—**	(4,796)
Finance costs		**5,510**	8,692
Interest income	5	**(1,133)**	(496)
		109,388	61,081
(Increase)/decrease in properties under development		**(545,317)**	678,917
Decrease/(increase) in completed properties held for sale		**252,029**	(672,663)
Decrease in inventories		**1,955**	73
Increase in contract assets		**(7,756)**	—
Increase in trade receivables		**—**	(227)
Increase in prepayments, deposits and other receivables		**(18,639)**	(260,684)
Increase in pledged deposit		**874**	(7,035)
Decrease in restricted bank balance		**(70)**	—
Decrease in trade payables		**(47,776)**	(231,032)
(Decrease)/increase in advances from customers		**(2,885,027)**	665,851
Increase in contract liabilities		**3,450,820**	—
Increase in other payables and accruals		**57,990**	116,644
Increase/(decrease) in amount due to related parties		**237**	(560)
Decrease in amount due to a director		**—**	(3)
Cash generated from operations		**368,708**	350,362
Tax paid		**(129,096)**	(130,556)
Net cash flows from operating activities		**239,612**	219,806

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(10,157)	(750)
Purchases of a shareholding in an associate	(490)	—
Purchases of financial assets at FVPL	(948,000)	—
Purchases of available-for-sale investments	—	(967,580)
Sales of financial assets at FVPL	964,300	—
Sales of available-for-sale investments	—	1,168,130
Income from financial assets at FVPL	4,428	—
Income from available-for-sale investments	—	4,796
Interest received	1,133	496
Increase in restricted bank balances	—	(144,678)
Net cash flows from/(used in) investing activities	11,214	(45,066)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from a non-controlling shareholder	25,680	—
Dividends paid	(81,840)	(130,770)
New bank and other loans	561,527	346,000
Repayment of bank loans	(96,000)	(222,000)
Tax paid on financing activities	(9,940)	—
Interest paid	(19,064)	(16,504)
Net cash flows from/(used in) financing activities	380,363	(23,274)
NET INCREASE IN CASH AND CASH EQUIVALENTS	631,189	151,466
Cash and cash equivalents at beginning of period	282,513	290,594
Effect of foreign exchange rate changes, net	331	(2,426)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	914,033	439,634
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,039,373	605,670
Less: Pledged deposits	21,431	21,358
Restricted bank balances	103,909	144,678
	914,033	439,634

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 3 November 2014. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the head office and principal place of business of the Company is located at 18 Anning Street, Yuci District, Jinzhong City, Shanxi Province, the People's Republic of China (the "**PRC**").

The Company is an investment holding company and its subsidiaries are principally engaged in property development with focuses on development projects of residential and commercial properties.

2 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standards ("**HKAS**") 34 "Interim Financial Reporting".

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 3 below.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss 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.

3. 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 HKFRS2	*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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

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

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS15 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.

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.

3. 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

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.

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 advances from customers 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 advances from customers to contract liabilities for the outstanding balance of sales proceeds from customers. The adoption of HKFRS 15 decreased retained profits by RMB12,404,000 and decreased non-controlling interests by RMB2,381,000 at 1 January 2018.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

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

Accounting for sales commission and stamp duty

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

As a result of this change in accounting policy, the Group has capitalised sales commissions and stamp duty paid/payable related to property sales contracts amounting to RMB38,045,000, decreased deferred tax assets by RMB9,511,000, increased retained profits by RMB27,152,000 and increased non-controlling interests by RMB1,382,000 at 1 January 2018.

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. The group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. 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**").

3. 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:

- Financial assets at FVPL included debt instruments whose cash flow characteristics fail to 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.

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.

Investment in certain financial assets issued by licensed financial institutions of RMB173,610,000 that were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as financial assets at FVPL.

(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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

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

Consolidated statement of financial position (extract)	As prviously stated RMB'000	Reclassification under HKFRS 15 RMB'000	Adjustment under HKFRS 15 RMB'000	Impact on initial adoption of HKFRS 9 RMB'000	As at 1 January 2018 Restated RMB'000
Deferred tax assets	173,179	–	(9,511)	–	163,668
Properties under development	3,158,817	–	133,664	–	3,292,481
Completed properties held for sale	1,333,444	–	115,103	–	1,448,547
Contract assets	–	–	38,045	–	38,045
Financial assets at FVPL	–	–	–	173,610	173,610
Available-for-sale investments	173,610	–	–	(173,610)	–
Contract liabilities	–	2,881,933	263,552	–	3,145,485
Advances from customers	2,889,441	(2,881,933)	–	–	7,508
Retained earnings	550,014	–	14,748	–	564,762
Non-controlling interests	88,583	–	(999)	–	87,584

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

No information about major customers is presented as no single customer individually contributed to over 10% of the Group's revenue for the six months ended 30 June 2017 and 2016.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the sale of properties and lease of properties, net of business tax and other sales related taxes and discounts allowed.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
Sale of properties	430,065	280,528
Property leasing income	3,238	3,860
	433,303	284,388
Less: Business tax and government surcharges	(6,611)	(4,745)
	426,692	279,643
Other income and gains		
Bank interest income	1,133	496
Income from financial assets at FVPL	4,428	—
Income from available-for-sale investments	—	4,796
Gross rental income	5,457	1,390
Others	143	4,449
	11,161	11,131

6. PROFIT BEFORE TAX

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

	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Cost of properties sold	**277,197**	181,002
Depreciation	**3,987**	4,540
Amortisation of intangible assets	**146**	152
Minimum lease payments under operating leases	**324**	200
Amortisation of land lease payments	**22**	22
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**5,093**	5,054
Pension scheme contributions	**535**	960
Staff welfare expense	**844**	738
Impairment of completed properties held for sale*	**—**	588
Bank interest income	**(1,133)**	(496)
Income from financial assets at fair value through profit or loss	**(4,428)**	—
Income from available-for sale investments	**—**	(4,796)

* The amount is included in "other expenses" in the interim condensed consolidated statement of profit or loss.

7. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The major components of the Group's income tax expense are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
Income tax charge	**65,863**	62,584
Land appreciation tax	**10,827**	14,674
Deferred tax	**(36,285)**	(49,799)
Total tax charge for the period	**40,405**	27,459

8. DIVIDENDS

A final dividend of HK20 cents per ordinary share for the year ended 31 December 2017 of RMB81,840,000 was approved by shareholders on 7 June 2018 and paid on 19 June 2018.

The Board did not declare any interim dividend for the six months ended 30 June 2018 (the six months ended 30 June 2017: Nil).

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

The calculation of basic earnings per share attributable to ordinary equity holders of the parent is based on the following data:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	**58,889**	28,919

	Six months ended 30 June	
	2018	2017
	'000	'000
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	**500,000**	500,000

The Group did not have any dilutive potential ordinary shares during the six months ended 30 June 2018 and 2017.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired assets with a cost of RMB16,197,000 (the six months ended 30 June 2017: RMB746,000).

No asset was disposed of by the Group during the six months ended 30 June 2018 and 2017.

11. PROPERTIES UNDER DEVELOPMENT

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Properties under development		
Current portion	**4,256,628**	3,158,817
Non-current portion	**557,224**	546,057
	4,813,852	3,704,874

Properties under development expected to be recovered:

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Within one year	**3,054,942**	2,776,111
After one year	**1,201,686**	382,706
	4,256,628	3,158,817

Certain of the Group's properties under development with carrying value of approximately RMB538,098,000 were pledged to secure bank loans granted to the Group as at 30 June 2018 (31 December 2017: RMB532,218,000) (note 16).

12. COMPLETED PROPERTIES HELD FOR SALE

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Completed properties held for sale	**1,196,518**	1,333,109
Impairment during the year/period	**—**	335
Net carrying amount at end of year/period	**1,196,518**	1,333,444

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Unlisted investments, at fair value	**157,310**	—

Unlisted investments represented investments in certain financial assets issued by licensed financial institutions in mainland China. The financial assets in the investments bear expected yield rates of 1.15% to 4.8% per annum with a maturity period within one year.

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Total cash and bank balances, including pledged deposits	**1,039,373**	408,657
Less: Pledged deposits	**(21,431)**	(22,305)
Restricted bank balances	**(103,909)**	(103,839)
Cash and cash equivalents	**914,033**	282,513

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Restricted bank balance represents the deposit in an escrow account set up at a bank by the Group for the acquisition of a 100% equity interest in Hainan DeGao Investment Co., Ltd., from two third party individuals (the "**Vendors**"), which could only be used after the approval by the vendors.

15. TRADE PAYABLES

An aged analysis of the trade payables, based on the payment due dates, is as follows:

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Less than 1 year	**469,325**	516,617
1 to 2 years	**39,565**	106,127
2 to 3 years	**88,947**	24,509
3 to 4 years	**22,763**	63,665
4 to 5 years	**44,755**	5,957
Over 5 years	**40,267**	36,523
	705,622	753,398

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

16. INTEREST-BEARING BANK BORROWINGS

	30 June 2018 (unaudited)			31 December 2017 (audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured				5.22	2018	46,000
Current portion of long term bank loans — secured	**5.23**	**2018**	**61,000**	5.23–5.70	2018	105,000
	5.23	**2019**	**51,000**			
			112,000			151,000
Non-current						
Bank loans — secured	**5.23–6.60**	**2020–2021**	**699,527**	5.23–5.70	2020	295,000

Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's investment properties, which had an aggregate carrying value at 30 June 2018 of nil (31 December 2017: RMB55,000,000);

(ii) mortgages over the Group's properties under development, which had aggregate carrying value of approximately RMB538,098,000 as at 30 June 2018 (31 December 2017: RMB532,218,000) (note 11).

In addition, Mr. Bai Xuankui, the director and the Company's controlling shareholder, have guaranteed certain of the Group's bank loans up to RMB200,000,000 as at 30 June 2018 (31 December 2017: RMB250,000,000).

17. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to eight years. The terms of the leases generally require the tenants to pay security deposits.

At 30 June 2018 and 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Within one year	**8,579**	7,044
In the second to tenth years, inclusive	**24,151**	27,142
	32,730	34,186

As lessee

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms of one year.

At 30 June 2018 and 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Within one year	**243**	324
In the second to fifth years, inclusive	**—**	81
	243	405

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following capital commitments as at 30 June 2018 and 31 December 2017:

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Contracted, but not provided for:		
Property development activities	**1,330,622**	1,595,363

19. CONTINGENT LIABILITIES

At 30 June 2018 and 31 December 2017, contingent liabilities not provided for in the interim condensed consolidated financial statements were as follows:

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Guarantees given to banks in respect of mortgage facilities granted to the purchasers of the Group's properties	**908,718**	1,548,694

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to those banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends at the execution of individual purchaser's collateral agreement.

19. CONTINGENT LIABILITIES *(continued)*

The Group did not incur any material losses during the reporting periods in respect of the guarantees provided for mortgage facilities granted to the purchasers of the Group's completed properties held for sale. The Directors considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

20. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Name	**Relationship**
Mr. Bai Xuankui	Director, the ultimate controlling shareholder
Mr. Bai Guohua	Director, the ultimate controlling shareholder
Shanxi Wanjia Property Management Co., Ltd. ("**Shanxi Wanjia**")	Company controlled by the daughter of Mr. Bai Xuankui
Shanxi Wanzhong Heating Co., Ltd. ("**Shanxi Wanzhong**")	Company controlled by the daughter of Mr. Bai Xuankui

20. RELATED PARTY TRANSACTIONS *(continued)*

(a) In addition to the transactions detailed elsewhere in these interim condensed consolidated financial statements, the Group had the following transactions with related parties during the reporting period:

	Six months ended 30 June	
	2018	**2017**
	RMB'000	**RMB'000**
	(unaudited)	**(unaudited)**
Property management service from a related party Shanxi Wanjia	**237**	337
Advance payment by a related party Shanxi Wanjia	**(52)**	(35)
Refund of advance payment by a related party Shanxi Wanjia	**52**	35

(b) Other transactions with related parties:

The Company's controlling shareholder has guaranteed certain of the Group's bank loans up to RMB200,000,000 as at 30 June 2018 (31 December 2017: RMB250,000,000) (note 16).

20. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties:

The Group had the following balances with its related parties during the reporting period:

	Note	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Due to a director			
Mr. Bai Guohua	(i)	**87**	87
Due to related parties			
Shanxi Wanjia	(i)	**1,947**	1,710
Shanxi Wanzhong	(i)	**7**	7
		1,954	1,717

Note:

(i) The balances were repayable on demand, unsecured and interest-free.

(d) Compensation of key management personnel of the Group:

	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Short term employee benefits	**1,404**	1,441
Pension scheme contributions	**114**	99
Total compensation paid to key management personnel	**1,518**	1,540

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayment, deposits and other receivables, trade payables, financial liabilities included in other payables, deposits received and accruals, the current portion of interest-bearing bank borrowings, amounts due from/to a director and related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that the fair values of non-current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and an independent third party financial institution based on prevailing market interest rate.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

The fair values of the financial assets at fair value through profit or loss have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVPL	—	157,310	—	157,310

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	—	173,610	—	173,610

The Group did not have any financial liabilities measured at fair value as at 30 June 2018 (31 December 2017: Nil).

22. EVENT AFTER THE REPORTING PERIOD

On 17 July 2018, Shanxi Chenxing Zhicheng Construction Engineering Co., Ltd., a domestic subsidiary of the Group, acquired 80% equity interest in Shanxi Chang Xing Zhicheng Construction Engineering Co., Ltd. (山西昌興致誠建築工程有限公司) at a consideration of RMB40,000,000 (equivalent to approximately HK$47,395,297). Shanxi Changxing, which was established under the laws of the PRC with limited liability on 11 January 2018, is not engaged in any business activity.

23. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised by the Board on 28 August 2018.

CHEN XING