北京建設 BPHL

BEIJING PROPERTIES (HOLDINGS) LTD

(incorporated in Bermuda with limited liability)

Stock Code: 925

2018 INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. QIAN Xu *(Chairman)*
Mr. HU Yebi *(Vice Chairman)*
Mr. SIU Kin Wai *(Chief Executive Officer)*
Mr. ZHAO Jiansuo
Mr. LI Shuping
Mr. DONG Qilin
Mr. LI Changfeng
Mr. CHENG Ching Fu *(Chief Financial Officer)*
Mr. YU Luning
Mr. ANG Renyi

Independent Non-Executive Directors

Mr. GOH Gen Cheung
Mr. ZHU Wuxiang
Mr. James CHAN
Mr. SONG Lishui
Mr. XIE Ming

AUDIT COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. ZHU Wuxiang
Mr. James CHAN
Mr. SONG Lishui
Mr. XIE Ming

INVESTMENT AND RISK MANAGEMENT COMMITTEE

Mr. QIAN Xu *(Chairman)*
(appointed on 3 September 2018)
Mr. HU Yebi *(Vice Chairman)*
(appointed on 3 September 2018)
Mr. SIU Kin Wai *(Vice Chairman)*
(appointed on 3 September 2018)
Mr. Dong Qilin (appointed on 3 September 2018)
Mr. LI Changfeng (appointed on 3 September 2018)
Mr. CHENG Ching Fu (appointed on 3 September 2018)
Mr. YU Luning (resigned on 3 September 2018)
Mr. ZHU Wuxiang (resigned on 3 September 2018)
Mr. ANG Renyi (resigned on 3 September 2018)

NOMINATION COMMITTEE

Mr. James CHAN *(Chairman)*
Mr. GOH Gen Cheung
Mr. QIAN Xu
Mr. YU Luning
Mr. SONG Lishui
Mr. XIE Ming

REMUNERATION COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. YU Luning
Mr. James CHAN
Mr. SONG Lishui
Mr. XIE Ming

COMPANY SECRETARY

Mr. CHENG Ching Fu

STOCK CODE

925

AUTHORIZED REPRESENTATIVES

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Mr. SIU Kin Wai

REGISTERED OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITORS

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WEBSITE

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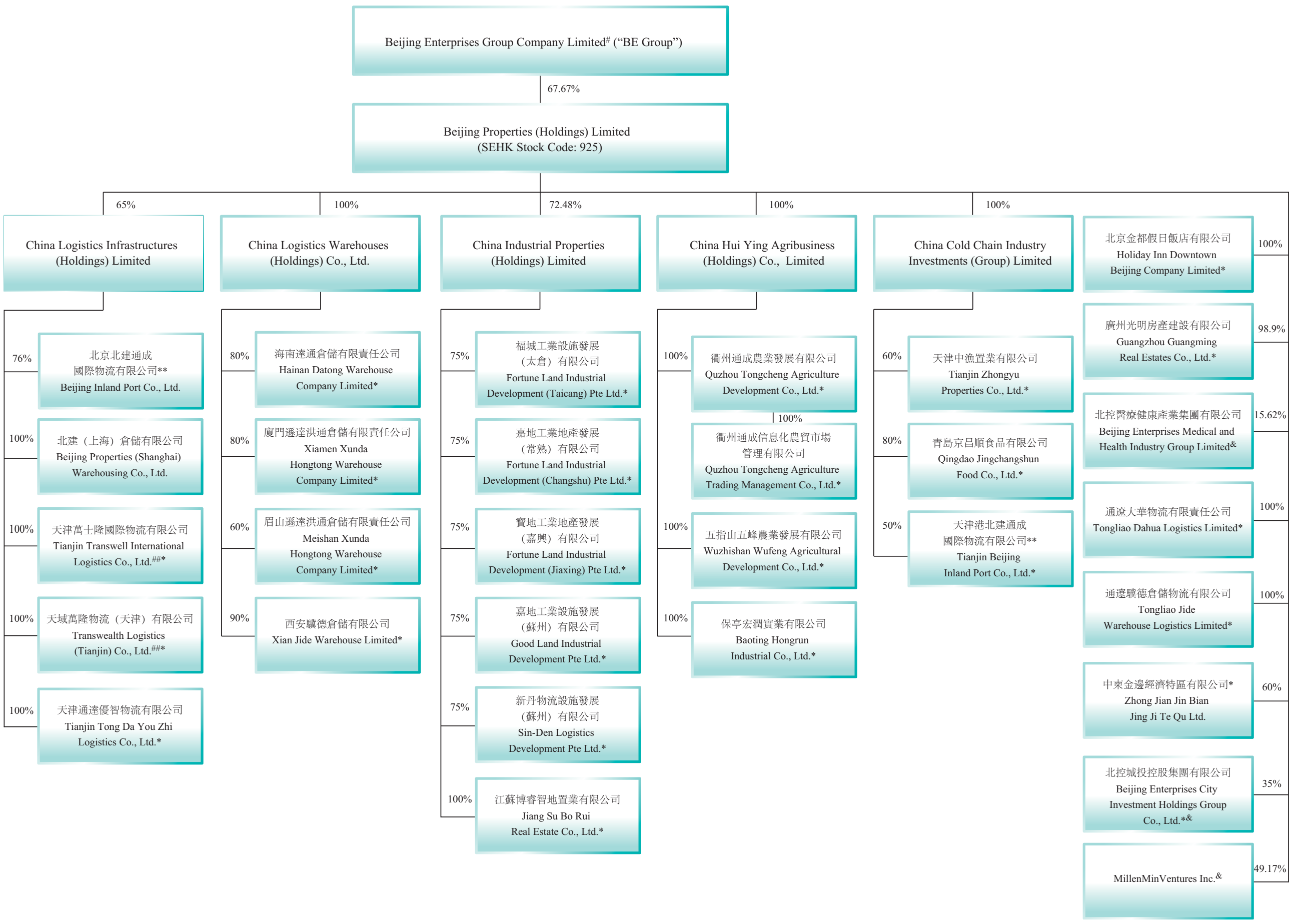
PRINCIPAL BANKERS

China CITIC Bank International Ltd
Shanghai Pudong Development Bank Co., Ltd
Bank of China Limited
China CITIC Bank International (China) Limited
Taipei Fubon Commercial Bank Co. Ltd
Industrial and Commercial Bank of China Limited

GROUP STRUCTURE

As at 30 August 2018



#	*BE Group indirect held 67.67% of the issued share capital of Beijing Properties (Holdings) Limited (the "Company") through its wholly-owned subsidiaries*
*	*For identification purpose only*
**	*Joint venture*
&	*Associate*
##	*Out of 100% equity interest, 30% equity interests are held directly by the Company and 70% equity interest are held by China Logistics Infrastructures (Holdings) Limited*

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2018 (the "2018 Period"), the Group recorded a consolidated loss attributable to the shareholders of the Company of approximately HK$158.55 million, representing an increase of approximately HK$43.49 million as compared to the consolidated loss attributable to the shareholders of the Company of approximately HK$115.06 million recorded in the six months ended 30 June 2017 (the "2017 Period").

BUSINESS REVIEW

The Group is the only Hong Kong-listed company engaged in property related business under Beijing Enterprises Group Company Limited ("BE Group"), the ultimate controlling shareholder of the Group. The Group was previously engaged in specific property business such as the development of and investment in logistics property, industrial property, cold chain property and commercial property. As a developer of specific property its business model has both similarity and difference with that of residential property developers. The similarity is that the assets developed mainly will be realized to generate profit through disposal, and the difference is that its assets need a cycle to cultivate their intrinsic values, which will not be sold until the realisation of their values.

Early at its inception, the Group divided the cultivation of its assets under the business model into four different stages, namely: (1) financing; (2) investment; (3) management; and (4) exit, of which:

"financing" represents obtaining financing in the market for the development of the properties;

"investment" represents investing and developing of the properties;

"management" represents the allocation of the best management team for the properties to improve their intrinsic values;

"exit" represents a capital chain recycling strategy through the exit from mature and stabilized properties to realize cash and generate profit from development and asset appreciation in property and subsequently using the proceeds to fund new property investment and development.

However, the exit does not mean leaving the properties industry. Instead, the capital recovered will be utilised towards the acceleration of investment in the new assets in the same industry. The objective of the whole business model is to establish a benign strategy for capital recycling to the business of the Group and to create sustainable returns for shareholders.

In addition, most of the Group's revenue had been derived from rental income for some time in the past, which posed risks to the operation and cash flows of the Group. As such, since the second half of 2017, the Group had been committed to establishing a cold chain business with self-owned cold warehouse as the core and then expanding to the relevant upstream and downstream industries for cold warehouses. Imported meat and aquatic products, which have high values and fastest growth rate in China, are the core of the cold chain business of the Group, the scope of business of which includes international trade, financial services, warehousing, light processing and distribution. Following realization, the Group's revenue will be further diversified, including interest income, inbound and outbound service income, processing income, international trade agency income, etc, which will further expand its sources of profit and create returns for shareholders. It is expected that the cold chain business will formally commence in the second half of 2018 and currently the preparatory work is in full swing.

Currently the Group's business operates as normal and has made positive progress, which will be explained in details in the analysis of various business segments below.

1) High-end and modern general warehouses

The Group has been establishing a network of modern warehouses in prime locations across China to provide the infrastructure needed by e-commerce and import and export trade of the nation. These locations include Beijing, Shanghai, Tianjin, Xiamen, Chengdu, Haikou, Tongliao, Xian, Taicang and so on. Their particulars are as follows:

Location of warehouse	Notes	Planned and owned area (sq.m)	Operating rentable area (sq.m)	Average occupancy rate for the 6 months period 2018 (%)	2017 (%)
Beijing Majuqiao*	(a)	605,360	–	–	–
Shanghai, Pudong District	(b)	211,554	211,554	69.30	68.35
Tianjin (Tianjin Airport Zone of Tianjin Free Trade Zone)	(c)	59,494	59,494	94.44	98.25
Tianjin (Tianjin Port Zone of Tianjin Free Trade Zone)	(d)	16,083	16,083	100	100
Xiamen, Tong'an District	(e)	94,970	94,970	93.59	86.67
Meishan, Dongpo District	(f)	97,809	97,809	50.75	37.48
Hainan, Chengmai District	(g)	53,816	53,816	83.09	77.83
Tongliao, Ke'erqin District	(h)	81,422	26,422	68.57	–
Jiangsu, Taicang City	(i)	167,000	–	–	–
Xian	(j)	165,000	–	–	–
		1,552,508	560,148		

* *held by a joint venture of the Group*

(a) Majuqiao Logistics Park is the largest investment project to be developed and operated by BIPL and the Group. It will become one of the largest comprehensive logistics parks in northern China upon completion. The whole project will be completed by five phases. BIPL obtained the land lots for Phase I and Phase II of this project on 3 November 2015. Their construction works started on 19 September 2016 and 28 February 2017, respectively. Currently its construction has been completed and it is in the process of application for completion inspection and acceptance and is expected to be delivered to customers for use in September 2018. Furthermore, the Group obtained the land lot for Phase III on 12 May 2017 at the minimum bidding price of RMB620 million. Phase III is expected to commence construction by the second quarter of 2019. The land for Phase IV and Phase V is expected to be obtained by the first quarter of 2019 and the third quarter of 2019, respectively. Upon the completion of the whole project, it will have a total rentable area of approximately 605,360 sq.m., which includes a rentable area of approximately 516,460 sq.m. for warehouse and a rentable area of approximately 88,900 sq.m. for commercial use. Currently the warehousing facilities of the Phase I and Phase II have been fully pre-leased, all tenants had signed legally-binding letters of intent and have paid deposits. The entire Majuqiao Logistics Park is expected to be fully completed by the end of 2020.

(b) Shanghai warehouse consists of 23 warehouses. The average occupancy rate was approximately 69.30% for the 2018 Period. In comparison, the average occupancy rate was approximately 68.35% for the 2017 Period. The reason of a relevant low in occupancy rate for the 2018 period was due to the facts that the export performance of China remained unstable and the supply of warehouses nearby swelled. On 15 July 2018, four new lease agreements for 37,727.37 sq.m. were entered into for Shanghai warehouse, and its occupancy rate increased to 87.22%.

(c) The warehouses in Tianjin (Tianjin Airport Zone) are the sole warehouses supervised by Customs. The unique location allows the warehouses to maintain a stable occupancy rate of up to 90% or above.

(d) The warehouse is located in the Tianjin Port Bonded Zone. The project has a total land area of 30,002.7 sq.m. and a total gross floor area of 16,083 sq.m.. Currently it has been fully leased to Kerry EAS Logistics Limited Tianjin Branch with a stable growth of income.

(e) The Group is operating 5 warehouses in Xiamen City, Fujian Province with a total rentable area of 94,970 sq.m., which has been leased to three major players in the e-commerce industry of China and was achieved full occupancy since May 2018.

(f) The Group is operating 4 warehouses in Meishan City, Sichuan Province with a total rentable area of approximately 97,809 sq.m. The improvement in the occupancy rate was mainly because the Group entered into a lease agreement for 51,000 sq.m. with an enterprise engaged in the research and development and manufacturing of high-end LCD monitors in April 2018. It is expected that its occupancy rate will reach over 90% in October 2018.

(g) The Group is operating 2 warehouses in Chengmai County, Haikou City of Hainan Province with a total rentable area of 53,816 sq.m. The increase in the occupancy rate was mainly due to the increase in the area leased by one of an existing tenant.

Apart from the above, the Group is also preparing for developing other projects and has made certain progress.

(h) The Group completed the acquisition on 31 May 2017. The land will be redeveloped in view of actual situations upon expiry of the existing grain storage contract. Currently the relevant planning work is in progress. It is expected that the construction of the project will commence in the second quarter of 2019 and be completed in the second quarter of 2020.

(i) The land is planned to construct approximately 167,000 sq.m. of double-layer high-end modern general warehouses. The project land was acquired in September 2017, and the construction is expected to commence by the end of 2018 and be completed in May 2020. The Group believes that as the metropolitan area of Shanghai continues to grow, certain industries inevitably have to relocate. With its prime location, it is believed that this project will be leased out and will generate income and profit as soon as its development is completed in the future.

(j) On 14 July 2017, the Group entered into a joint venture agreement with an independent third party to establish a subsidiary in Xian which is owned as to 90% by the Group and plans to construct 165,000 sq.m. of high-end modern general warehouses. We originally expects to obtain the relevant land in September 2017, commence construction by mid-2018, and complete and deliver the project to the tenants by mid-2019. However, due to the change in local government officers and the relevant planning, the land had yet to be listed for sale. Currently the land is expected to be obtained by the end of 2018. The relevant preliminary planning and design work is in progress.

As mentioned above, the Group's business model is mainly to establish a benign capital chain cycle and to realize sustainable business development. As a result, the Group exited from its logistics assets by way of establishing a limited partnership private equity fund (the "Fund"). On 3 August 2018, the Group and 普洛斯投資(上海)有限公司 ("GLP Shanghai") entered into a framework agreement. Pursuant to the agreement, the Group and GLP Shanghai shall establish a fund outside the PRC. The Group will participate as a limited partner and a general partner of the Fund. Upon establishment, the Fund will acquire certain logistics properties from the Group. The Fund will serve as a professional investment platform focusing on logistics properties and will acquire further logistics property projects held by the Group after they become more mature. The Group will continue to invest and develop new logistics property. The disposal of current logistics properties to the Fund is to realize cash and generate profit from development and asset appreciation in properties. The proceeds is to fund new property investment and development.

2) Cold chain logistics warehouses

Another development focus of the Group is to establish nationwide cold chain logistics facilities. The Group will further expand its cold chain business connecting to upstream and downstream of the cold chain. The cold chain business to be developed by the Group represents mainly imported meat and aquatic products, which have high values. With the rise of China's middle-class society, the demand for quality food is growing rapidly every year. However, due to the lack of reform in the industry in China for some time in the past, the cold chain industry remained subject to high investment and low informatization, and the cold chain industry recorded slow growth. No leading enterprises have developed in the industry. This presents the Group with a great opportunity for development. The Group's cold chain business is mainly divided into four business segments, namely cold storage and processing business, international and domestic trade business, financial and equity investment business and third party cold chain logistics distribution business. Its strategic objective is to establish the best comprehensive cold chain industry service platform in the PRC and a complete cold chain industry ecosystem, to save costs and increase revenue by making full use of technologies and data while promoting physical business, to maintain full management of and control over the cargo right, information right, document right, capital right and disposal right in the whole chain, and to eliminate operational risks.

Currently the relevant trade companies and technology companies for various business segments are in the process of establishment, which are expected to formally commence business by the end of 2018. Details of the status of the existing cold storage business are as follows:

Location of warehouse	Notes	Planned and owned volume (ton)	Operating rentable volume (ton)	Average occupancy rate for the 6 months period 2018 (%)	2017 (%)
Tianjin, Hangu District	(a)	45,000	45,000	80.05%	52.3%
Qingdao, Chengyang District	(b)	8,000	8,000	45.37%	73.97%
Tianjin Port Zone of Tianjin Free Trade Zone	(c)	45,000	–	–	–
		98,000	53,000		

(a) Tianjin cold chain warehouse is a service platform for imported meat offering both storage and other value-adding services. Phase I has an area of approximately 66,484 sq.m., representing a carrying storage capacity of approximately 45,000 tons. There is spare land of approximately 53,000 sq.m. available for the development of Phase II in the future. The relevant preliminary planning and design work is in progress. As the aftermath of the major explosion in Tianjin in 2015 waned, many potential tenants started to change the location for food unloading back to Tianjin in 2017, and the occupancy continued to improve. Tianjin Zhongyu will incorporate food light-processing function once the cold chain business is ready, which will further strengthen its business positioning and improve the occupancy rate.

(b) Qingdao cold chain warehouse is principally engaged in the operation of cold logistics storage facilities in Chengyang district of Qingdao, China. It currently owns a parcel of land of approximately 15,351.5 sq.m. with cold warehouses of approximately 6,785.84 sq.m., which have a carrying storage capacity of approximately 8,000 tons. The decrease in the average occupancy rate for the 2018 Period was due to the decrease in production volume of a major customer which caused the decrease in storage. Once the cold chain business is ready, Qingdao cold chain warehouse will leverage its accessibility advantage of proximity to the city and position it as an urban distribution warehouse to increase turnover volume and improve business volume and revenue.

(c) Tianjin Port project is owned by a joint venture established by the Group and Tianjin Port Group, each holding its 50% equity interest. The land has been obtained in February 2017. However, Tianjin Port Group requested to change the land location due to their adjustment to its strategic planning. Currently it is communicating with government authorities about the land exchange, which is expected to be completed by the end of 2018. It plans to build warehouses of approximately 50,000 sq.m., an office building of 6,000 sq.m. and a yard of 50,000 sq.m.. There are three tenants with firm intentions for a total lease area of approximately 60,000 sq.m., one of which intending to lease an area of 20,000 sq.m. has entered into a letter of intention and paid deposit for the lease. The remaining tenants are expected to enter into the letter of intention before the end of 2018.

As the Phase II is still awaiting development, cold chain warehouse located in Tianjin and Qingdao are classified by the Group as projects under development and have yet to contribute profit. The Group believes that with the development of the overall cold chain business and the completion of the Phase II project, they will bring satisfactory returns to the Group.

3) Industrial properties

As the metropolitan area of Shanghai continues to grow, certain existing high-end industries in the region inevitably have to be relocated. Meanwhile, high-end European and American enterprises remain eager to set up production bases in China. As a result, high-end industrial properties are in demand in the Yangtze River Delta. Therefore, the Group commenced the industrial properties business at the end of 2016 and formed several joint venture companies (held by the Group as to 75%) with SSinolog (China) Holding I Pte. Ltd. from Singapore to develop high-end factories for lease in Taicang, Changshu, Wuzhong and Jiaxing in the Jiangsu province. Details of these projects are as follows:

Location of warehouse	Notes	Planned and owned area (sq.m)	Operating rentable area (sq.m)	Average occupancy rate for the 6 months period 2018 (%)	2017 (%)
Zhejiang, Taicang City	(a)	66,396	66,396	91.76	–
Suzhou, Wuzhong City	(b)	65,191	–	–	–
Suzhou, Jiaxing City	(c)	95,170	–	–	–
Jiangsu, Changshu City	(d)	172,693	–	–	–
Jiangsu, Changzhou City	(e)	440,000	–	–	–
		839,450	66,396		

(a) The project was completed in July 2017 and its real estate ownership certificate was obtained in December 2017. Its rentable area has been fully leased since February 2018. There are many large European and U.S. smart manufacturing enterprises and high-end manufacturing enterprises concentrated in the area where the project is located. The project has long-term leases with steady rentals growth.

(b) The land use right certificate for the project was obtained in May 2017, and its construction commenced in July 2018 and is expected to be completed in July 2019. The project is at a prime location with great accessibility and enjoys local government funds supporting industrial development.

(c) The land use right certificate for the project was obtained in April 2017, and the project is under construction, which is expected to be completed in December 2018. The project is in a location adjacent to Shanghai and has great accessibility. Local government provides strong support to the manufacturing industry, with industry support funds and policies in place. The concentration of European and U.S. high-end manufacturing enterprises has generated economies of scale. Standard, high-end and customised plants have been constructed.

(d) The land use right certificate for the project was obtained in June 2016, and the project is under construction, which is expected to be completed in January 2019. The project is at a prime location with well-planned facilities in the surrounding area. It has good accessibility and is in proximity to the expressway network, with extensive local high-quality labour resources and ancillary facilities.

(e) The Group invested in an industrial park headquarters project located in Tianning Economic Development Zone in Changzhou, Jiangsu Province in January 2018. The project is planned to have a total land area of approximately 200 mu and a total gross floor area of approximately 440,000 sq.m.. With a total investment amount of approximately RMB2 billion, it will be developed in two phases. Construction of Phase I is expected to commence in late 2018 and be completed around the third quarter of 2019, and construction of Phase II is expected to commence in the first quarter of 2019 and be completed around late 2021. Certain area of the floor area will be sold to speed up the cash recovery. The project will be the first internet economic platform cluster in Tianning District, Changzhou and will facilitate the development of emerging industries including smart equipment, smart home, sports health equipment and educational equipment through innovative designs and smart research and development. The project comprises commercial, residential, leisure and other urban functions, introduces green smart solutions, and is an ecological smart park reflecting industrial integration.

4) Belt & Road Initiative

(a) The Sino-Cambodian SEZ project is located in Kampong Chhnang Province, which is 65 kilometres northwest of Phnom Penh, the capital of Cambodia. It is linked to Phnom Penh by Highway 5. According to the current plan, this project has a target site area of 30,000,000 sq.m. Certificate for approximately 14,868,696 sq.m. of the land has been obtained. Benefiting from preferential taxation, import and export policies offered by the Cambodian government, the Sino-Cambodian SEZ will be developed into a special zone featuring financial, technology, processing, logistics, commercial, residential and tourism facilities. The project is positioned to serve Chinese enterprises under the "Belt and Road Initiative" and provide Chinese merchants with a clustered integrated industrial platform. In 2017, the project was filed with the Ministry of Commerce of the PRC and included in the list of projects under the "Belt and Road Initiative". The custom, commerce, labour, taxation and other departments of the Cambodian government will set up offices to offer one-stop services to enterprises within the special zone. The Group mainly conducts primary land development in special zones and sells the same to Chinese enterprises upon completion of land development to realize returns from land transfer. It also provides management services in industrial parks to receive sustainable management fee income.

The Cambodian government is currently rolling out a number of policies to attract investments from foreign enterprises. Such policies aim at establishing a free and open economic system by offering equal treatment to foreign and domestic investors. In recent years, the Cambodian economy has been expanding rapidly at a GDP growth rate of 7% or above for five consecutive years. With an average age of less than 30, the population of Cambodia offers abundant manpower.

The Group believes that thanks to the stable and amicable long-term relation between China and Cambodia, as well as its effective control on land acquisition costs, the sale of such land will create fruitful returns in the future. Currently the overall project planning has been completed, pending the formal approval of the Cambodian government. The whole project will be developed in phases, and fund for development will be obtained by profits on land sales and borrowings from financial institutions, and it is not expected to bring too much financial pressure to the Group.

5) Specialised wholesale market

With the approval of Quzhou government authorities, Quzhou Tongcheng Agriculture Development Co., Ltd. has been approved to establish a modern agricultural wholesale market, including an agricultural exchange zone, which may be utilised as the new location for the existing exchange centre in the city following its relocation, as well as ancillary commercial facilities. The existing trading centre was granted the status of first class wholesaling centre for agricultural products, serving a population of approximately 30 million people within an area of approximately 150 square miles. The Quzhou agricultural shopping mall project will be constructed and developed in three phases. Phase I was put into operation on 18 August 2015, with a rentable area of 40,785 sq.m., including a vegetable trading zone of 13,488 sq.m. with an occupancy rate of 96%. Phase II was put into operation in November 2017. As at 30 June 2018, the market had a rentable area of 130,339 sq.m., including a fruit trading zone of 21,350 sq.m. with an occupancy rate of 91% and a dried goods and food trading zone of 22,334 sq.m., with an occupancy rate of 61%. The average market rent is RMB214/year/sq.m.. Phase III is at the stage of design drawing optimisation. According to the preliminary design, the rentable and sellable area is expected to be approximately 103,382 sq.m., including a planned warehouse with an area of approximately 11,987 sq.m. and other planned ancillary commercial facilities.

6) Commercial properties

(a) Guangzhou Guangming Property Construction Co., Ltd. ("Guangzhou Guangming") owns 99% interest in Metro Mall. The mall is situated at the Beijing Road shopping district, Yuexiu District of Guangzhou City of China. Metro Mall has a gross floor area of approximately 62,000 sq.m., and is an 11-storey shopping centre providing dining, entertainment, shopping and cultural experience to customers. Currently, the average occupancy rate is maintained at approximately 83.05% for the 2018 Period.

(b) Holiday Inn Downtown Beijing Company Limited ("BJ Holiday Inn") is a wholly-owned subsidiary of the Group, and is the owner of a four-star business and leisure hotel providing 333 elegantly decorated rooms to business travellers in 北禮士路 (near the Financial Street, Xicheng District), Beijing. The average occupancy rate was approximately 81.07% for the 2018 Period. The hotel is a cash-generating asset which can sustain its own operation and distribute stable dividend to the Company when needed.

The Group's two commercial property projects are both located in prime commercial locations and were previously acquired at a lower price. As commercial property business is not a core business of the Group, the Group will sell these two projects if appropriate prices arised.

7) Beijing Enterprises City Investment Holdings Group Co., Ltd ("BE City Investment"): On 13 November 2017, the Group and strategic investors and its management established BE City Investment, 35% equity interest of which is held by the Group as the single largest shareholder. BE City Investment is a mixed investment holding group dominated by state-owned capital. With the core objective of investing in and consolidation of urban land resources and improving their values, BE City Investment is positioned to invest in and operate new urban infrastructures introduce basic industries, build a new industry-city integration investment operator and an integrated urban public service provider to provide urban public goods and public services. Its principal activities cover comprehensive investment in and development of urban land; investment in, development, operation and management of urban industrial parks; market-oriented supply, operation and management of urban public goods and public services. During 2018, BE City Investment had actively established presence in the key areas under China's strategic plan, make full use of its shareholders' comprehensive strengths in general municipal planning, business integration, financing and technical innovations, actively seek and develop high-quality projects, quickly expand its size of operation in order to achieve the goal of becoming a unique comprehensive urban operation and investment group with leading position in the PRC, which is expected to bring considerable returns of investment to the Group in the foreseeable future.

BUSINESS PROSPECTS

Being a state-owned enterprise with years of operating experience, the Group has an important edge over its competitors in obtaining land. Most importantly, the Group has established a stable customer base that includes Kerry Logistics, MOL Logistics, Nippon Express, Sinotrans, SF Express, JD.com and other large-scale corporations from diversified sectors over the years. To the Group, such stable customer relations represent valuable assets and provide potential tenants to new projects.

During this year, the Group formally launched the construction of a fund platform to recover capital. The Group believes that upon the establishment of the fund, the Group's complete business model will be formally built, which will lay a solid foundation for the sustainable development of the Group.

The Group believes that its investment projects, despite being under development, will generate profits upon their completion and expects to enjoy fruitful return and business success by then. The Group is confident that it will continue to achieve success with the above edge.

FINANCIAL REVIEW

Revenue and gross profit analysis

The revenue (net of business tax) for the 2018 Period amounted to approximately HK$198.87 million, representing an increase of approximately HK$36.03 million or 22.13%, from approximately HK$162.84 million for the 2017 Period. The gross profit for the 2018 Period amounted to approximately HK$147.6 million, representing an increase of approximately HK$24.94 million or 20.33%, from approximately HK$122.66 million for the 2017 Period. The increase in revenue was primarily attributable to the revenue contribution from new acquisitions during the second half of 2017.

	2018		2017		Change	
Name of assets	**Revenue**	**GP Margin**	Revenue	GP Margin	Revenue	GP Margin
	HK$'000	**%**	HK$'000	%	HK$'000	%
High-end and Modern General Warehouses Business						
Shanghai	**43,543**		42,867		676	
Tianjin	**17,776**		14,518		3,258	
Xiamen	**15,351**		14,994		357	
Meishan	**7,210**		4,740		2,470	
Hainan	**7,715**		6,170		1,545	
Tongliao	**1,570**		129		1,441	
	93,165	**91.23**	83,418	91.42	9,747	(0.19)
Cold chain logistics warehouses						
Tianjin	**14,105**		7,014		7,091	
Qingdao	**1,195**		1,804		(609)	
	15,300	**43.80**	8,818	43.28	6,482	0.52
Specialised wholesale markets						
Quzhou Tongcheng	**9,078**	**46.97**	3,042	100.00	6,036	(53.03)
Industrial properties						
Zhejiang	**9,028**	**81.92**	–	–	9,028	N/A
Commerical properties						
Guangzhou	**22,858**		22,496		362	
Beijing	**49,439**		45,062		4,377	
	72,297	**61.22**	67,558	58.53	4,739	2.69
The Group	**198,868**	**74.22**	162,836	75.33	36,032	(1.11)

High-end and modern general warehouses

The revenue contribution of high-end and modern general warehouses for the 2018 Period amounted to approximately HK$93.17 million, representing an increase of approximately HK$9.75 million or 11.69% from approximately HK$83.42 million for the 2017 Period. The increase was primarily attributable to the increase in average occupancy rate of Meishan and Xiamen warehouse and a stable increase of rental income of Tianjin's warehouses. The gross profit margin slightly decreased from approximately 91.42% for the 2017 Period to approximately 91.23% for the 2018 Period.

Cold chain logistics warehouses

The revenue contribution of cold chain logistics warehouses for the 2018 Period amounted to approximately HK$15.3 million, representing an increase of approximately HK$6.48 million or 73.47% from approximately HK$8.82 million for the 2017 Period. The sharp increase was primarily attributable to the increase in average occupancy rate of Tianjin's cold chain logistics warehouses as the impact of the major explosion in Tianjin in 2015 waned. The gross profit margin slightly increased from approximately 43.28% for the 2017 Period to approximately 43.8% for the 2018 Period.

Specialised wholesale markets

The revenue contribution of specialised wholesale markets for the 2018 Period amounted to approximately HK$9.08 million, representing an increase of approximately HK$6.04 million, or 198.68%, from approximately HK$3.04 million for the 2017 Period. The sharp increase in revenue was attributable to the completion of phase II on November 2017.

Industrial properties

The revenue contribution of industrial properties for the 2018 Period amounted to approximately HK$9.03 million, the warehouse was acquired in July 2017 and hence there is no comparable amount in 2017 Period. The gross profit margin is approximately 81.92% for the 2018 Period.

Commercial properties

The revenue contribution of commercial properties for the 2018 Period amounted to approximately HK$72.3 million, representing an increase of approximately HK$4.74 million or 7.02% from approximately HK$67.56 million for the 2017 Period. The sharp increase was primarily attributable to improvement of the average room occupancy rate of the hotel located in Beijing. The gross profit margin slightly increased from approximately 46.83% for the 2017 Period to approximately 50.24% for the 2018 Period.

Other income and gains, net

During the 2018 Period, the net other income and gains were approximately HK$63.28 million, which represented a decrease of approximately HK$26.44 million from approximately HK$89.72 million for the 2017 Period. The decrease was mainly attributable to the combined net effect of the: (i) decrease of approximately HK$14.58 million in bank interest income; (ii) increase of approximately HK$8.84 million in other interest income; (iii) foreign exchange differences turned from a gain of approximately HK$43.5 million for the 2017 Period which was recognised as "other income and gains" to a loss of approximately HK$4.97 million for the 2018 Period which was recognised as "other expenses"; and (iv) increase of approximately HK$26.12 million in government grant.

Selling expenses

During the 2018 Period, the selling expenses were approximately HK$7.33 million, which represented a decrease of approximately HK$0.29 million, or 3.81%, from approximately HK$7.62 million for the 2017 Period. The decrease was primarily due to the decrease in selling expenses incurred for the hotel located in Beijing.

Administrative expenses

During the 2018 Period, the administrative expenses were approximately HK$103.66 million, which represented an increase of approximately HK$11.19 million, or 12.1%, from approximately HK$92.47 million for the 2017 Period. The increase was primarily due to increase in number of staff employed for new segments such as industrial properties and preliminary land development.

Other expenses

During the 2018 Period, the other expenses were approximately HK$5.99 million, which represented an increase of approximately HK$3.44 million, or 134.9%, from approximately HK$2.55 million for the 2017 Period. The increase was attributable to the foreign exchange differences turned from a gain of approximately HK$43.5 million for the 2017 Period which was recognised as "other income and gains" to a loss of approximately HK$4.97 million for the 2018 Period which was recognised as "other expenses".

Finance costs

During the 2018 Period, the finance cost was approximately HK$208.87 million, representing an increase of approximately HK$13.32 million, or 6.8%, from approximately HK$195.55 million for the 2017 Period. The finance costs mainly included: (i) interest on bank loans of approximately HK$72.01 million, which increased by approximately HK$25.2 million, or 53.83%, from approximately HK$46.81 million for the 2017 Period mainly due to the increase in average bank borrowing; (ii) interest on USD guaranteed bonds of approximately HK$136.86 million (2017 Period: approximately HK$113.25 million); and (iii) during 2017 Period, the Group incurred imputed interest and coupon interest on PAG Convertible Bonds of approximately HK$24.54 million and approximately HK$10.95 million respectively, there is no such cost incurred during 2018 Period as the bonds has been early redeemed in December 2017.

Share of results of associates

During the 2018 Period, the share of losses of associates of approximately HK$9.8 million was mainly contributed by share the results of Beijing Enterprises Medical and Health Industry Group Limited ("BE M&H"), a listed company on The Stock Exchange of Hong Kong Limited and BE City Investment.

Share of results of joint ventures

During the 2018 Period, the share of losses of joint ventures of approximately HK$71,000 was mainly contributed by Beijing Inland Port Co., Ltd ("BIPL"). The decrease in loss shared was primarily due to the increase in interest income and government grant received.

Income tax expense

Income tax expense for the 2018 Period included current income tax of HK$13.27 million (2017 Period: HK$4.25 million). Deferred tax credit for the 2018 Period was HK$1.73 million (2017 Period: deferred tax charge of HK$5.83 million) which arose from the temporary tax difference of hotel properties.

Other comprehensive results for changes in fair value of equity investment

During 2018 Period, a decrease in fair value was approximately HK$21.42 million, mainly due to the decrease in closing market price CAQ comparing to the last year.

Investment properties

Investment properties increased by approximately HK$223.1 million mainly due to the acquisitions of lands in Changzhou City and construction of warehouse for industrial property business in during the 2018 Period.

Goodwill

Goodwill represent the acquisition in previous years for logistics warehouse business and commercial property business. There is no movement during 2018 Period.

Investment in joint ventures

Investment in joint venture increased by approximately HK$55.05 million, mainly due to capital injection to BIPL during the 2018 Period.

Investment in associates

Investment in associates mainly represents an equity investment in BE M&H, a listed company on The Stock Exchange of Hong Kong Limited, and BE City Investment who positioned to invest in and operate new urban infrastructure. The increase in investment was mainly due to capital injection to BE City Investment of HK$124.36 million during the 2018 Period.

Equity investments at fair value through other comprehensive income

Equity investments decreased by approximately HK$21.42 million, which was due to the drop in closing market price as at 30 June 2018 of CAQ comparing to the last year. As at 30 June 2018, the closing market price of CAQ quoted on Australian Securities Exchange was A$0.05 and the fair value of 108,628,000 shares of CAQ held by the Company was A$5.43 million (equivalent to approximately HK$31.54 million) which was recognised in the consolidated financial statements of the Group.

Deposits paid for the acquisitions of subsidiaries

Deposits as at 31 December 2017 represented a consideration paid for an acquisition of a project located in Shenyang, as the occupancy rate did not meet the objective set out in the agreement, the project has been terminated and the full deposits has been refunded.

Land held for development or sale

Land held for development or sale mainly represented lands located in Cambodia for the Group primary land development business.

Due from a joint venture

Amount due from a joint venture increased by HK$20.34 million, mainly due to loan interest generated from loan to BIPL and exchange difference of Renminbi against Hong Kong dollar.

Cash and cash equivalents (including restricted cash)

Cash and cash equivalents decreased by HK$26.67 million, mainly due to the net effect of: (i) deposit received for setting up a fund of HK$351 million; (ii) capital injection in BE City Investment of HK$124.36 million; (iii) net bank loans of HK$136.69 million drawn; and (iv) addition of investment properties of HK$337.83 million.

Bank and other borrowing

Bank and other borrowings increased by HK$136.69 million (non-current portion decreased by HK$101.75 million and current portion increased by HK$238.44 million), mainly due to the net effect of utilising to finance for the construction of projects in the PRC, and repayment of matured borrowings.

Guaranteed bonds

Guaranteed bonds for both periods represented a 3 years' period bond issued in November 2015 and March 2017 which have a par value of USD300 million each. The movement during 2018 Period was mainly due to imputed interest impact and exchange difference.

Liquidity and financial resources

As at 30 June 2018, for accounting purposes, the Group had total borrowings of approximately HK$7,831.96 million (31 December 2017: approximately HK$7,707.79 million) which included: (i) approximately HK$3,194.09 million from bank borrowings; and (ii) approximately HK$4,637.87 million from USD guaranteed bonds. The Group's gearing ratio, which was defined as sum of bank borrowing and guaranteed bonds, net of cash and cash equivalents and restricted cash, divided by the total equity, was approximately 91% (31 December 2017: approximately 88.02%).

As at 30 June 2018, the Group's balance of bank borrowings amounted to approximately HK$3,194.09 million, which was denominated in United States dollars ("USD"), Hong Kong dollars ("HK$") and Renminbi ("RMB") as to 57.67%, 6.73% and 35.60%, respectively. Over 12.71% of these bank borrowings was repayable less than one year. As at 30 June 2018, the Group's cash and bank balances amounted to approximately HK$1,702.04 million, which were denominated in USD, HK$, RMB and SGD as to 44.74%, 0.52%, 54.71% and 0.03%, respectively. Bank borrowings of an aggregate amount of HK$2,761.67 million bear interest at floating rates and the USD guaranteed bonds issued in November 2015 and March 2017 bear coupon rates of 5.5% and 4.375% per annum, respectively. The cash and bank balances, together with the unutilised banking facilities, are sufficient to finance the Group's businesses at the moment.

As at 30 June 2018, the Group's current ratio and quick ratio were approximately 63.87% and approximately 47.94% (31 December 2017: approximately 71.76% and approximately 53.53%) respectively.

The net total borrowings of the Group as at 30 June 2018 (total borrowings less cash and cash equivalents and restricted cash) was HK$6,129.92 million (31 December 2017: HK$5,979.08 million), representing an increase of HK$150.84 million as compared to the previous year.

Contingent liabilities

As at 30 June 2018, the Group had no contingent liabilities (31 December 2017: Nil).

Capital expenditures

During the 2018 Period, the Group spent approximately HK$573 million (2017 Period: approximately HK$675 million) as capital expenditures, which consisted of the purchase of property, plant and equipment and investment properties.

Capital commitments

As at 30 June 2018, the Group had outstanding contracted capital commitments arising from: (i) the outstanding construction costs of approximately RMB399.26 million (equivalent to approximately HK$472.86 million) committed for warehouse facilities of industrial properties and specialised wholesale markets; and (ii) capital injection in an associate of RMB105 million (equivalent to approximately HK$129.17 million).

Treasury policies

The Group adopts conservative treasury and risk management policies and controls tightly over its cash. The Group's cash and cash equivalents are held mainly in Hong Kong dollars, RMB and USD. Surplus cash is generally placed in short term deposits denominated in these currencies.

Foreign exchange exposure

The Group mainly operates in the PRC with most of the domestic transactions settled in RMB for its PRC business. Meanwhile, fluctuations of exchanges rates would impact our net assets value due to currency translation upon consolidation. If RMB appreciates/depreciated against Hong Kong dollar, the Group would record a(n) increase/decrease in our net assets value, as part of the Group's borrowings and cash balances are denominated in HKD and USD. During the 2018 Period, the Group did not employ financial instruments for hedging its exposures to foreign currency risk. The Group will closely monitor its exposure to fluctuation in foreign currencies' exchange rates as exchange rate fluctuation of foreign currencies against RMB may have a material financial impact on our Group.

Charges on assets

As at 30 June 2018, the Group had bank loans with principal amounts of approximately HK$1,656.82 million being secured by certain investment properties, cash and bank balances, trade receivables, and equity interests in certain subsidiaries of the Group and all of which were guaranteed by the Company.

Litigations

As at 30 June 2018, the Group had no pending litigation.

INTERIM DIVIDEND

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had a total of 615 (six months ended 30 June 2017: 530) employees. Total staff cost incurred during the 2018 Period amounted to approximately HK$57.95 million (six months ended 30 June 2017: HK$43.92 million (including staff cost and directors' remuneration). The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and packages are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

APPRECIATION

The Board would like to express our appreciation to our shareholders, customers, banks and business partners for their continuous trust and support, and also to all of our staff for their dedicated efforts in facilitating the Group's business restructuring and perseverance in face of challenges.

By Order of the Board
Beijing Properties (Holdings) Limited
Qian Xu
Chairman

Hong Kong, 30 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
REVENUE	*4*	**198,868**	162,836
Cost of sales and services		**(51,264)**	(40,175)
Gross profit		**147,604**	122,661
Other income and gains, net	*4*	**63,282**	89,720
Selling and distribution expenses		**(7,327)**	(7,622)
Administrative expenses		**(103,655)**	(92,473)
Other expenses		**(5,987)**	(2,549)
Finance costs	*5*	**(208,872)**	(195,552)
Share of losses of joint ventures		**(71)**	(2,518)
Share of losses of associates		**(9,802)**	–
LOSS BEFORE TAX	*6*	**(124,828)**	(88,333)
Income tax	*7*	**(11,542)**	(10,086)
LOSS FOR THE PERIOD		**(136,370)**	(98,419)
Attributable to:			
Shareholders of the Company		**(158,553)**	(115,056)
Non-controlling interests		**22,183**	16,637
		(136,370)	(98,419)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted	*9*	**HK(2.31) cents**	HK(1.69) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
LOSS FOR THE PERIOD	**(136,370)**	(98,419)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of foreign operations	**(120,147)**	129,551
– Share of other comprehensive income/(loss) of joint ventures	**(12,611)**	23,612
– Share of other comprehensive loss of associates	**(4,804)**	–
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**(137,562)**	153,163
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of the Company's financial statements into the presentation currency	**–**	39,063
– Changes in fair value of equity investments at fair value through other comprehensive income, net of income tax of nil	**(21,420)**	111,394
– Share of other comprehensive loss of associates	**(109)**	–
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**(21,529)**	150,457
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX OF NIL	**(159,091)**	303,620
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(295,461)**	205,201
Attributable to:		
Shareholders of the Company	**(295,932)**	142,308
Non-controlling interests	**471**	62,893
	(295,461)	205,201

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**894,855**	926,288
Investment properties	*10*	**7,749,714**	7,526,612
Prepaid land lease payments		**57,177**	58,734
Goodwill		**186,104**	186,104
Interests in joint ventures		**1,895,459**	1,840,408
Interests in associates		**882,990**	775,647
Equity investments at fair value through other comprehensive income		**31,544**	52,964
Deposits paid for acquisitions of subsidiaries		**–**	91,296
Prepayments, deposits and other receivables		**31,071**	58,031
Land held for development or sale		**3,654,900**	3,639,652
Pledged and restricted bank deposits		**57,016**	55,275
Deferred tax assets		**20,059**	21,164
Total non-current assets		**15,460,889**	15,232,175
CURRENT ASSETS			
Land held for development or sale		**561,600**	561,600
Properties held for sale		**96,153**	97,476
Inventories		**1,854**	8,810
Trade receivables	*11*	**15,116**	11,317
Prepayments, deposits and other receivables		**229,697**	197,241
Due from a joint venture		**58,941**	38,605
Due from related companies		**36,160**	40,039
Restricted cash		**27,313**	38,667
Cash and cash equivalents		**1,617,713**	1,634,772
Total current assets		**2,644,547**	2,628,527
CURRENT LIABILITIES			
Trade payables	*12*	**9,396**	9,275
Other payables and accruals		**935,869**	695,382
Due to related companies		**175,459**	163,386
Bank borrowings		**405,962**	167,523
Guaranteed bonds		**2,330,096**	2,320,180
Income tax payables		**46,579**	63,328
Provision for compensation		**237,162**	243,733
Total current liabilities		**4,140,523**	3,662,807
NET CURRENT LIABILITIES		**(1,495,976)**	(1,034,280)
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,964,913**	14,197,895

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Deposits received		**–**	114,972
Due to related companies		**448,443**	448,451
Bank borrowings		**2,788,129**	2,889,883
Guaranteed bonds		**2,307,771**	2,330,206
Derivative financial instrument		**50,947**	50,947
Deferred income		**164,125**	86,940
Defined benefit plans		**16,699**	16,929
Deferred tax liabilities		**1,452,324**	1,466,928
Total non-current liabilities		**7,228,438**	7,405,256
Net assets		**6,736,475**	6,792,639
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	*13*	**685,260**	685,260
Reserves		**3,441,224**	3,734,063
		4,126,484	4,419,323
Non-controlling interests		**2,609,991**	2,373,316
Total equity		**6,736,475**	6,792,639

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Issued capital (unaudited) HK$'000	Share premium account (unaudited) HK$'000	Contributed Surplus (unaudited) HK$'000	Share option reserve (unaudited) HK$'000	Capital and other reserve (unaudited) HK$'000	Convertible bonds equity reserve (unaudited) HK$'000	Financial asset revaluation reserve (unaudited) HK$'000	Exchange fluctuation reserve (unaudited) HK$'000	PRC statutory reserve (unaudited) HK$'000	Deferred benefit plan reserve (unaudited) HK$'000	Retained profits (unaudited) HK$'000	Total (unaudited) HK$'000	Non-controlling interests (unaudited) HK$'000	Total equity (unaudited) HK$'000
At 1 January 2018	**685,260**	**1,730,046**	**367,278**	**180,715**	**(17,399)**	**-**	**(81,738)**	**(142,654)**	**3,004**	**(2,675)**	**1,697,486**	**4,419,323**	**2,373,316**	**6,792,639**
Loss for the period	-	-	-	-	-	-	-	-	-	-	(158,553)	(158,553)	22,183	(136,370)
Other comprehensive income/(loss) for the period:														
Changes in fair value of equity investments at fair value through other comprehensive income, net of income tax effect of nil	-	-	-	-	-	-	(21,420)	-	-	-	-	(21,420)	-	(21,420)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(102,800)	-	-	-	(102,800)	(17,347)	(120,147)
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	-	(8,246)	-	-	-	(8,246)	(4,365)	(12,611)
Share of other comprehensive loss of associates	-	-	-	-	2,372	-	(2,481)	(4,804)	-	-	-	(4,913)	-	(4,913)
Total comprehensive income/(loss) for the period	-	-	-	-	2,372	-	(23,901)	(115,850)	-	-	(158,553)	(295,932)	471	(295,461)
Transfer to reserves	-	-	-	-	-	-	-	-	4,177	-	(4,177)	-	-	-
Deemed disposal of subsidiaries without loss of control	-	-	-	-	3,111	-	-	-	-	-	-	3,111	236,204	239,315
Reclassification	-	-	-	-	-	-	8,120	-	-	-	(8,138)	(18)	-	(18)
At 30 June 2018	**685,260**	**1,730,046***	**367,278***	**180,715***	**(11,916)***	**-***	**(97,519)***	**(258,504)***	**7,181***	**(2,675)***	**1,526,618***	**4,126,484**	**2,609,991**	**6,736,475**
At 1 January 2017	676,659	1,705,102	367,278	194,415	(50,359)	247,321	(304,769)	(526,412)	3,004	(2,987)	1,351,338	3,660,590	1,344,253	5,004,843
Loss for the period	-	-	-	-	-	-	-	-	-	-	(115,056)	(115,056)	16,637	(98,419)
Other comprehensive income for the period														
Changes in fair value of equity investments at fair value through other comprehensive income, net of income tax of nil	-	-	-	-	-	-	111,394	-	-	-	-	111,394	-	111,394
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	130,622	-	-	-	130,622	37,992	168,614
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	-	15,348	-	-	-	15,348	8,264	23,612
Total comprehensive income for the period	-	-	-	-	-	-	111,394	145,970	-	-	(115,056)	142,308	62,893	205,201
Acquisition of assets	8,601	24,947	-	-	-	-	-	-	-	-	-	33,548	-	33,548
Acquisition of a subsidiary	-	-	-	-	47,223	-	-	-	-	-	-	47,223	-	47,223
Transfer of share option reserve upon the forfeiture of share options	-	-	-	(13,627)	-	-	-	-	-	-	13,627	-	-	-
Reclassification	-	-	-	-	-	-	132,300	-	-	-	(132,300)	-	-	-
Contribution from of a non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	1,152	1,152
At 30 June 2017	685,260	1,730,049	367,278	180,788	(3,136)	247,321	(61,075)	(380,442)	3,004	(2,987)	1,117,609	3,883,669	1,408,298	5,291,967

* *These reserve accounts comprise the consolidated reserves of HK$3,441,224,000 (unaudited) (31 December 2017: HK$3,734,063,000) in the condensed consolidated statement of financial position as at 30 June 2018.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from/(used in) operating activities	**(46,699)**	33,974
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(3,324)**	(1,178)
Acquisition of investment properties	**(343,561)**	(273,314)
Acquisition of subsidiaries	**–**	(125,847)
Investment in joint ventures	**(91,896)**	–
Investment in an associate	**(124,357)**	–
Refund of deposits paid for acquisition of a business	**91,296**	–
Loan to a joint venture	**–**	(696,065)
Deposit received from disposal of subsidiaries	**351,000**	–
Proceeds from disposal of items of property, plant and equipment	**212**	541
Interest received	**12,255**	26,835
Decrease/(increase) in time deposit with maturity of more than three months when acquired	**(64,361)**	15,627
Net cash flows used in investing activities	**(172,736)**	(1,053,401)
CASH FLOWS FROM FINANCING ACTIVITIES		
New loans	**253,702**	61,001
Repayment of loans	**(101,867)**	(62,217)
Issue of guaranteed bonds	**–**	2,321,195
Deposit received for partial disposal of subsidiaries	**61,510**	–
Net advances from related companies	**15,231**	–
Contribution from a non-controlling interest	**–**	1,152
Interest paid	**(150,643)**	(171,373)
Government grants received	**58,236**	–
Loan arrangement fees	**–**	(1,635)
Other financing activities	**–**	378
Net cash flows from financing activities	**136,169**	2,148,501
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(83,266)**	1,129,074
Cash and cash equivalents at beginning of period	**1,458,523**	2,651,197
Effect of foreign exchange rate changes	**(7,767)**	(5,749)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,367,490**	3,774,522
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at end of period as stated in the condensed consolidated statement of financial position	**1,617,713**	3,671,330
Add: Restricted cash at end of period	**31,680**	103,192
Less: Non-pledged time deposits with maturity of more than three months	**(281,903)**	–
Cash and cash equivalents at end of period as stated in the condensed consolidated statement of cash flows	**1,367,490**	3,774,522

1. BASIS OF PREPARATION

This unaudited interim financial information for the six months ended 30 June 2018 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The interim financial information does not include all the information and disclosures 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 the interim condensed consolidated financial information are the same as those used in the annual financial statements for the year ended 31 December 2017 except for the changes in accounting policies made thereafter in adopting the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which became effective for the first time for the current period's financial statements, as further detailed in note 2 below.

In preparing the unaudited interim condensed consolidated financial information, the Directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's total current liabilities exceeded its total current assets as at 30 June 2018. Taking into account the Group's internal financial resources, issue of guaranteed bonds in a total amount of US$250 million subsequent to the reporting period on 16 August 2018, available banking facilities and new banking facilities currently under negotiation, the Directors of the Company considered that the Group will be able to continue as a going concern. Accordingly, the unaudited interim condensed consolidated financial information has been prepared on a going concern basis.

The interim condensed consolidated financial information was not audited, but has been reviewed by the Company's audit committee.

2. CHANGES IN ACCOUNTING POLICIES

Change in the functional currency of the Company

The Company changed its functional currency from Renminbi to the United States dollars effective from 1 January 2018. The reason for the change in functional currency of the Company was after taking into consideration of, inter alia, the fact that majority of the Company's recent investment in Cambodia and operations are financed by bank loans and guaranteed bonds which are denominated in the United States dollars and the Company does not have cash inflows denominated in Renminbi.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Adoption of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current period's interim condensed consolidated financial information:

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 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*

Other than as explained below regarding the impact of HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on the interim financial information.

The impact of HKFRS 15 is described below:

HKFRS 15, issued in July 2014, establishes a new 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.

The Group's principal activities which generated revenue during the period and are within the scope of HKFRS 15 consist of provision of property management services, logistics management services, and operating a hotel. In prior years, the Group recognised property management services income and logistics management services income over time when services are provided, and recognises income from operation of a hotel immediately after customers' consumption inside the hotel. After assessment, the aforesaid accounting policy for recognition of property management service income and logistics management service income are still an appropriate method under HKFRS 15. In respect of the operation of a hotel, given the short period of time to complete the services, the Group continue to recognise revenue from these services when the services have been rendered upon adoption of HKFRS 15. Accordingly, the adoption of HKFRS 15 does not have a significant impact on the recognition of revenue of the Group, but results in more disclosure in the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on usages of properties held and has four reportable operating segments as follows:

a. the properties business segment engages in the leasing of commercial properties in Mainland China and provision of related management services, and a hotel operation in Beijing, the People's Republic of China (the "PRC");

b. the logistics business segment engages in the leasing of warehouse facilities in Mainland China and provision of related services;

c. the industrial business segment engages in the leasing of industrial facilities in Mainland China and provision of related management services; and

d. the primary land development business segment engages in the sale of land held for development or sale and provision of primary land development services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment's profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax, except that interest income, finance costs, as well as head office and corporate income/expenses are excluded from such measurement.

Segment assets excluded amounts due from a joint venture and related companies, pledged and restricted bank deposits, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

3. OPERATING SEGMENT INFORMATION (Continued)

Segment liabilities exclude amounts due to related companies, bank borrowings, convertible bonds, guaranteed bonds, income tax payables, deferred tax liabilities, a derivative financial instrument and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Properties business		Logistics business		Industrial business		Primary land development business		Total	
	For the six months ended 30 June 2018 (Unaudited) HK$'000	For the six months ended 30 June 2017 (Unaudited) HK$'000	**For the six months ended 30 June 2018 (Unaudited) HK$'000**	For the six months ended 30 June 2017 (Unaudited) HK$'000	**For the six months ended 30 June 2018 (Unaudited) HK$'000**	For the six months ended 30 June 2017 (Unaudited) HK$'000	**For the six months ended 30 June 2018 (Unaudited) HK$'000**	For the six months ended 30 June 2017 (Unaudited) HK$'000	**For the six months ended 30 June 2018 (Unaudited) HK$'000**	For the six months ended 30 June 2017 (Unaudited) HK$'000
Segment revenue:										
Sales to external customers	**72,297**	67,558	**117,543**	95,278	**9,028**	–	**–**	–	**198,868**	162,836
Reconciliation:										
Gain on bargain purchase of a subsidiary									**–**	5,393
Bank interest income									**12,255**	26,835
Other interest income									**20,185**	11,341
Foreign exchange differences, net									**–**	43,498
Other unallocated gains									**30,842**	2,653
Revenue, other income and gains, net									**262,150**	252,556
Segment results:										
The Group	**10,165**	1,110	**39,754**	50,537	**(2,394)**	(3,224)	**(2,499)**	–	**45,026**	48,423
Share of losses of:										
Joint ventures	**–**	–	**(71)**	(2,518)	**–**	–	**–**	–	**(71)**	(2,518)
Associates	**(2,277)**	–	**–**	–	**–**	–	**(7,525)**	–	**(9,802)**	–
									35,153	45,905

3. OPERATING SEGMENT INFORMATION (Continued)

	Properties business		Logistics business		Industrial business		Primary land development business		Total	
	For the six months ended 30 June 2018 (Unaudited) HK$'000	For the six months ended 30 June 2017 (Unaudited) HK$'000	**For the six months ended 30 June 2018 (Unaudited) HK$'000**	For the six months ended 30 June 2017 (Unaudited) HK$'000	**For the six months ended 30 June 2018 (Unaudited) HK$'000**	For the six months ended 30 June 2017 (Unaudited) HK$'000	**For the six months ended 30 June 2018 (Unaudited) HK$'000**	For the six months ended 30 June 2017 (Unaudited) HK$'000	**For the six months ended 30 June 2018 (Unaudited) HK$'000**	For the six months ended 30 June 2017 (Unaudited) HK$'000
Reconciliation:										
Gain on bargain purchase of a subsidiary									**–**	5,393
Bank interest income									**12,255**	26,835
Other interest income									**20,185**	11,341
Foreign exchange differences, net									**(4,969)**	43,498
Other unallocated gains									**30,842**	2,653
Corporate and other unallocated expenses									**(9,422)**	(28,406)
Finance costs									**(208,872)**	(195,552)
Loss before tax									**(124,828)**	(88,333)

	Properties business		Logistics business		Industrial business		Primary land development business		Total	
	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000	**30 June 2018 (Unaudited) HK$'000**	31 December 2017 (Audited) HK$'000	**30 June 2018 (Unaudited) HK$'000**	31 December 2017 (Audited) HK$'000	**30 June 2018 (Unaudited) HK$'000**	31 December 2017 (Audited) HK$'000	**30 June 2018 (Unaudited) HK$'000**	31 December 2017 (Audited) HK$'000
Segment assets	**3,063,276**	3,139,100	**6,698,427**	6,964,971	**894,483**	589,179	**4,455,874**	4,414,766	**15,112,060**	15,108,016
Reconciliation:										
Corporate and other unallocated assets									**2,993,376**	2,752,686
Total assets									**18,105,436**	17,860,702
Segment liabilities	**(448,057)**	(482,558)	**(658,066)**	(391,659)	**(92,716)**	(198,860)	**(79,617)**	(77,994)	**(1,278,456)**	(1,151,071)
Reconciliation:										
Corporate and other unallocated liabilities									**(10,090,505)**	(9,916,992)
Total liabilities									**(11,368,961)**	(11,068,063)

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Geographical information of revenue is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China.

(b) Non-current assets

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
The PRC	**10,797,601**	10,420,823
Cambodia	**3,613,530**	3,613,530
Others	**35,899**	58,889
	14,447,030	14,093,242

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the six months ended 30 June 2018 and 2017, the Group had no single external customer which contributed over 10% of the Group's total revenue for each of these periods.

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents (1) the gross rental income received and receivable from investment properties, net of value-added tax, business tax and government surcharges; (2) the service fee from a hotel operation, net of valued-added tax, business tax and government surcharges; and (3) the management fee income from the services rendered, net of value-added tax and government surcharges.

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue		
Gross rental income	**138,090**	106,456
Property management service income	**1,170**	4,566
Logistics management service income	**10,169**	6,752
Hotel operation	**49,439**	45,062
	198,868	162,836
Other income and gains, net		
Bank interest income	**12,255**	26,835
Other interest income	**20,185**	11,341
Government grants	**26,791**	672
Foreign exchange differences, net	**–**	43,498
Gain on bargain purchase of a subsidiary	**–**	5,393
Others	**4,051**	1,981
	63,282	89,720

5. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans	**72,011**	46,808
Interest on convertible bonds	**–**	10,953
Imputed interest on convertible bonds	**–**	24,542
Interest on guaranteed bonds	**136,861**	113,249
	208,872	195,552

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Direct cost of rental income	**26,665**	16,215
Cost of hotel operation	**24,599**	23,960
Depreciation*	**19,651**	16,925
Amortisation of prepaid land lease payments	**971**	195
Foreign exchange differences, net	**4,969**	(43,498)

* *Depreciation of HK$10,129,000 (six months ended 30 June 2017: HK$9,403,000) is included in "Cost of sales and services" on the face of the condensed consolidated statement of profit or loss.*

7. INCOME TAX

No provision for Hong Kong profits tax and Cambodia corporate income tax has been made as the Group did not generate any assessable profits arising in Hong Kong and Cambodia during both periods.

PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the period based on prevailing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Mainland China:		
Current	**13,269**	4,254
Deferred	**(1,727)**	5,832
	11,542	10,086

8. INTERIM DIVIDEND

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amount for the period is based on the unaudited loss for the period attributable to shareholders of the Company of HK$158,553,000 (six months ended 30 June 2017: HK$115,056,000), and the weighted average number of 6,852,600,585 (six months ended 30 June 2017: 6,791,298,690) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2018 and 30 June 2017 in respect of a dilution as the share options outstanding had no diluting effect and the convertible bonds outstanding during the prior period had an anti-dilutive effect on the basic loss per share amounts presented.

10. INVESTMENT PROPERTIES

The fair value of investment properties of the Group as at 30 June 2018 was arrived at the quoted open market value by reference to the fair value of these investment properties as at 31 December 2017 because the directors of the Company do not consider there was any material change in the fair value of these investment properties during the six months ended 30 June 2018.

11. TRADE RECEIVABLES

Trade receivables of the Group as at 30 June 2018 and 31 December 2017 included rental income receivable from tenants of the Group's investment properties and room charges and services fee arising from the Group's hotel operation. Overdue trade receivables were not impaired as they were fully collateralised by the security deposits paid by the relevant tenants.

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

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Within one month	**11,583**	3,792
One to three months	**3,423**	4,053
Four to six months	**110**	444
More than six months	**–**	3,028
	15,116	11,317

All receivables were neither past due nor impaired as at the end of the reporting period. They relate to a large number of diversified customers for whom there was no recent history of default.

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 PAYABLES

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

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Within one month	**1,783**	4,425
One to two months	**1,868**	1,470
Two to three months	**1,008**	3,380
Three months to one year	**4,737**	–
	9,396	9,275

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

13. SHARE CAPITAL

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
6,852,600,585 ordinary shares of HK$0.10 each	**685,260**	685,260

There was no movement in the Company's issued capital during the period.

14. CAPITAL COMMITMENTS

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

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Contracted, but not provided for:		
Capital injection into an associate	**129,170**	252,137
Construction of logistic facilities	**472,862**	8,397
Total capital commitments	**602,032**	260,534

Note: In addition, the Group's share of a joint venture's own capital commitments, which were contracted but not provided for and are not included in the above disclosure, amounted to HK$552,601,000 (31 December 2017: HK$858,890,000).

15. RELATED PARTY DISCLOSURES

(a) The Group entered into the following material transactions with related parties during the period:

		For the six months ended 30 June	
	Notes	**2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000
Interest income, net of withholding tax received or receivable from a joint venture	*(i)*	**9,960**	11,341
Rental income received from subsidiaries of a non-controlling equity holder	*(ii)*	**1,002**	315
Rental expense paid or payable to a fellow subsidiary	*(iii)*	**523**	899
Key management personnel service fees paid to a company	*(iv)*	**2,033**	1,735
Management fee paid or payable to subsidiaries of non-controlling equity holders	*(v)*	**3,282**	618

15. RELATED PARTY DISCLOSURES (Continued)

(a) (Continued)

(i) The interest income was charged on bank entrusted loans advanced to a joint venture at mutually-agreed rates.

(ii) The rental income related to the lease of an office and warehouses by the Group to subsidiaries of a non-controlling equity holder for their business activities.

(iii) The rental expense related to the lease of an office located in Beijing from a fellow subsidiary. The rental expense was determined by reference to the prevailing market rental at the time when the rental agreement was entered into.

(iv) The management fee was paid for the management and administrative services provided by a hotel management company in respect of the Group's hotel operation. The management fee was charged pursuant to the terms in the agreement signed between a wholly-owned subsidiary of the Group and the hotel management company on 14 June 1988, 31 May 1991, 20 July 2003 and 18 August 2005.

(v) The management fee was determined by reference to the property management market rate for properties of comparable size, location and facilities at the time when the property management agreements were entered into.

(vi) Pursuant to a deposit services master agreement (the "Deposit Agreement") entered into between the Company and Beijing Enterprise Group Finance Co., Ltd. ("BG Finance") on 29 June 2015. The Company entered into a supplemental agreement (the "Supplemental Agreement") with BG Finance on 28 April 2017. The Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time. BG Finance is a non wholly-owned subsidiary of Beijing Enterprises Group Company Limited ("BE Group") acts as a platform for members of BE Group for provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services.

The term of the Deposit Agreement shall be extended to 31 December 2019. The daily aggregate of deposits placed by the Group with BG Finance (including any interest accrued thereon) during the term of the Deposit Agreement will not exceed HK$650,000,000. Further details of the Supplemental Agreement are set out in the Company's announcement dated 28 April 2017.

The deposit placed by the Group with BG Finance as at the end of the reporting period were amounted to approximated RMB17.47 million (equivalent to approximately HK$20.69 million).

15. RELATED PARTY DISCLOSURES (Continued)

(b) Transactions with other state-owned entities in Mainland China

The Company is a state-owned enterprise of the PRC government and is subject to the control of the State-owned Assets Super vision and Administration Commission of the People's Government of Beijing Municipality and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively the "Other SOEs"). During the period, the Group had transactions with the Other SOEs including, but not limited to, bank borrowings and deposits and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are individually or collectively significant related party transactions that require separate disclosure in the financial statements.

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short term employee benefits	**9,205**	7,842
Pension scheme contributions	**301**	174
Total compensation paid to key management personnel	**9,506**	8,016

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Group's corporate finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. 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 senior management.

The fair values of the financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments, therefore, no disclosure of the fair values of these financial instruments is made.

The following table sets out a comparison, by carrying amount and fair value, of the Group's financial instruments that are carried in the financial statements at other than fair value. The fair values of these financial instruments have been calculated by discounting the expected future cash flows at prevailing interest rates and the Group's own non-performance risk for the financial liabilities was assessed to be insignificant.

	Carrying amount		**Fair value**	
	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000	**30 June 2018 (Unaudited) HK$'000**	31 December 2017 (Audited) HK$'000
Non-current financial asset:				
Deposit and other receivables	**392**	61	**392**	61
Non-current financial liabilities:				
Deposit received	**–**	114,972	**–**	110,152
Due to related parties	**448,443**	448,451	**429,646**	429,654
Bank borrowings	**2,788,129**	2,889,883	**2,833,028**	2,987,040
Guaranteed bonds	**2,307,771**	2,330,206	**2,320,972**	2,296,718
	5,544,343	5,783,512	**5,583,646**	5,823,564

17. EVENTS AFTER THE REPORTING PERIOD

(a) Proposed disposal of a subsidiary and establishment of a limited partnership

On 3 August 2018, China Logistic Infrastructures (Holdings) Limited ("CLI"), a 65% owned subsidiary of the Company, and an independent third party, (together with CLI, the "Parties") entered into a framework agreement (the "Framework Agreement"). Pursuant to the Framework Agreement, the Parties intend to jointly establish an entity outside the PRC to act as a general partner, which will, together with each of the Parties (and/or its affiliate) as limited partners, jointly establish a privately offered fund structured as a limited partnership outside the PRC (the "Fund"). It is intended that the Fund or its subsidiary shall act as the purchaser in the acquisition of equity interests in a number of subsidiaries directly or indirectly owned by CLI and the Company which own certain plots of land in the PRC (together with the buildings and structures thereon, the "Properties"). The consideration is approximately RMB6.70 billion (equivalent to approximately HK$7.70 billion) which is determined based on the value of the Properties as set out in the Framework Agreement. The Framework Agreement is not legally binding.

As at the date of approval of this interim condensed consolidated financial information, the transaction has not been completed and is subject to fulfilment of certain conditions precedent and further negotiation between the Parties. Further details of this transaction are set out in the Company's announcement dated 3 August 2018.

(b) Issuance of US$250,000,000 9.0% guaranteed bonds due 2020

On 16 August 2018, Nimble City Limited ("Nimble City"), a wholly owned subsidiary of the Company, issued 9.0% guaranteed bonds due 2020 (the "2020 Notes") in an aggregate amount of US$250,000,000 to independent third parties. The Company has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Nimble City under the subscription agreement for the issue of 2020 Notes.

(c) Exercise of option shares

On 28 August 2018, a non-controlling shareholder of China Industrial Properties (Holdings) Limited ("CIPHL", a partially-owned subsidiary of the Company) exercised its rights to purchase 688 option shares for cash on the terms and conditions of the option granted from China Industrial Properties (Group) Limited under a subscription agreement. Following issuance of shares, the Group's ownership interest in CIPHL was diluted by 6.88% without a loss of control and hence CIPHL continues to be accounted for as a subsidiary of the Group. For accounting purposes, any gains or loss on the deemed disposal of CIPHL as a result of this transaction will be recorded in capital and other reserves as an equity transaction, however, as the exercise of option shares was effected shortly before the date of approval of this interim financial information, the Group is not yet in a position to disclose the financial impact of the deemed disposal.

18. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period's presentation and disclosure.

19. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 30 August 2018.

DISCLOSEABLE INFORMATION

DIRECTORS' INTERESTS IN CONTRACTS AND CONTRACTS OF SIGNIFICANT

No contracts of significance to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during and at the end of the period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the interests and short position of the directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long position in the ordinary shares of the Company

Name of director	Nature of interest	Number of shares held	Percentage of the Company's issued share capital (%)
Mr. Yu Luning	Beneficial Owner	9,690,000	0.141

Long position in underlying shares of the Company

The interests of the directors and chief executive in the share options of the Company are separately disclosed in the section "Share Option Scheme" below.

Save as disclosed above, as at 30 June 2018, none of the directors or chief executive had registered an interest or a 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), that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

On 18 March 2010, the Company adopted a new share option scheme (the "Scheme") to replace the old share option scheme adopted on 18 June 2002 and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. The purposes of the Scheme are to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders of the Company. The directors of the Company may, at their discretion, invite employees (including executive directors) and non-executive directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

SHARE OPTION SCHEME (Continued)

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's ordinary shares. The exercise price of the share options is subject to adjustment in case of right or bonus issues, or other similar changes in the Company's share capital.

Share options do not counter rights on the holders to dividends or to vote at shareholders' meetings.

The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2018:

	Number of share options							
Name or category of participant	At 1 January 2018	Granted during the period *(Note 2)*	Exercised during the period *(Note 2)*	Cancelled during the period	At 30 June 2018	Date of grant of share options *(Note 1)*	Exercise period of share options	Exercise price of share options HK$ per share *(Note 1)*
Directors:								
Mr. Qian Xu	6,000,000	–	–	–	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	6,000,000	–	–	–	6,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	10,000,000	–	–	–	10,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	9,000,000	–	–	–	9,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	4,000,000	–	–	–	4,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	5,000,000	–	–	–	5,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	40,000,000	–	–	–	40,000,000			

Name or category of participant	Number of share options: At 1 January 2018	Granted during the period *(Note 2)*	Exercised during the period *(Note 2)*	Cancelled during the period	At 30 June 2018	Date of grant of share options *(Note 1)*	Exercise period of share options	Exercise price of share options HK$ per share *(Note 1)*
Directors: (Continued)								
Mr. Li Shuping	1,500,000	–	–	–	1,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,500,000	–	–	–	2,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	4,000,000	–	–	–	4,000,000			
Mr. Zhao Jiansuo	1,500,000	–	–	–	1,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	3,200,000	–	–	–	3,200,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	4,700,000	–	–	–	4,700,000			
Mr. Siu Kin Wai	5,000,000	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	6,000,000	–	–	–	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	5,000,000	–	–	–	5,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	3,000,000	–	–	–	3,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	4,000,000	–	–	–	4,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	28,000,000	–	–	–	28,000,000			
Mr. Dong Qilin	3,000,000	–	–	–	3,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	3,300,000	–	–	–	3,300,000	24-May-13	24-May-13 to 23-May-23	0.574
	3,500,000	–	–	–	3,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	2,000,000	–	–	–	2,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	2,500,000	–	–	–	2,500,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	19,300,000	–	–	–	19,300,000			

Name or category of participant	At 1 January 2018	Granted during the period *(Note 2)*	Exercised during the period *(Note 2)*	Cancelled during the period	At 30 June 2018	Date of grant of share options *(Note 1)*	Exercise period of share options	Exercise price of share options HK$ per share *(Note 1)*
	Number of share options							
Directors: (Continued)								
Mr. Li Changfeng	2,500,000	–	–	–	2,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	3,300,000	–	–	–	3,300,000	24-May-13	24-May-13 to 23-May-23	0.574
	3,500,000	–	–	–	3,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	2,000,000	–	–	–	2,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	2,500,000	–	–	–	2,500,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	18,800,000	–	–	–	18,800,000			
Mr. Cheng Ching Fu	1,000,000	–	–	–	1,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	3,000,000	–	–	–	3,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	2,500,000	–	–	–	2,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	2,000,000	–	–	–	2,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	11,500,000	–	–	–	11,500,000			
Mr. Yu Luning	5,000,000	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	4,000,000	–	–	–	4,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	4,000,000	–	–	–	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	3,000,000	–	–	–	3,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	22,000,000	–	–	–	22,000,000			

Name or category of participant	At 1 January 2018	Granted during the period *(Note 2)*	Exercised during the period *(Note 2)*	Cancelled during the period	At 30 June 2018	Date of grant of share options *(Note 1)*	Exercise period of share options	Exercise price of share options HK$ per share *(Note 1)*
	Number of share options							
Directors: (Continued)								
Mr. Ang Renyi	4,000,000	–	–	–	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	3,000,000	–	–	–	3,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	8,000,000	–	–	–	8,000,000			
Mr. Goh Gen Cheung	2,000,000	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	1,837,700	–	–	–	1,837,700	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	8,337,700	–	–	–	8,337,700			
Mr. Zhu Wuxiang	2,000,000	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	6,500,000	–	–	–	6,500,000			
Mr. James Chan	2,000,000	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	6,500,000	–	–	–	6,500,000			
Mr. Song Lishui	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720

Name or category of participant	Number of share options: At 1 January 2018	Granted during the period *(Note 2)*	Exercised during the period *(Note 2)*	Cancelled during the period	At 30 June 2018	Date of grant of share options *(Note 1)*	Exercise period of share options	Exercise price of share options HK$ per share *(Note 1)*
Directors: (Continued)								
Other employees and consultants in aggregate:	140,500,000	–	–	–	140,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	243,375,400	–	–	–	243,375,400	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	117,400,000	–	–	–	117,400,000	24-May-13	24-May-13 to 23-May-23	0.574
	147,200,000	–	–	–	147,200,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	24,000,000	–	–	–	24,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	55,000,000	–	–	–	55,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	727,475,400	–	–	–	727,475,400			
	906,113,100	–	–	–	906,113,100			

Notes:

1. The share options have no vesting period and the exercise price is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

2. Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraphs "Directors' and Chief Executive's Interests in Shares and Underlying Shares" and "Share Option Scheme", at no time during the six months ended 30 June 2018 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children under the age of 18, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 30 June 2018, the following interests and short positions of 5% or more of the issued share capital and warrants of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares and underlying shares of the Company:

		Number of shares held, capacity and nature of interest		Number of underlying shares held, capacity and nature of interest			
Name	*Notes*	**Directly beneficially owned**	**Through a controlled corporation**	**Directly beneficially owned**	**Through a controlled corporation**	**Total**	**Approximate percentage of the Company's issued share capital**
Brilliant Bright Holdings Limited	*(a)*	1,557,792,500	–	–	–	1,557,792,500	22.73%
Beijing Enterprises Real Estate (HK) Limited	*(b)*	2,463,658,407	1,557,792,500	–	–	4,021,450,907	58.69%
北京北控置業集團有限公司 (Beijing Enterprises Real-Estate Group Limited)	*(c)*	–	4,021,450,907	–	–	4,021,450,907	58.69%
Illumination Holdings Limited	*(d)*	87,451,458	–	–	–	87,451,458	1.28%
Beijing Holdings Limited	*(e)*	487,166,195	87,451,458	–	–	574,617,653	8.39%
Beijing Enterprises Group Company Limited	*(f)*	–	4,596,068,560	–	–	4,596,068,560	67.07%
Thular Limited	*(g)*	354,400,000	–	–	–	354,400,000	5.17%
Kerry Holdings Limited	*(g)*	–	354,400,000	–	–	354,400,000	5.17%
Kerry Group Limited	*(g)*	–	354,400,000	–	–	354,400,000	5.17%

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

Notes:

(a) Brilliant Bright Holding Limited ("Brilliant Bright") holds 1,557,792,500 shares.

(b) Beijing Enterprises Real Estate (HK) Limited ("BEREHK") (i) holds 2,463,658,407 shares; and (ii) is deemed to be interested in the 1,557,792,500 shares held by Brilliant Bright by virtue of its controlling interests in its wholly owned subsidiary, Brilliant Bright.

(c) BEREHK is a wholly-owned subsidiary of Beijing Enterprises Real-Estate Group Limited ("BE Real Estate"). BE Real Estate is deemed to be interested in the shares which BEREHK is interested in.

(d) Illumination Holdings Limited ("Illumination") holds 87,451,458 shares.

(e) Beijing Holdings Limited ("BHL") (i) holds 487,166,195 shares; and (ii) is deemed to be interested in the 87,451,458 shares held by Illumination by virtue of its controlling interests in its wholly-owned subsidiary, Illumination. BHL is deemed to be interested in the shares which Illumination is interested in.

(f) BE Real Estate and BHL are wholly-owned subsidiaries of Beijing Enterprises Group Company Limited ("BE Group"). BE Group is deemed to be interested in the shares which BE Real Estate and BHL are interested in.

(g) Thular Limited ("Thular") (formerly known as Timekey Limited) is the beneficial owner of 354,400,000 shares. As Thular is wholly owned by Kerry Holdings Limited ("KHL") which is in turn wholly owned by Kerry Group Limited ("KGL"), KHL and KGL are also deemed to be interested in the shares held by Thular.

Save as disclosed above, as at 30 June 2018, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DISCLOSEABLE INFORMATION

CHANGES IN INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes in information of directors since the date of the Annual Report 2017 of the Company up to the date of this report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Qian Xu has been appointed as the chairman of investment and risk management committee with effect from 3 September 2018.

Mr. Hu Yebi and Mr. Sin Kin Wai has been appointed as the vice-chairman of investment and risk management committee with effect from 3 September 2018.

Mr. Dong Qilin, Mr. Li Changfeng and Mr. Cheng Ching Fu has been appointed as the member of investment and risk management committee with effect from 3 September 2018.

Mr. Yu Luning, Mr. Zhu Wuxiang and Mr. Ang Rengyi has resigned as the member of investment and risk management committee with effect from 3 September 2018.

Directors' updated biographies are available on the Company's website.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSEABLE INFORMATION

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the date of this report, details of the agreements (the "Agreement(s)") with covenants relating to specific performance by the controlling shareholder which constitute disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount	Tenor	Final maturity	Specific performance obligations
12 November 2015	Subscription agreement for issuance of bonds	USD300 million	3 years	November 2018	*Note 1*
2 March 2017	Subscription agreement for issuance of bonds	USD300 million	3 years	March 2020	*Note 1*
11 December 2017	Term loan facility with a bank	USD200 million	3 years	December 2020	*Note 1*
7 June 2018	Uncommitted revolving short term loan	HKD200 million	maximum of each drawing up to three months	–	*Note 1*
10 August 2018	Subscription agreement for issuance of bonds	USD250 million	2 years	August 2020	*Note 1*

Notes:

1. The Company undertakes to the bank(s) that the borrower (which is a subsidiary of the Company) will procure BE Group to continue to beneficially own (directly or indirectly) at least 40% of the entire issued share capital of the Company. If the borrower fails to perform or comply with this, the bank is entitled to require, by written notice to the Company, to cure such default within the time specified by the banks. If the Company does not remedy such failure to the bank's satisfaction, the bank is entitled to (a) declare the loan, accrued interest and all other sums payable under the Agreement(s) immediately due and payable; and (b) declare the loan facility terminated whereupon the obligation of the bank to make any advance under the loan facility shall immediately cease.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE "CG CODE")

In the opinion of the Directors, the Company has complied with the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2018, except as disclosed herein below.

Under code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings to develop a balanced understanding of the views of shareholders. During the six months ended 30 June 2018, not all independent non-executive directors attended general meetings of the Company due to other business engagements, which deviates from code provision A.6.7.

Under code provision E.1.2, the chairman of the Board should attend the Annual General Meeting and invite the chairmen of the Audit, Remuneration, Nomination and any other committees (as appropriate) to attend. However, in the annual general meeting held on 15 June 2018 (the "2018 AGM"), our chairman was unable to attend the meeting due to his other business commitments. He appointed Mr. Siu Kin Wai, the executive director of the Company, to chair the meeting on his behalf and the chairmen of the audit, remuneration and nomination committees also attended the 2018 AGM.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct in respect of securities transactions of the Directors. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Director's securities transaction during the six months ended 30 June 2018.

INVESTMENT AND RISK MANAGEMENT COMMITTEE

The Investment and Risk Management Committee of the Company was established on 4 May 2011, which is mainly responsible for: (i) assessing and recommending to the Board all possible investment proposals prepared by the senior management; (ii) analysing the possible adverse effect of global economic environment and recommending measures and solutions to the Board; and (iii) assessing the operating risks of the Company and our subsidiaries and recommending solutions to the Board.

During the six months ended 30 June 2018, the members of the Investment and Risk Management Committee are Mr. Hu Yebi (Chairman), Mr. Qian Xu, Mr. Siu Kin Wai, Mr. Yu Luning, Mr. Zhu Wuxiang and Mr. Ang Renyi. All members except Mr. Zhu Wuxiang are executive directors of the Company as the committee will mostly involve in operational matters of the Group. Mr. Zhu Wuxiang is the representative of independent non-executive directors to join the committee to provide independent and professional opinion.

On 3 September 2018, Mr. Yu Luning, Mr. Zhu Wuxiang and Mr. Ang Renyi has resigned the member of the Investment and Risk Management Committee; and Mr. Dong Qilin, Mr. Li Changfeng and Mr. Cheng Ching Fu has been appointed as the member of the Investment and Risk Management Committee. The members of the Investment and Risk Management Committee are Mr. Qian Xu (Chairman), Mr. Hu Yebi (Vice chairman), Mr. Siu Kin Wai (Vice chairman), Mr. Dong Qilin, Mr. Li Changfeng and Mr. Cheng Ching Fu.

AUDIT COMMITTEE

The Audit Committee of the Company was established in accordance with the requirements of the CG Code as set out in Appendix 14 of the Listing Rules. It comprises five independent non-executive directors of the Company to review on matters regarding internal controls and financial reporting of the Group, including review of the unaudited interim results for the six months ended 30 June 2018 and considers that appropriate accounting policies have been adopted in the preparation of the relevant results and sufficient disclosures have been made.

During the six months ended 30 June 2018, the Audit Committee members are all independent non-executive directors. Members of the Audit Committee are Mr. Goh Gen Cheung (Chairman), Mr. Zhu Wuxiang, Mr. James Chan, Mr. Song Lishui and Mr. Xie Ming.

REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005, which is responsible for formulating and making recommendation to the Board on the Group's policy and structure for all the remunerations of the directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

During the six months ended 30 June 2018, the majority of the Remuneration Committee members are independent non-executive directors. Members of the Remuneration Committee are Mr. Goh Gen Cheung (Chairman), Mr. James Chan, Mr. Yu Luning, Mr. Song Lishui and Mr. Xie Ming.

NOMINATION COMMITTEE

The Nomination Committee was established in 2005, which is responsible for nominating and affirming candidates approved by the Board, reviewing the structure and composition of the Board on a regular basis, ensuring the competitive position of the organisation, evaluating the leadership abilities of executive and non-executive directors and ensuring fair and transparent procedures for the appointment of directors to the Board.

During the six months ended 30 June 2018, the majority of the Nomination Committee members are independent non- executive directors. Members of the Nomination Committee are Mr. James Chan (Chairman), Mr. Goh Gen Cheung, Mr. Qian Xu, Mr. Yu Luning, Mr. Song Lishui and Mr. Xie Ming.