

DoThink 德信地产

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德信中国控股有限公司

Dexin China Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2019



2019
Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Yiping (*Chairman*)
Mr. Fei Zhongmin
Ms. Feng Xia

Non-executive Director

Mr. Hu Shihao

Independent Non-executive Directors

Dr. Wong Wing Kuen Albert
Mr. Ding Jiangang
Mr. Chen Hengliu

AUDIT COMMITTEE

Dr. Wong Wing Kuen Albert (*Chairman*)
Mr. Ding Jiangang
Mr. Hu Shihao

REMUNERATION COMMITTEE

Mr. Ding Jiangang (*Chairman*)
Mr. Chen Hengliu
Mr. Fei Zhongmin

NOMINATION COMMITTEE

Mr. Hu Yiping (*Chairman*)
Mr. Ding Jiangang
Mr. Chen Hengliu

AUTHORIZED REPRESENTATIVES

Ms. Feng Xia
Ms. Chau Hing Ling

COMPANY SECRETARY

Ms. Chau Hing Ling

REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKS

Industrial And Commercial Bank of China,
Hangzhou Economic and
Technical Development Zone Branch
Bank of China, Hangzhou Gaoxin Branch
Bank of Communications,
Hangzhou Wenhui Branch
China CITIC Bank International,
Hangzhou Qiantang Branch

LEGAL ADVISERS

As to Hong Kong law:

Paul Hastings

As to Cayman Islands law:

Harney Westwood & Riegels

AUDITOR

PricewaterhouseCoopers

LISTING INFORMATION

Share Listing

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 2019) on February 26, 2019

COMPANY'S WEBSITE

<http://www.dothinkgroup.com>

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW

In the first half of 2019, the overall economy of the PRC has maintained a good momentum of overall stability and progress against the downward pressure and the backdrop of the complicated and evolving international economic and political scene, including the China-U.S. trade war. According to the statistics from the National Bureau of Statistics of the PRC, the gross domestic product growth rate for the six months ended June 30, 2019 is 6.3%. In general, the PRC real estate market maintained stable growth in sales price and volume, notwithstanding a slight decrease in the sales area of commodity properties for the six months ended June 30, 2019 compared with the same period in 2018.

The real estate policies in PRC were further tightened to stabilize land and housing prices. Adhering to the principle of “homes are for living instead of speculation”, local governments have taken the primary responsibilities to implement “city-specific regulation policies” for different property categories based on the conditions of their respective cities. In the capital market, together with the promotion of the de-leveraging policies, the government further strengthened the supervision on violations in financing, such as capital inflows through shadow banks and loan misappropriation. Corporate financing became more difficult with those tightened finance policies. In the land market, land auction volume declined compared for the six months ended June 30, 2019 with the same period in 2018.

Facing the ever-changing market environment and the increasingly fierce competition in the industry, the Group adheres to the distinctive, sustainable and quality development strategy of “One Body Two Wings” (一體兩翼), with residential properties as the body and commercial properties and industrial city as wings, thus constantly improving operational efficiency, business structure and continuously enhancing the core competitiveness of the Company. In 2019, while continuing to consolidate our leading position in the Yangtze River Delta Region, the Group has entered the Guangdong-Hong Kong-Macao Greater Bay Area and the Chengyu City Group, and has successfully obtained quality projects in Guangzhou and Chengdu.

With the support of the shareholders and the relentless efforts of employees, the Group witnessed a significant synergistic effect between different businesses and brand effect of the Company as a whole and gained wide recognition in the industry and from clients, while achieving good operation results.

BUSINESS REVIEW

The Group derives its revenue primarily from sales of properties and, to a lesser extent, property construction and project management services, lease of commercial properties and hotel operations. For the six months ended June 30, 2019, the Group recorded a total revenue of approximately RMB3,517.7 million, representing a period-on-period increase of approximately 42.4%.

MANAGEMENT DISCUSSION AND ANALYSIS

Contracted sales

For the six months ended June 30, 2019, including those of joint ventures and associates, the Group recorded unaudited contracted sales of approximately RMB21,817 million, representing a period-on-period increase of 10.8%, and contracted gross floor area (“GFA”) sold of approximately 1,249,000 sq.m., representing a period-on-period increase of 3.6%. The average selling price (“ASP”) of our contracted sales for the six months ended June 30, 2019 was approximately RMB17,462.3 per sq.m., representing a period-on-period increase of approximately 7.0%.

Sales of properties

For the six months ended June 30, 2019, the revenue from sales of properties increased by approximately 41.9% period-on-period to approximately RMB3,473.1 million, accounting for approximately 98.7% of the total revenue of the Group. For the six months ended June 30, 2019, the Group recognised total GFA of approximately 236,320 sq.m., representing an increase of approximately 80.2% as compared to the corresponding period in 2018. The ASP of the properties recognised as property sales was approximately RMB14,696.5 per sq.m., representing a decrease of approximately 21.3% period-on-period. The decrease of ASP was mainly due to the significant increase in the recognised GFA of Lishui and Quzhou with lower ASP.

Based in Zhejiang Province, the Group continued to expand into the Yangtze River Delta Region and key hub cities of China during the period.

The following table sets out the recognised sales and GFA sold of each city for the six months ended June 30, 2019:

City	Recognised GFA sq.m.	Recognised ASP RMB/sq.m.	Recognised revenue RMB'000 (unaudited)
Lishui	101,783	17,758.8	1,807,544
Quzhou	71,128	11,448.1	814,278
Hangzhou	57,236	13,397.6	766,825
Xuzhou	4,617	5,861.2	27,061
Huzhou	1,253	21,494.8	26,933
Wenzhou	303	100,412.5	30,425
Total	236,320	14,696.5	3,473,066

Note: Recognised revenue in the above table includes the revenue from residences, commercial spaces, car parks and storage spaces, and recognised GFA does not include the GFA of car parks and storage spaces.

MANAGEMENT DISCUSSION AND ANALYSIS

Property construction and project management services

For the six months ended June 30, 2019, the revenue from property construction and project management services increased by approximately 21.1% period-on-period to approximately RMB13.1 million, accounting for approximately 0.4% of the total revenue of the Group. The increase was primarily attributable to a property management project in Ruian city, which has been completed as of June 30, 2019.

Lease of commercial properties

For the six months ended June 30, 2019, the revenue from rental income increased by approximately 390.0% period-on-period to approximately RMB26.6 million, accounting for approximately 0.8% of the total revenue of the Group. The increase was primarily attributable to an increase in occupancy rate of our investment properties such as Artificial Intelligence Industrial Park (AI產業園) in Hangzhou during the period.

Hotel operations

For the six months ended June 30, 2019, the revenue from hotel operations decreased by approximately 22.7% period-on-period to approximately RMB5.0 million, accounting for approximately 0.1% of the total revenue of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment properties

The following table sets out a summary of the Group's investment properties as at June 30, 2019:

City	Project	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income for the six months ended June 30,	
				2019 (RMB'000)	2018 (RMB'000)
Hangzhou					
1	Artificial Intelligence Industrial Park (AI產業園)	75,712	49,820	19,428	161
2	Elegant Mansion (九溪雲莊) (Note 1)	33,210	–	–	–
3	Sky City Phase I (天空之翼一期) (Note 1)	41,422	–	–	–
4	Hangzhou ONE (杭州ONE) (Note 1)	17,617	–	–	–
Huzhou					
5	Delan Square (德藍廣場)	13,082	11,640	2,962	2,566
Xuzhou					
6	Sky Scraper A (九龍城A地塊)	21,417	13,398	1,143	565
7	Sky Scraper B (九龍城B地塊)	52,006	6,961	–	–
Taizhou					
8	Shenxian Garden(神仙居文化主題樂園) (Note 2)	51,663	2,734	–	–
Shanghai					
9	Shanghai Songjiang Project (上海松江項目)	58,176	5,744	2,047	–
		364,305	90,297	25,580	3,292
Other rental income				1,003	2,133
Total				26,583	5,425

Note 1: As at June 30, 2019, the property was under development.

Note 2: As at June 30, 2019, part of the property was under development.

The Group will further improve the efficiency in operation of our investment properties to ensure stable rental income growth, and to strengthen earnings sustainability.

MANAGEMENT DISCUSSION AND ANALYSIS

Land reserves

Leveraging on the Group's deep understanding of the property markets in the Yangtze River Delta Region and intensive studies on its target cities, the Group continued to strategically select and acquire parcels of land at strategic and advantageous locations in those regions and cities in order to further develop the Group's presence in those markets. As of June 30, 2019, the Group (together with its joint ventures and associates) had 122 projects with land reserves amounting to 12,253,939 sq.m., of which 116 projects are located in 16 cities in the Yangtze River Delta Region. Moreover, the Group has entered Guangdong-Hong Kong-Macao Greater Bay Area and the Chengyu City Group, and has successfully obtained quality projects in Guangzhou and Chengdu through our subsidiaries and associated companies as of June 30, 2019.

The following table sets out the GFA of the Group's land reserves (together with its joint ventures and associates) by geographical locations as of June 30, 2019:

City	Total land reserves GFA (sq.m.)	Percentage of total land bank (%)
Hangzhou	3,631,811	29.7%
Wenzhou	1,989,545	16.2%
Huzhou	1,301,938	10.6%
Jiujiang	946,275	7.7%
Jinhua	678,226	5.5%
Ningbo	610,489	5.0%
Zhoushan	549,187	4.5%
Chengdu	459,670	3.8%
Xuzhou	442,929	3.6%
Taizhou	405,796	3.3%
Quzhou	285,385	2.3%
Shangrao	283,103	2.3%
Guangzhou	147,338	1.2%
Nanjing	129,086	1.1%
Kunshan	114,693	1.0%
Changzhou	78,020	0.6%
Wuhan	75,185	0.6%
Wuxi	64,546	0.5%
Shanghai	58,176	0.5%
Lishui	2,541	0.0%
Total	12,253,939	100%

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended June 30, 2019, the Group (together with its joint ventures and associates) acquired 19 new parcels of quality land primarily in Hangzhou, Wenzhou, Huzhou, Ningbo, Nanjing, Shanghai, Wuxi, Kunshan, Chengdu and Guangzhou, providing a total saleable GFA of new land reserves of 2,245,815 sq.m., at an average land cost of approximately RMB6,957.0 per sq.m..

Particulars of the land parcels are set out in the following table:

Name of Project	City	The Group's Equity Interest	Total		Attributable	Land Cost (RMB/sq.m.)
			GFA (sq.m.)	Consideration (RMB'000)	Consideration (RMB'000)	
Canal Mansion (運河雲莊)	Hangzhou	36.3%	109,304	2,221,870	815,204	20,327.4
Hangzhou Konggang Project (杭州空港項目)	Hangzhou	49.0%	411,860	710,538	348,164	1,725.2
Daicun Project (戴村項目)	Hangzhou	94.7%	154,899	1,241,940	1,176,614	8,017.7
Xiasha University North Project (下沙大學城北項目)	Hangzhou	20.0%	131,513	1,233,910	246,782	9,382.4
Peng Bu unit B/R/S41/S42-36 Land Parcel (彭埠單元B/R/S41/S42-36地塊)	Hangzhou	34.0%	93,120	1,594,960	542,286	17,128.0
Ruian Mansion (鉞瑞府)	Wenzhou	50.3%	33,920	182,896	91,979	5,392.0
Center Mansion (萬松府)	Wenzhou	57.1%	36,231	349,875	199,884	9,656.8
The Riverside (博悅灣)	Wenzhou	31.6%	128,263	1,378,000	435,754	10,743.6
Wenzhou Yongjia Yubei City New District Puyi Village Project (溫州永嘉甌北城市新區浦一村項目)	Wenzhou	46.1%	28,523	207,120	95,462	7,261.6
Wenzhou S1 Line Longxia Station 12b Land Parcel (溫州市域S1線龍霞站12b地塊)	Wenzhou	51.0%	38,162	498,870	254,424	13,072.5
Deqing Moganshan 049 Land Parcel (德清莫干山049地塊)	Huzhou	100.0%	21,490	31,250	31,250	1,454.2
Dongqian Lake Land Parcel (東錢湖地塊)	Ningbo	32.0%	173,290	1,611,225	515,109	9,297.8
Jiangning District Gu Li Street 2019G11 Land Parcel (江寧區谷里街道2019G11地塊)	Nanjing	51.0%	40,817	420,000	214,200	10,289.9
Wuxi Huishan District Tianyi Science and Technology Park Land Parcel (無錫惠山區天一科技園地塊)	Wuxi	36.3%	64,546	741,300	269,314	11,484.8
Kunshan Qiandeng Town Hankun Road South Land Parcel (昆山市千燈鎮漢昆路南側地塊)	Kunshan	25.5%	114,693	644,980	164,470	5,623.6
Shanghai Songjiang Project (上海松江項目)	Shanghai	70.0%	58,176	226,805	158,763	3,898.6
Renshou County 2019 (TR) – 34 Land Parcel (仁壽縣2019(TR)-34號地塊)	Chengdu	41.4%	79,373	389,000	161,023	4,900.9
Renshou County 2019 (TR) – 16,19,20 Land Parcel (仁壽縣2019(TR)-16、19、20地塊)	Chengdu	30.0%	380,297	713,500	214,050	1,876.2
Guangzhou Zengcheng Shaying Land Parcel (廣州增城沙滘地塊)	Guangzhou	20.0%	147,338	1,226,000	245,200	8,321.0
Total			2,245,815	15,624,039	6,179,932	6,957.0

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall performance

During the six months ended June 30, 2019, total revenue of the Group was approximately RMB3,517.7 million, representing a period-on-period increase of approximately 42.4%. Gross profit was approximately RMB1,215.9 million, representing a period-on-period increase of approximately 47.5%. Gross profit margin was approximately 34.6%, representing a period-on-period increase of approximately 1.2 percentage points. Net profit of the Group increased by 177.4% period-on-period to approximately RMB1,283.4 million for the six months ended June 30, 2019. Profit attributable to owners of the Company increased by approximately 130.0% period-on-period to approximately RMB995.8 million for the six months ended June 30, 2019.

Revenue

For the six months ended June 30, 2019, the Group recorded a total revenue of approximately RMB3,517.7 million, representing a period-on-period increase of approximately 42.4%. The increase was primarily attributable to the significant growth in recognised sales of properties, driven by an increase in the Group's property projects delivered during the period. Specifically, revenue from the sales of properties was approximately RMB3,473.1 million, representing a period-on-period increase of approximately 41.9%, accounting for approximately 98.7% of the total revenue of the Group; revenue from property construction and project management services was approximately RMB13.1 million, representing a period-on-period increase of approximately 21.1%, accounting for approximately 0.4% of the total revenue of the Group; rental income from the lease of commercial properties was approximately RMB26.6 million, representing a period-on-period increase of approximately 390.0%, accounting for approximately 0.8% of the total revenue of the Group; and revenue from hotel operations was approximately RMB5.0 million, representing a period-on-period decrease of approximately 22.7%, accounting for approximately 0.1% of the total revenue of the Group.

Cost of sales

The cost of sales of the Group primarily consists of the costs incurred directly in relation to the property development and sales activities, property construction and project management services, lease of commercial properties and hotel operations.

For the six months ended June 30, 2019, the cost of sales of the Group was approximately RMB2,301.8 million, representing a period-on-period increase of approximately 39.8%.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

For the six months ended June 30, 2019, the gross profit of the Group was approximately RMB1,215.9 million, representing a significant period-on-period increase of approximately 47.5%. The increase was primarily attributable to the significant increase in revenue from sales of properties and the slight increase in overall gross profit margin from approximately 33.4% for the six months ended June 30, 2018 to 34.6% for the six months ended June 30, 2019.

Other income

The Group had other income of approximately RMB35.5 million for the six months ended June 30, 2019, as compared to approximately RMB15.6 million for the six months ended June 30, 2018. The other income mainly derived from the management and consulting services provided to the Group's joint ventures and associates in relation to the property development projects of approximately RMB27.1 million (for the six months ended June 30, 2018: approximately RMB14.1 million).

Other gains – net

The Group recorded net other gains of approximately RMB22.4 million for the six months ended June 30, 2019 (for the six months ended June 30, 2018: approximately RMB37.8 million). The Group's net other gains for the six months ended June 30, 2019 mainly included gains on financial assets at fair value through profit or loss of approximately RMB14.1 million and exchange gains of approximately RMB6.3 million. The Group's net other gains for the six months ended June 30, 2018 mainly represented the gains on disposal of a subsidiary of approximately RMB30.0 million.

Fair value gains on investment properties

The Group develops and holds certain of its commercial properties such as commercial centres, office buildings, shopping malls, serviced apartments and car parks for rental income or capital appreciation, or both. Any increase or decrease in the Group's investment property value is recognised as fair value gains or losses in the Group's consolidated financial statements.

For the six months ended June 30, 2019, the Group recorded fair value gains on investment properties of approximately RMB57.5 million (for the six months ended June 30, 2018: approximately RMB126.1 million), which was primarily attributable to the continuing expansion of its investment property portfolio such as Shanghai Songjiang Project (上海松江項目).

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and marketing expenses

The Group's selling and marketing expenses increased by approximately 60.9% period-on-period from approximately RMB89.7 million for the six months ended June 30, 2018 to approximately RMB144.3 million for the six months ended June 30, 2019. The increase was primarily attributable to the increase in marketing and advertising costs and staff costs, driven by the rapid growth in the Group's contracted sales and the number of sales staff during the period.

Administrative expenses

The Group's administrative expenses increased by approximately 63.2% period-on-period from approximately RMB162.1 million for the six months ended June 30, 2018 to approximately RMB264.5 million for the six months ended June 30, 2019. The increase was primarily attributable to (i) the increase in employee benefit expenses, driven by the increase in number of new development projects and the rise in staff salaries and benefits; (ii) the increase in office expenses, driven by (a) the Group's effort to penetrate and expand to more cities in its targeted regions and (b) the increased number of projects during the period; and (iii) expenses and professional fees incurred in connection with the Global Offering.

Finance costs – net

Finance costs of the Group increased by approximately 26.6% period-on-period from approximately RMB106.6 million for the six months ended June 30, 2018 to approximately RMB135.0 million for the six months ended June 30, 2019. The increase was primarily attributable to the increase in interest-bearing debts for the purposes of land acquisition and properties development business.

Share of results of joint ventures and associates

The Group accounts for the results of joint ventures and associates using the equity method, which mainly represent the share of profits related to the projects delivered during the relevant period that have been offset by losses incurred by other joint ventures and associates.

Share of profits of joint ventures and associates increased significantly by approximately 722.8% period-on-period from approximately RMB94.6 million for the six months ended June 30, 2018 to approximately RMB778.7 million for the six months ended June 30, 2019. The increase was primarily attributable to the increase in revenue from sales of properties of the joint ventures and associates as five projects were completed and delivered during the period by the joint ventures and associates of the Group (for the six months ended June 30, 2018: three).

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expenses

Income tax expense of the Group slightly increased by approximately 1.9% period-on-period from approximately RMB277.8 million for the six months ended June 30, 2018 to approximately RMB283.0 million for the six months ended June 30, 2019, which remained stable during the period.

Profit and total comprehensive income for the period

As a result of the foregoing reasons, the Group's profit and total comprehensive income significantly increased by approximately 177.4% from approximately RMB462.7 million for the six months ended June 30, 2018 to approximately RMB1,283.4 million for the six months ended June 30, 2019. The profit attributable to owners of the Company increased by 130.0% from approximately RMB432.9 million for the six months ended June 30, 2018 to approximately RMB995.8 million for the six months ended June 30, 2019.

The basic and diluted earnings per share of the Company is RMB0.40 per share for the six months ended June 30, 2019, representing an increase of 81.8% from RMB0.22 per share for the six months ended June 30, 2018.

Liquidity and financial resources

The Group has always pursued a prudent treasury management policy and actively manages its liquidity position with sufficient standby banking facilities to cope with daily operation and any demands for capital for future development.

During the six months ended June 30, 2019, the Group funded its operations, working capital, capital expenditure and other capital requirements primarily from cash generated from its operations, mainly including proceeds from the pre-sales and sales of properties, receipt of rental income, income generated from investment properties, as well as bank loans and borrowings from other financial institutions.

As of June 30, 2019, the Group had a total cash and cash equivalents (including restricted cash) of approximately RMB7,578.3 million as compared to approximately RMB7,488.2 million as of December 31, 2018. The increase was primarily due to the increase in proceeds from sales of properties. Substantially all of the Group's cash and cash equivalents are denominated in RMB.

During the six months ended June 30, 2019, the aggregate new borrowings from bank and other financial institutions obtained by the Group amounted to approximately RMB4,603.7 million and repayment of borrowings from bank and other financial institutions was approximately RMB4,266.8 million. As of June 30, 2019, the Group's total borrowings from bank and other financial institutions amounted to approximately RMB10,115.5 million, representing an increase of approximately 3.4% compared to approximately RMB9,778.6 million as of December 31, 2018. Amongst the borrowings from bank and other financial institutions, approximately RMB3,315.8 million (as at December 31, 2018: approximately RMB5,354.7 million) will be repayable within one year and approximately RMB6,799.8 million (as at December 31, 2018: approximately RMB4,423.9 million) will be repayable after one year.

MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2019, the Group had total facilities from bank and other financial institutions of approximately RMB12,623.7 million and unused facilities from bank and other financial institutions of approximately RMB2,508.2 million.

Key financial ratios

As of June 30, 2019, the Group's net gearing ratio (calculated as the total interest-bearing debts net of restricted cash, cash and cash equivalents divided by total equity) was 66.4%, a decrease of 1.2 percentage points as compared with 67.6% as of December 31, 2018. The decrease was primarily attributable to (i) the increase in cash and cash equivalents balance as of June 30, 2019 and (ii) the increase in total equity attributable to the completion of the Global Offering and the accumulation of the Group's profits, which resulted in an optimised capital structure.

The Group's current ratio was calculated based on its total current assets divided by its total current liabilities as of the respective dates. The Group's current ratio had increased from approximately 1.18 times as of December 31, 2018 to approximately 1.27 times as of June 30, 2019. The improvement of current ratio was mainly due to the decrease in the proportion of short-term borrowings over total borrowings from bank and other financial institutions from approximately 54.8% as at December 31, 2018 to approximately 32.8% as at June 30, 2019.

Foreign exchange risk

Substantially all of the Group's revenues and expenditures are denominated in RMB. As of June 30, 2019, the Group has not entered into any hedging transactions. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's interest rate risk arises from its long-term borrowings. As all of the Group's borrowings are denominated in RMB, the interest rates on the Group's borrowings are primarily affected by the benchmark interest rates set by the People's Bank of China, which have fluctuated significantly in recent years. The Group manages its interest rate risk by closely monitoring the trend of interest rate fluctuation and its impact on the Group's interest rate risk exposure, as well as regulating the debt portfolio of the Group.

Pledge of assets

As of June 30, 2019, certain of the Group's borrowings from bank and other financial institutions were secured by its properties held for sale, properties under development, land use rights and investment properties, with carrying value of approximately RMB18,230.5 million as at June 30, 2019 (December 31, 2018: RMB17,277.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Commitments

As of June 30, 2019, the Group had commitments that are contracted but not provided as follows:

	June 30, 2019 (RMB'000) (unaudited)	December 31, 2018 (RMB'000) (audited)
Property development activities	8,532,099	5,664,496
Property, plant and equipment	20,558	8,622
Investments in joint ventures and associates	191,149	60,284
Investment properties	384,670	163,225
Total	9,128,476	5,896,627

Financial guarantees and contingent liabilities

As of June 30, 2019, the Group's total financial guarantees are as follows:

	June 30, 2019 (RMB'000) (unaudited)	December 31, 2018 (RMB'000) (audited)
Guarantee in respect of mortgage facilities for certain purchasers	11,344,764	9,830,260
Guarantee provided for the borrowings of joint ventures and associates	1,925,897	1,587,410
Guarantee provided for the borrowings of third parties	299,200	459,210
Total	13,569,861	11,876,880

The Group has arranged bank mortgage financing for certain purchasers of the Group's property units and provided guarantees to the relevant banks to secure repayment obligations of such purchasers. As of June 30, 2019, the maximum amount of guarantees provided by the Group to the relevant banks for the mortgage arrangements of the Group's purchasers amounted to approximately RMB11,344.8 million (December 31, 2018: approximately RMB9,830.3 million). These include guarantees which will be terminated upon the earlier of the following two dates: (i) the date when the property ownership rights are transferred to the purchasers, and the related building ownership certificates to which banks are beneficiaries are registered, or (ii) the date when mortgage loans are settled between the mortgagee bank and the purchaser, under the circumstance that the purchaser pays off the purchase price in advance.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the terms of these guarantees, if any of the Group's property purchasers default in their repayment obligations to the banks, the Group is responsible for repaying the outstanding mortgage principal together with accrued interest and penalty owed by the defaulting purchasers to the banks and thereupon the Group is entitled to take over the legal title and possession of the relevant property units. The Group's guarantee period starts from the dates of grant of the mortgage facilities to its purchasers by the relevant banks.

The Group provided guarantee for borrowings of its joint ventures and associates, which amounted to approximately RMB1,925.9 million as of June 30, 2019 (December 31, 2018: approximately RMB1,587.4 million). The relevant borrowings were primarily from banks to finance property development projects of these joint ventures and associates, whereby the land use rights of the joint ventures and associates were pledged to the banks and the Group's guarantee was provided in addition to the pledges. As the fair value of the relevant land use rights pledged by the relevant joint ventures and associates are generally higher than the borrowing amounts, the Group's credit risk exposure associated with such guarantee is contained.

The Group provided guarantee for borrowings of third parties, which amounted to approximately RMB299.2 million as of June 30, 2019 (December 31, 2018: approximately RMB459.2 million). The amounts represented the maximum exposure of the guarantees provided for the borrowings of the independent third parties as of the respective balance sheet dates.

As of June 30, 2019, the Group had no other material contingent liabilities.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

For the six months ended June 30, 2019, the Group had entered into the following material acquisitions and disposals:

On March 20, 2019, Hangzhou Dechuang Corporate Management Co., Ltd. ("**Hangzhou Dechuang**") (an indirect non-wholly owned subsidiary of the Company) entered into an investment development cooperation agreement with Hangzhou Land Investment Holding Group Co., Ltd., Zhejiang Zhongnan Wenlv Group Co., Ltd. and Hangzhou Zhongnan Kaiyuan Property Management Co., Ltd. (the "**Vendors**"), pursuant to which Hangzhou Dechuang acquired from the Vendors 70% of the equity interest in Hangzhou Konggang Real Estate Co., Ltd., which owns the land use rights of the Konggang West Commercial District Land Lot No. 1 located in the Hangzhou Airport Economic Zone in Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

On April 11, 2019, Ningbo Xinhan Real Estate Data Consultation Co., Ltd. (“**Ningbo Xinhan**”) (an indirect non-wholly owned subsidiary of the Company) entered into a cooperation agreement with Ningbo Jinxiang Real Estate Development Co., Ltd., pursuant to which Ningbo Xinhan acquired 50% of the equity interest in Ningboshi Yinzhou Jinliang Corporate Management Consultation Co., Ltd. (the “**Target Company**”). The Target Company holds 100% equity interest in Ningbo Jinqian Real Estate Development Co., Ltd., which owns the land use right of a piece of land located in Yinzhou District, Ningbo City, Zhejiang Province, the PRC.

Save as aforesaid, there was no other material acquisition and disposal of subsidiaries, associates or joint ventures by the Group during the reporting period.

Future plans for material investments

The Group will continue to invest in its property development projects and acquire suitable land parcels, if it thinks fit. These investments will be funded by internal resources and external borrowings. Save as disclosed above, the Group did not have any future plans for material investments as of the date of this report.

Significant subsequent events

Credit rating

Our international credit rating agencies endorsed the efforts of the Company in sales execution, satisfactory cash collection record and disciplined land acquisition. Subsequent to the end of the reporting period, Standard & Poor’s and Moody’s assigned the Company’s issuer credit rating at “B” (with “Stable” outlook) and “B2” (with “Stable” outlook) respectively.

Senior notes

Subsequent to the end of the reporting period, the Company issued senior secured notes in August 2019 with a principal amount of US\$200,000,000 due in 2021 (the “**2021 Senior Notes**”) which were listed on the Stock Exchange (Stock Code: 5624) on August 7, 2019. The 2021 Senior Notes, bearing interest at a fixed rate of 12.875% per annum with interest payable semi-annually in arrears, will mature in August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Employee and remuneration policy

As of June 30, 2019, the Group had a total of 1,421 employees (December 31, 2018: 1,328 employees). Total expenditure on salary and welfare of the Group's employees for the six months ended June 30, 2019 amounted to approximately RMB132.3 million (for the six months ended June 30, 2018: RMB91.7 million). The Group has adopted a system of determining the remuneration of employees based on the performance of employees. In general, the Group provides competitive remuneration packages to employees, which include basic salaries, performance-based rewards and year-end bonus. The Group also pays social security insurance for the Group's employees, including medical insurance, work-related injury insurance, endowment insurance, maternity insurance, unemployment insurance and housing funds. In addition, the Group has formulated a project co-investment scheme and have adopted a share option scheme on January 11, 2019 to fully enhance the enthusiasm of the Group's employees. In terms of employee training, the Group provides consistent and systematic training to employees based on their positions and expertise, in order to enhance their expertise in real estate and their related fields.

Future outlook

Looking forward to the second half of 2019, the PRC economic development will continue to maintain the main tone of steady growth. The government will focus more on city-specific measures regarding market regulation, so as to ensure the steady development of the industry as a whole, while different regional markets may further differ in performance.

Faced with new challenges, the Group will pay close attention to the changes in market environment, deepening the implementation of the strategic network layout of "deeply rooted in Zhejiang Province with a presence in the Yangtze River Delta Region and the key hub cities of China" ("深耕浙江省、佈局長三角和全國主要樞紐中心城市") as well as accelerating the implementation of the "One Body Two Wings" ("一體兩翼") business development strategy. The Group will adapt to changing situations and control risks with prudent judgment while actively taking opportunities to increase its land reserves in a diversified manner.

The Group will keep on consolidating the brand motto "Your Life Companion" ("你的生活知己") and the quality influence of fine and distinctive Hangzhou workmanship (杭派精工), strengthening the Company's talent and team building and constantly improving the Company's core competitiveness of sustainable development.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the GFA breakdown of the Group's land reserves (together with its joint ventures and associates) by geographical location as of June 30, 2019:

	Completed	Under development	Held for future development	Total land reserves
	Saleable GFA unsold (sq.m.)	Rentable GFA held for investment (sq.m.)	GFA under development (sq.m.)	Total GFA (sq.m.)
Real estate projects developed by our subsidiaries				
Hangzhou	38,087	75,712	1,290,099	1,558,797
Wenzhou	30,280	–	1,085,053	1,218,249
Huzhou	35,108	13,082	674,192	773,621
Taizhou	–	1,722	355,804	405,796
Zhoushan	–	–	322,426	322,426
Quzhou	3,609	–	275,005	278,614
Ningbo	82,138	–	355,061	610,489
Lishui	2,541	–	–	2,541
Xuzhou	40,143	73,423	329,363	442,929
Nanjing	–	–	88,269	129,086
Shangrao	–	–	283,103	283,103
Wuhan	–	–	75,185	75,185
Shanghai	–	58,176	–	58,176
Wuxi	–	–	–	64,546
Chengdu	–	–	–	79,373
Sub-total	231,906	222,115	5,133,560	6,302,931
Projects held by our joint ventures				
Hangzhou	–	–	654,081	654,081
Wenzhou	1,915	–	–	1,915
Zhoushan	–	–	57,462	57,462
Jinhua	–	–	264,805	264,805
Guangzhou	–	–	–	147,338
Sub-total	1,915	–	976,348	1,125,601

MANAGEMENT DISCUSSION AND ANALYSIS

	Completed		Under development	Held for future development	Total land reserves
	Saleable GFA unsold (sq.m.)	Rentable GFA held for investment (sq.m.)	GFA under development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)
Projects held by our associated companies					
Hangzhou	25,659	–	1,190,850	202,424	1,418,933
Wenzhou	13,742	–	755,639	–	769,381
Huzhou	38,787	–	489,530	–	528,317
Zhoushan	–	–	169,299	–	169,299
Quzhou	6,771	–	–	–	6,771
Jinhua	52,369	–	361,052	–	413,421
Changzhou	–	–	78,020	–	78,020
Jiujiang	–	–	946,275	–	946,275
Kunshan	–	–	–	114,693	114,693
Chengdu	–	–	–	380,297	380,297
Sub-total	137,328	–	3,990,665	697,414	4,825,407
Total	371,149	222,115	10,100,573	1,560,102	12,253,939

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a summary of our property projects and project phases developed, including projects and project phases held for future development as of June 30, 2019:

City	Project/Phase	Completed				Under Development				Held for Future Development				
		Site area ¹ (sq.m.)	Total GFA Completed ² (sq.m.)	Saleable/ Leasable GFA ³ (sq.m.)	GFA Unsold ⁴ (sq.m.)	Rentable GFA held for Investment ⁵ (sq.m.)	Total GFA Under Development ⁶ (sq.m.)	Saleable/ Leasable GFA ³ (sq.m.)	Pre-leased GFA ⁴ (sq.m.)	Total Planned GFA ² (sq.m.)	GFA without Land Use Right Certificates (sq.m.)	Actual/ Estimated Construction Commencement Time ⁵	Actual/ Estimated Pre-sale Commencement Time ⁶	Actual/ Estimated Completion Time ⁷
Hangzhou	Zenith Garden (瓊園)	21,817	74,260	73,753	814	-	-	-	-	-	9/2010	9/2011	4/2013	90.00%
Hangzhou	North Sea Park (北港公園)	33,746	147,330	145,301	903	-	-	-	-	-	8/2011	4/2012	1/2015	80.00%
Hangzhou	Morning Mansion (早安)	39,864	118,381	117,517	6,527	-	-	-	-	-	5/2014	9/2014	11/2016	100.00%
Hangzhou	Spring Park (拾林苑)	47,840	205,776	203,568	265	-	-	-	-	-	6/2014	8/2014	4/2017	24.99%
Hangzhou	East Mansion (東方星城)	48,780	173,348	170,532	5,300	-	-	-	-	-	2/2016	4/2016	1/2018	20.00%
Hangzhou	Celebrity Mansion (名流)	51,920	158,564	156,675	10,944	-	-	-	-	-	3/2016	4/2016	6/2018	65.00%
Hangzhou	Hyde Park (海德公園)	63,677	202,715	196,474	6,961	-	-	-	-	-	8/2016	3/2017	10/2018	23.00%
Hangzhou	Junshang Palace (郡上藍園)	39,578	124,437	123,106	2,189	-	-	-	-	-	12/2016	5/2017	10/2018	30.00%
Hangzhou	River Qiantang (錢江源著)	39,212	117,133	106,768	29,843	-	-	-	-	-	2/2017	7/2017	5/2019	55.00%
Hangzhou	Moninorth (悅見山)	77,631	-	-	-	-	231,562	202,851	172,333	-	3/2018	8/2018	11/2020	12.01%
Hangzhou	Majestic Mansion (印江南)	63,742	-	-	-	-	206,332	196,536	49,710	-	4/2018	1/2019	6/2020	23.31%
Hangzhou	Sky City Phase I (天空之翼一期)	74,357	-	-	-	-	245,824	238,297	135,522	-	5/2018	8/2018	9/2020	62.57%
Hangzhou	Elegant Mansion (九溪雲莊)	40,884	-	-	-	-	107,516	93,977	31,183	-	8/2018	10/2018	6/2020	54.21%
Hangzhou	Shixin Palace (市中心府)	25,318	-	-	-	-	94,227	92,753	7,896	-	5/2018	8/2018	9/2020	39.96%
Hangzhou	Dajiang One (大江壹號)	4,349	-	-	-	-	17,200	16,665	-	-	9/2018	7/2019	2/2021	55.47%
Hangzhou	Golden Mansion (世紀金茂)	30,739	-	-	-	-	135,380	127,925	-	-	11/2018	8/2019	10/2020	23.11%
Hangzhou	Bay Cloud (雲信星湖金茂府)	57,802	-	-	-	-	271,774	223,619	-	-	8/2018	12/2019	6/2021	19.90%
Hangzhou	Time Mansion (時代公館)	73,494	-	-	-	-	221,426	218,303	8,639	-	12/2018	4/2019	10/2021	24.15%
Hangzhou	Qiantang Mansion (錢塘雲莊)	36,476	-	-	-	-	109,619	107,510	-	-	5/2019	9/2019	12/2021	67.00%
Hangzhou	Hang (2018) No.20 Jiang Village Land Parcel Unit C-29 (杭201820號農村單元C-29地塊)	13,359	-	-	-	-	34,866	34,753	-	-	1/2019	9/2019	9/2020	10.29%
Hangzhou	New Sixin Palace (新市府)	97,494	-	-	-	-	365,574	360,610	-	-	4/2019	10/2019	12/2021	7.28%
Hangzhou	Hangzhou Wings (領洲之翼)	32,214	-	-	-	-	173,406	167,517	52,600	-	7/2016	1/2018	12/2019	17.15%
Hangzhou	Center Hangzhou (時代之心)	16,680	-	-	-	-	113,608	104,893	47,259	-	8/2017	8/2018	9/2019	24.50%
Hangzhou	Hangzhou ONE (杭州ONE)	16,702	-	-	-	-	82,427	82,058	-	-	2/2018	N/A	1/2021	64.40%
Hangzhou	Hang (2017) No. 95 Penghu Unit B1/B2-17-1 Land Parcel (杭2017095號彭澤單元B1/B2-17-1地塊)	24,398	-	-	-	-	116,562	116,079	-	-	7/2018	9/2019	5/2021	17.15%
Hangzhou	Artificial Intelligence Industrial Park (AI產業園)	26,931	75,712	75,712	-	75,712	-	-	-	-	9/2016	N/A	12/2017	99.90%
Hangzhou	Canal Mansion (運河雲莊)	63,502	-	-	-	-	-	-	109,304	-	7/2019	12/2019	3/2022	36.69%

MANAGEMENT DISCUSSION AND ANALYSIS

City	Project/Phase	Completed										Under Development					Held for Future Development					Actual/ Estimated Completion Time*	The Group's Interest
		Site area ¹ (sq.m.)	Total GFA Completed ² (sq.m.)	Total GFA Leasable GFA ³ (sq.m.)	Saleable/ Leasable GFA ⁴ (sq.m.)	GFA Unsold ⁵ (sq.m.)	Rentable GFA held for Investment ⁶ (sq.m.)	Total GFA Under Development ⁷ (sq.m.)	Saleable/ Leasable GFA ⁸ (sq.m.)	Pre-sold/ Pre-leased GFA ⁹ (sq.m.)	Total Planned GFA ¹⁰ (sq.m.)	GFA without Land Use Right Certificates (sq.m.)	Actual/ Estimated Construction Commencement Time ¹¹	Actual/ Estimated Commencement Time ¹²	Actual/ Estimated Pre-sale Commencement Time ¹³	Actual/ Estimated Completion Time ¹⁴							
Hangzhou	Hangzhou Konggang Project (杭州空港項目)	99,078	-	-	-	-	411,860	408,711	-	-	-	-	-	9,2019	1,2020	1,2022	49.00%						
Hangzhou	Dacon Project (戴村項目)	86,055	-	-	-	-	-	-	-	-	154,899	-	-	7,2019	12,2019	6,2022	94.74%						
Hangzhou	Peng Bu Unit B/R/S41/S42/36 Land Parcel (彭埠單元B/R/S41/S42/36地塊)	34,489	-	-	-	-	-	-	-	-	93,120	-	-	12,2019	5,2020	7,2023	34.00%						
Wenzhou	Xiaohua University North Project (仙華大學北項目)	48,736	74,153	71,771	2,481	-	193,857	131,313	-	-	-	-	-	12,2017	9,2019	8,2019	20.00%						
Wenzhou	Berlin Mansion (柏林公館)	16,818	64,882	64,021	1,905	-	-	-	-	-	-	-	-	8,2013	9,2013	4,2016	51.00%						
Wenzhou	Aegean Coast Phase I (愛琴海岸一期)	32,111	91,810	88,197	3,055	-	-	-	-	-	-	-	-	12,2013	1,2014	11,2016	100.00%						
Wenzhou	No. 1 Lakeside (湖濱一期)	23,921	88,150	87,072	420	-	-	-	-	-	-	-	-	1,2014	3,2014	12,2016	66.00%						
Wenzhou	Aegean Coast Phase II (愛琴海岸二期)	28,202	102,613	101,025	155	-	-	-	-	-	-	-	-	7,2014	8,2014	5,2017	100.00%						
Wenzhou	Haigai Mansion Phase I (海澱閣一期)	29,452	105,162	103,797	10,023	-	-	-	-	-	-	-	-	9,2015	12,2015	1,2018	75.00%						
Wenzhou	Haigai Mansion Phase II (海澱閣二期)	20,752	70,610	68,098	3,752	-	-	-	-	-	-	-	-	2,2016	5,2016	5,2018	66.00%						
Wenzhou	Royal Mansion (尚城)	9,023	29,613	29,393	773	-	-	-	-	-	-	-	-	9,2016	9,2016	9,2018	100.00%						
Wenzhou	Grand Kingdom (大皇國)	33,973	120,417	115,995	6,359	-	-	-	-	-	-	-	-	4,2016	9,2016	8,2019	55.00%						
Wenzhou	Boni Palace (佘詩曼)	57,538	-	-	-	-	221,090	213,562	193,017	-	-	-	-	8,2016	10,2016	8,2019	75.00%						
Wenzhou	Wenzhou Courtyard (瓊城大院)	21,527	58,944	57,605	1,357	-	-	-	-	-	-	-	-	9,2016	12,2016	8,2018	50.00%						
Wenzhou	Yueqing Palace (瓊清府)	50,862	106,511	104,609	1,915	-	-	-	-	-	-	-	-	10,2016	1,2017	10,2018	28.00%						
Wenzhou	Country Garden (荷前一期)	45,107	130,116	123,326	12,681	-	-	-	-	-	-	-	-	11,2016	11,2016	1,2019	30.00%						
Wenzhou	Kashima A (卡島甲秀)	51,458	157,445	146,088	1,051	-	-	-	-	-	-	-	-	3,2017	3,2017	1,2019	35.00%						
Wenzhou	Nine Vila (玖禧院)	30,081	-	-	-	-	105,771	99,229	91,534	-	-	-	-	6,2017	8,2017	2,2020	32.00%						
Wenzhou	Time Mansion (時代公館)	28,837	-	-	-	-	97,740	94,916	86,351	-	-	-	-	6,2017	8,2017	12,2019	31.00%						
Wenzhou	Courtyard in Longyan (龍潭大院)	35,040	-	-	-	-	110,723	96,316	90,835	-	-	-	-	6,2017	8,2017	11,2019	36.35%						
Wenzhou	Davin S&AW Boutique Hotel (德信諾華酒店)	5,726	-	-	-	-	18,865	-	-	-	-	-	-	1,2018	N/A	3,2020	55.00%						
Wenzhou	Todown (德滿苑)	79,984	-	-	-	-	190,793	182,517	182,517	-	-	-	-	3,2018	4,2018	3,2020	46.94%						
Wenzhou	Ideal Mansion (理想之城)	65,148	-	-	-	-	227,827	215,860	147,590	-	-	-	-	4,2018	4,2018	1,2020	20.00%						
Wenzhou	Gorgeous Palace (錦繡園)	82,121	-	-	-	-	189,997	148,883	93,812	-	-	-	-	5,2018	6,2018	7,2020	28.18%						
Wenzhou	Cloud Class (雲著)	24,848	-	-	-	-	95,864	93,088	83,943	-	-	-	-	5,2018	6,2018	1,2020	23.66%						
Wenzhou	Majestic Mansion (御宸府)	25,314	-	-	-	-	86,151	82,412	32,141	-	-	-	-	8,2018	11,2018	3,2020	48.81%						
Wenzhou	Phillips Cloud (雲鼎府)	90,199	-	-	-	-	308,171	297,322	184,004	-	-	-	-	9,2018	12,2018	3,2021	23.36%						
Wenzhou	Ruian Mansion (麗湖府)	7,146	-	-	-	-	56,472	33,920	-	-	-	-	-	6,2019	8,2019	12,2021	50.29%						
Wenzhou	Center Mansion (樺松府)	10,979	-	-	-	-	-	-	-	-	-	-	-	8,2019	12,2019	3,2022	57.19%						
Wenzhou	The Riverside (樺悅園)	29,523	-	-	-	-	131,228	128,863	-	-	-	-	-	5,2019	9,2019	2,2022	31.62%						
Wenzhou	Wenzhou Yongjia Yueji City New District Puyi Village Project (溫州永嘉縣北城市新區浦一村項目)	9,507	-	-	-	-	-	-	-	-	28,523	-	-	9,2019	11,2019	1,2022	46.09%						

MANAGEMENT DISCUSSION AND ANALYSIS

City	Project/Phase	Completed				Under Development				Held for Future Development				Actual/ Estimated Completion Time ¹	The Group's Interest ²
		Site area ¹ (sq.m.)	Total GFA Completed ¹ (sq.m.)	Saleable/ Leasable GFA ³ (sq.m.)	GFA Unsold ⁴ (sq.m.)	Rentable GFA held for investment ⁵ (sq.m.)	Total GFA Under Development ⁶ (sq.m.)	Saleable/ Leasable GFA ³ (sq.m.)	Pre-sold/ Pre-leased GFA ⁷ (sq.m.)	Total Planned GFA ⁸ (sq.m.)	GFA without Land Use Right Certificates (sq.m.)	Actual/ Estimated Construction Commencement Time ⁹	Actual/ Estimated Pre-sale Commencement Time ¹⁰		
Wenzhou	Wenzhou S1 Line Longxia Station 12b Land Parcel (温州市域S1线霞岭站-12b地块)	12,310	-	-	-	-	-	-	-	38,162	-	9/2019	10/2019	9/2021	51.00%
Huzhou	XiShan Luxury (溪山美墅)	105,650	174,058	172,755	1,407	-	-	-	-	-	-	3/2008	6/2008	6/2012	100.00%
Huzhou	De'an Square (德安广场)	18,400	82,777	82,138	13,209	13,082	-	-	-	-	-	12/2009	12/2010	9/2014	100.00%
Huzhou	Gentle House (一里洋房)	47,540	100,416	92,877	1,190	-	-	-	-	-	-	11/2010	4/2011	9/2013	100.00%
Huzhou	Berlin Mansion (柏林公馆)	55,942	181,787	180,528	10,246	-	-	-	-	-	-	9/2011	2/2012	12/2014	100.00%
Huzhou	Shang Cheng (上城)	47,345	124,167	122,216	5,677	-	-	-	-	-	-	12/2016	4/2013	12/2015	100.00%
Huzhou	Yinxi Courtyard (映溪水院)	62,423	93,074	92,481	668	-	-	-	-	-	-	3/2017	3/2017	11/2018	50.00%
Huzhou	Erment Mansion (碧墅)	62,204	152,889	151,925	2,711	-	-	-	-	-	-	3/2017	6/2017	12/2018	70.00%
Huzhou	Xingchen Mansion (星宸閣)	26,361	-	-	-	-	55,079	43,316	41,666	-	-	5/2017	8/2017	12/2019	20.00%
Huzhou	Yunxi Mansion (雲溪華苑)	18,500	39,157	38,787	38,787	-	-	-	-	-	-	9/2017	6/2019	6/2019	28.31%
Huzhou	Times Square (時代廣場)	86,729	-	-	-	-	240,431	238,885	65,140	-	-	9/2017	11/2018	12/2019	32.32%
Huzhou	Yunxi Villa (雲溪洋房)	58,307	-	-	-	-	111,495	110,282	103,929	-	-	10/2017	1/2018	10/2019	50.00%
Huzhou	Dothink Major (漫社)	29,848	-	-	-	-	70,995	69,914	32,922	-	-	1/2018	7/2018	1/2020	88.83%
Huzhou	Chunfeng Courtyard (春風里)	31,632	-	-	-	-	76,171	69,885	68,102	-	-	2/2018	4/2018	9/2019	96.21%
Huzhou	East Mansion (東宸)	52,528	-	-	-	-	146,024	141,185	120,355	-	-	3/2018	5/2018	12/2019	31.53%
Huzhou	Fengxi Villa (鳳熙華園)	66,969	-	-	-	-	188,981	184,618	162,804	-	-	8/2018	10/2018	6/2021	9.60%
Huzhou	Gaofeng Village Project (高鋒村項目)	74,373	-	-	-	-	138,571	136,273	17,611	29,749	-	1/2020	9/2020	1/2022	100.00%
Huzhou	Aesthetic Garden (藝園)	46,355	-	-	-	-	133,975	132,427	53,385	-	-	1/2019	6/2019	12/2020	34.00%
Huzhou	Shixin Palace (市中心府)	54,714	-	-	-	-	-	-	-	-	-	12/2018	3/2019	10/2020	20.82%
Huzhou	Deqing Moganshan 049 Land Parcel (德清莫干山049地塊)	17,908	-	-	-	-	-	-	-	21,490	-	10/2019	N/A	7/2021	100.00%
Taizhou	Jiangshan Mansion Phase I (江山一品一期)	22,762	-	-	-	-	67,282	65,646	60,773	-	-	6/2017	9/2017	11/2019	26.50%
Taizhou	Jiangshan Mansion Phase II (江山一品二期)	50,819	-	-	-	-	116,266	104,978	80,035	-	-	11/2017	1/2018	5/2020	26.50%
Taizhou	Xihu Yunzhuang (西湖雲莊)	92,318	-	-	-	-	93,007	92,276	30,904	48,270	-	4/2018	12/2018	6/2020	100.00%
Taizhou	Shenxian Garden Phase I (神仙居文化主題樂園一期)	80,050	1,722	1,722	-	1,722	54,941	54,941	-	-	-	N/A	N/A	10/2020	70.00%
Taizhou	Shenxian Garden Phase II (神仙居文化主題樂園二期)	15,604	-	-	-	-	24,308	24,261	-	-	-	2/2019	5/2019	12/2019	70.00%
Zhoushan	Zhoushan Palace (舟山府)	49,064	-	-	-	-	132,533	129,921	126,020	-	-	5/2017	8/2017	11/2019	90.00%
Zhoushan	Majestic Mansion (紫宸)	46,458	-	-	-	-	114,314	112,831	58,588	-	-	4/2018	4/2018	4/2020	32.28%
Zhoushan	Celebrity Mansion (名邸)	26,871	-	-	-	-	75,579	74,347	22,218	-	-	4/2018	6/2018	12/2019	32.28%
Zhoushan	Golden Mansion (金麟府)	27,863	-	-	-	-	57,462	56,404	44,973	-	-	6/2018	7/2018	4/2020	20.29%

MANAGEMENT DISCUSSION AND ANALYSIS

City	Project/Phase	Site area¹ (sq.m.)	Completed				Under Development				Held for Future Development				Actual/ Estimated Completion Time²	The Group's Interest³	
			Total GFA Completed⁴ (sq.m.)	Saleable/ Leasable GFA⁵ (sq.m.)	GFA Unsold⁶ (sq.m.)	Rentable GFA held for Investment⁷ (sq.m.)	Total GFA Under Development⁸ (sq.m.)	Saleable/ Leasable GFA⁹ (sq.m.)	Pre-sold/ Pre-leased GFA¹⁰ (sq.m.)	Total Planned GFA¹¹ (sq.m.)	GFA without Land Use Right Certificates (sq.m.)	Actual/ Estimated Construction Commencement Time¹²	Actual/ Estimated Commencement Time¹³	Actual/ Estimated Completion Time¹⁴			
Zhoushan	Hancheng (韓城)	52,577	-	-	-	-	162,239	167,359	48,059	-	-	-	-	9/2018	12/2018	7/2021	17.50%
Quzhou	Gon (固瀨)	150,606	419,427	407,233	6,771	-	-	-	-	-	-	-	-	8/2016	11/2017	4/2019	50.00%
Quzhou	Yuexin House (悅馨府)	46,474	109,605	96,877	3,609	-	-	-	-	-	-	-	-	10/2017	11/2017	6/2019	25.50%
Quzhou	Yuefeng House (悅豐府)	40,411	-	-	-	108,737	102,008	97,263	-	-	-	-	-	11/2017	11/2017	7/2019	25.50%
Quzhou	East Mansion (東苑)	31,668	-	-	-	74,306	73,272	19,141	-	-	-	-	-	9/2018	12/2018	4/2020	63.83%
Quzhou	Celebrity Mansion (名苑)	39,510	-	-	-	91,962	90,840	34,409	-	-	-	-	-	9/2018	11/2018	6/2020	63.83%
Ningbo	East Mansion (東苑)	26,451	82,398	82,138	82,138	-	-	-	-	-	-	-	-	7/2016	12/2016	11/2018	30.00%
Ningbo	Celebrity Mansion (名苑)	44,974	-	-	-	109,435	93,637	90,064	-	-	-	-	-	11/2017	3/2019	9/2019	34.00%
Ningbo	Courtyard in Jiangnan (江南大苑)	53,908	-	-	-	134,104	128,940	60,675	-	-	-	-	-	4/2018	7/2018	1/2020	31.48%
Ningbo	Cloud Palace (雲臺宮)	40,044	-	-	-	111,522	106,209	33,635	-	-	-	-	-	9/2018	4/2019	1/2021	24.45%
Ningbo	Dongtan Lake Land Parcel (東澗湖地塊)	61,875	-	-	-	-	-	-	173,290	-	-	-	-	7/2019	11/2019	8/2021	31.97%
Jinhua	Park ONE (公園壹號)	134,795	265,549	173,117	52,369	-	-	-	-	-	-	-	-	5/2017	5/2017	6/2019	33.00%
Jinhua	Courtyard in Jiangnan (江南大苑)	92,511	-	-	-	264,805	257,228	203,522	-	-	-	-	-	11/2017	12/2017	10/2019	25.00%
Jinhua	Celebrity Mansion (名苑)	73,946	-	-	-	232,342	226,260	114,449	-	-	-	-	-	5/2018	6/2018	12/2019	17.50%
Jinhua	Lake Mansion (湖湖印象花園)	47,489	-	-	-	128,710	124,884	89,579	-	-	-	-	-	5/2018	6/2018	12/2019	23.65%
Lishui	Lake Courtyard (湖湖一號)	74,088	174,196	149,379	2,541	-	-	-	-	-	-	-	-	2/2017	5/2017	4/2019	51.00%
Xuzhou	Sky Scraper A (天龍城A地塊)	146,861	311,824	310,197	13,682	21,417	-	-	-	-	-	-	-	12/2010	6/2011	12/2015	100.00%
Xuzhou	Sky Scraper B (天龍城B地塊)	143,400	325,796	324,918	26,481	52,006	-	-	-	-	-	-	-	4/2013	4/2013	5/2019	100.00%
Xuzhou	Imperial Cullinan (龍皇皇台)	101,149	-	-	-	278,829	255,256	116,175	-	-	-	-	-	3/2018	5/2018	6/2020	64.00%
Xuzhou	Celebrity Mansion (名苑)	15,460	-	-	-	50,534	43,092	19,477	-	-	-	-	-	1/2019	3/2019	6/2020	51.90%
Hebei	Splendor City (麗晶城)	55,917	165,684	159,077	-	-	-	-	-	-	-	-	-	3/2006	8/2006	3/2010	72.00%
Changzhou	Celebrity Mansion (名苑)	26,768	-	-	-	78,020	65,884	20,512	-	-	-	-	-	9/2018	12/2018	12/2020	32.56%
Nanjing	Nanjing Xianlinzhigu Industrial Park - Phase I (南京仙林智谷產業園一期)	24,119	-	-	-	62,359	62,359	-	-	-	-	-	-	3/2019	10/2019	5/2020	85.00%
Nanjing	Nanjing Xianlinzhigu Industrial Park - Phase II (南京仙林智谷產業園二期)	12,186	-	-	-	25,910	25,910	-	-	-	-	-	-	12/2018	10/2019	5/2020	85.00%
Nanjing	Jiangning District Gu Li Street 2019G11 Land Parcel (江寧區盤龍里街道2019G11地塊)	37,106	-	-	-	283,103	281,093	99,515	-	-	-	-	-	10/2019	3/2020	8/2021	51.00%
Shangrao	Celebrity Mansion (名苑)	82,400	-	-	-	946,275	934,233	28,280	-	-	-	-	-	8/2018	9/2018	5/2020	47.39%
Jiuliang	Jiuliang Mansion (九江印)	317,057	-	-	-	75,185	61,384	-	-	-	-	-	-	1/2019	1/2019	8/2020	20.00%
Wuhan	Courtyard in Jiangnan (江南大苑)	25,478	-	-	-	-	-	-	-	-	-	-	-	1/2019	7/2019	12/2020	100.00%
Shanghai	Shanghai Songjiang Project (上海松江項目)	50,012	58,176	58,176	58,176	-	-	-	-	-	-	-	-	N/A	N/A	N/A	70.00%
Kunshan	Kunshan Qianjiang Town Hankun Road South Land Parcel (昆山市千燈鎮錢莊路南側地塊)	45,877	-	-	-	-	-	-	-	114,693	-	-	-	10/2019	3/2020	3/2022	25.50%
Chengde	Renshou County 2019 (TR)-34 Land Parcel (仁壽縣2019 (TR)-34地塊)	52,915	-	-	-	-	-	-	-	79,373	-	-	-	10/2019	2/2020	4/2022	41.39%
Chengde	Renshou County 2019 (TR)-16,19,20 Land Parcel (仁壽縣2019 (TR)-16、19、20地塊)	152,119	-	-	-	-	-	-	-	380,287	-	-	-	11/2019	3/2020	4/2022	30.00%
Guangzhou	Guangzhou Zengcheng Shaying Land Parcel (廣州增城沙滘地塊)	49,113	-	-	-	-	-	-	-	147,338	-	-	-	7/2019	11/2019	5/2021	20.00%
Wuxi	Wuxi Huijian District Tianji Science and Technology Park 2019-12 (Tiany) Land Parcel (無錫惠山區天一科技園2019-12 (天一)地塊)	28,064	-	-	-	-	-	-	-	64,546	-	-	-	9/2019	12/2019	3/2022	36.33%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- 1 Data on site area have been excerpted from the information contained in the relevant land use rights certificate and housing title certificate (or real estate title certificate) or, if there is no relevant land use rights certificate, from the data on site area in the land grant agreement.
- 2 With respect to the GFA, the data on a completed project have been excerpted from the housing title certificate (or real estate title certificate) or documents of acceptance; the data on a project under development or planning shall be excerpted from the information (with a deviation of no more than 3% from the actual GFA) contained in the relevant construction work planning permit or construction work commencement permit or, if there is no construction work planning permit, from the data on the capacity building area in the land grant agreement.
- 3 Leasable GFA refers to the area from which rental income can be generated.
- 4 A property is considered as “sold” after the Group entered into the relevant purchase agreement with and has delivered it to the customer. A property is deemed to have been delivered to the customer after it has passed the acceptance check. A property is considered as “pre-sold” in the event that the Group has entered in the relevant purchase agreement but has not yet delivered it to the customer.
- 5 Refers to the date on which the Group obtained the construction work commencement permit or the date estimated by the Group.
- 6 Refers to the date on which the Group obtained or is expected to obtain the pre-sale permit of the project, based on the internal records of the Group.
- 7 Refers to the date on which acceptance examination upon completion is obtained or the expected date of completion.
- 8 Based on the actual equity interests held by the Group in the relevant project companies pursuant to PRC laws.

SUPPLEMENTARY INFORMATION

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on January 16, 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's ordinary shares (the "**Shares**") were listed on the Stock Exchange on February 26, 2019 (the "**Listing Date**").

INTERIM DIVIDEND

The Board recommended the declaration and payment of an interim dividend of RMB0.10 per share (the "**Interim Dividend**") out of the share premium account of the Company, which is subject to, among other things, shareholders' approval at the extraordinary general meeting of the Company to be held on Monday, September 30, 2019 (the "**EGM**").

Subject to the fulfilment of the conditions set out in the section headed "Conditions of the Payment of Interim Dividend" below, the Interim Dividend is intended to be paid out of the share premium account of the Company pursuant to the articles of association of the Company (the "**Articles of Association**") and in accordance with the Companies Law (Cap. 22) of the Cayman Islands.

Conditions of the payment of interim dividend

The declaration and payment of the Interim Dividend is conditional upon the satisfaction of the following conditions:

- (a) the passing of an ordinary resolution by the shareholders of the Company approving the declaration and payment of the Interim Dividend out of the share premium account of the Company pursuant to the Articles of Association; and
- (b) the directors of the Company (the "**Directors**") being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the date on which the Interim Dividend is paid, unable to pay its liabilities as they fall due in the ordinary course of business.

The conditions set out above cannot be waived. If such conditions are not satisfied, the Interim Dividend will not be paid.

Subject to the fulfilment of the above conditions, it is expected that the Interim Dividend will be paid in cash on or about Friday, November 8, 2019 to the qualifying shareholders whose names appear on the register of members of the Company at close of business on Thursday, October 10, 2019, being the record date for determination of entitlements to the Interim Dividend.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, September 25, 2019 to Monday, September 30, 2019 (both days inclusive), for the purpose of determining the shareholders who are entitled to attend and vote at the EGM, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the EGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, September 24, 2019.

The register of members of the Company will also be closed from Tuesday, October 8, 2019 to Thursday, October 10, 2019 (both days inclusive), for the purpose of determining the entitlements of the shareholders to the Interim Dividend, during which period no transfer of shares will be effected. In order to qualify for the proposed Interim Dividend, which is subject to satisfaction of the conditions as disclosed above, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, October 4, 2019.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its Shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code (the "CG Code"), as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the period from the Listing Date to June 30, 2019.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

SUPPLEMENTARY INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the reporting period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the period from the Listing Date to June 30, 2019.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period from the Listing Date to June 30, 2019.

REVIEW OF FINANCIAL INFORMATION

Audit committee

The audit committee of the Company, comprising Dr. Wong Wing Kuen Albert, Mr. Ding Jiangang, and Mr. Hu Shihao, has discussed with the management and reviewed the unaudited interim financial information of the Group for the six months ended June 30, 2019.

In addition, the Company’s external auditor, PricewaterhouseCoopers, has performed an independent review of the Group’s interim financial information for the six months ended June 30, 2019 in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

CHANGES IN THE BOARD AND THE DIRECTORS’ INFORMATION

There was no change in the Board and the information of Directors since the date of the Annual Report 2018 of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUPPLEMENTARY INFORMATION

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

Save as disclosed in this interim report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at June 30, 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long/short position in ordinary Shares

Name of Director	Capacity	Number of ordinary shares interested ⁽¹⁾	Approximate percentage* of the Company's issued share capital
Mr. Hu Yiping ⁽²⁾	Interest in controlled corporation	1,974,000,000 (L)	73.07%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) The entire issued share capital of Tak Yuan International Limited ("**Tak Yuan**") is held by Mr. Hu Yiping, therefore Mr. Hu Yiping is deemed to be interested in all the Shares held by Tak Yuan by virtue of the SFO. Since Mr. Hu Yiping owns 92% of Tak Shin, Mr. Hu Yiping is also deemed to be interested in all the Shares held by Tak Shin by virtue of the SFO.

* The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at June 30, 2019.

SUPPLEMENTARY INFORMATION

(ii) Interests in associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/ nature of interest	Number of shares	Percentage of shareholding interest
Mr. Hu Yiping	Tak Shin ⁽²⁾	Beneficial owner	460 (L)	92.00%
Mr. Hu Shihao	Tak Shin ⁽²⁾	Beneficial owner	40 (L)	8.00%
Mr. Fei Zhongmin	Ningbo Jinxiao Equity Investment Management Partnership (Limited Partnership) (寧波金曉股權投資管理合夥企業(有限合夥))	Beneficial owner	2,000,000 (L)	20.00%
Ms. Feng Xia	Deqing Demin Enterprise Management Partnership (Limited Partnership) (德清德閔企業管理合夥企業 (有限合夥))	Beneficial owner	2,000,000 (L)	20.00%
	Deqing Dehao Enterprise Management Partnership (Limited Partnership) (德清德豪企業管理合夥企業 (有限合夥))	Beneficial owner	2,000,000 (L)	20.00%
	Deqing Dexi Enterprise Management Partnership (Limited Partnership) (德清德曦企業管理合夥企業(有限合夥))	Beneficial owner	2,000,000 (L)	20.00%
	Deqing Dezhi Enterprise Management Partnership (Limited Partnership) (德清德芷企業管理合夥企業(有限合夥))	Beneficial owner	2,000,000 (L)	20.00%
	Deqing Degeng Enterprise Management Partnership (Limited Partnership) (德清德庚企業管理合夥企業(有限合夥))	Beneficial owner	2,000,000 (L)	20.00%
	Deqing Demao Enterprise Management Partnership (Limited Partnership) (德清德卯企業管理合夥企業(有限合夥))	Beneficial owner	2,000,000 (L)	20.00%

SUPPLEMENTARY INFORMATION

Notes:

- (1) The letter “L” denotes the person’s long position in the shares.
- (2) Tak Shin International Limited (“**Tak Shin**”) is the holding company of the Company and therefore an “associated corporation” of the Company within the meaning of Part XV of the SFO. Tak Shin held 1,764,000,000 shares of the Company which accounted for approximately 67% of the total share capital of the Company.

Save as disclosed in this interim report and to the best knowledge of the Directors, as at June 30, 2019, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at June 30, 2019, the following corporations/persons (other than the Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number of ordinary Shares interested⁽¹⁾	Approximate percentage⁺ of the Company’s issued share capital
Tak Shin	Beneficial owner	1,764,000,000 (L)	65.30 %
Tak Yuan	Beneficial owner	210,000,000 (L)	7.77 %
Ms. Wei Peifen ⁽²⁾	Interest of spouse	1,974,000,000 (L)	73.07 %

SUPPLEMENTARY INFORMATION

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Ms. Wei Peifen is the wife of Mr. Hu Yiping. Under the SFO, Ms. Wei Peifen is deemed to be interested in Mr. Hu Yiping’s interests in Tak Shin and Tak Yuan.
- + The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at the date of this interim report.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2019, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING AND THE ISSUE OF THE OVER-ALLOTMENT SHARES

The net proceeds from the listing amounted to HK\$1,562.2 million after deducting the underwriting fees and commissions and other listing expenses borne by the Company. As at June 30, 2019, the Directors are not aware of any material change to the planned use of the proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated February 14, 2019 (“**Prospectus**”). In 2019, the Company will use the proceeds raised from the Global Offering in accordance with its development strategies, market conditions and intended use of such proceeds.

An analysis of the planned usage of the net proceeds as stated in the Prospectus and the actual utilization of the net proceeds for the period from the Listing Date up to June 30, 2019 and the intended use of the proceeds are set out as below:

Business objective as stated in the Prospectus	Percentage of total net proceeds	Planned use of net proceeds ^(Note) HK\$'million	Actual use of net proceeds during the period from the Listing Date to June 30, 2019 HK\$'million	Proceeds unused HK\$'million	Intended use of the proceeds HK\$'million	Expected timeline
For the development of some of the existing property projects	60%	937.3	732.5	204.8	204.8	Expected to be utilized by December 2019

SUPPLEMENTARY INFORMATION

Business objective as stated in the Prospectus	Percentage of total net proceeds	Planned use of net proceeds ^(Note) HK\$'million	Actual use of net proceeds during the period from the Listing Date to June 30, 2019 HK\$'million	Proceeds unused HK\$'million	Intended use of the proceeds HK\$'million	Expected timeline
For land acquisition and construction costs for potential projects	30%	468.7	468.7	–	–	N/A
For general corporate and working capital purposes	10%	156.2	4.7	151.5	151.5	Expected to be utilized by June 2020

Note: As disclosed in the Prospectus, the estimated net proceeds from the listing, after deduction of the underwriting fees and commissions and expenses paid by the Company in connection therewith, were approximately HK\$1,367.8 million. The actual net proceeds received by the Company were approximately HK\$1,562.2 million after the exercise of the over-allotment option. The Company intends to adjust the difference of approximately HK\$194.4 million to each business strategies in the same proportion as the original funds applied as shown in the Prospectus.

SHARE OPTION SCHEME

On January 11, 2019, the Company adopted the share option scheme (the “**Share Option Scheme**”), which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward employees, Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

SUPPLEMENTARY INFORMATION

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents 263,200,000 Shares, but excluding any Shares which may be issued upon the exercise of the Over-allotment Option.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the total number of Shares in issue for the time being.

The Share Option Scheme will remain in force for a period of 10 years from January 11, 2019 and the options granted have a 10-year exercise period. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

The exercise price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before Listing); and (iii) the nominal value of a Share on the date of grant.

A nominal consideration of HK\$1.00 is payable upon acceptance of the grant of an option.

No options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme during the reporting period and there were no outstanding share options under the Share Option Scheme during the period from the Listing Date and up to the date of this interim report.

A summary of the terms of the Share Option Scheme has been set out in the section headed "D. Share Option Scheme" in Appendix VI of the Prospectus.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of Dexin China Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 37 to 88, which comprises the interim condensed consolidated balance sheet of Dexin China Holdings Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2019 and the interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2019

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	8	3,517,718	2,470,905
Cost of sales	9	(2,301,800)	(1,646,311)
Gross profit		1,215,918	824,594
Other income		35,521	15,583
Other gains – net		22,424	37,836
Selling and marketing expenses	9	(144,254)	(89,678)
Administrative expenses	9	(264,527)	(162,077)
Fair value gains on investment properties		57,528	126,141
Operating profit		922,610	752,399
Finance income	10	56,214	59,178
Finance costs	10	(191,169)	(165,744)
Finance costs – net	10	(134,955)	(106,566)
Share of results of joint ventures and associates	14	778,720	94,641
Profit before income tax		1,566,375	740,474
Income tax expenses	11	(282,992)	(277,762)
Profit for the period		1,283,383	462,712
Profit for the period attributable to:			
Owners of the Company		995,813	432,871
Non-controlling interests		287,570	29,841
		1,283,383	462,712
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	12	0.40	0.22

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit for the period	1,283,383	462,712
Other comprehensive income	–	–
Total comprehensive income for the period	1,283,383	462,712
Total comprehensive income for the period attributable to:		
Owners of the Company	995,813	432,871
Non-controlling interests	287,570	29,841
	1,283,383	462,712

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	211,945	153,149
Land use rights	13	–	114,835
Investment properties	13	2,471,040	1,768,420
Right-of-use assets	13	120,204	–
Intangible assets		999	1,148
Investments accounted for using the equity method	14	2,743,850	2,008,869
Amounts due from related parties	28	15,000	41,000
Financial assets at fair value through profit or loss	6	73,565	232,255
Deferred income tax assets		659,843	509,915
Total non-current assets		6,296,446	4,829,591
Current assets			
Properties under development	15	30,620,826	27,684,622
Completed properties held for sale	15	558,805	345,610
Trade and other receivables and prepayments	16	4,125,679	2,702,515
Amounts due from non-controlling interests	24	4,402,264	3,135,801
Amounts due from related parties	28	3,110,350	2,737,822
Contract acquisition costs		16,543	14,552
Prepaid income taxes		833,343	538,328
Financial assets at fair value through profit or loss	6	378,868	132,400
Restricted cash		1,559	1,295
Cash and cash equivalents	17	7,576,701	7,486,911
Total current assets		51,624,938	44,779,856
Total assets		57,921,384	49,609,447
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	18	9,200	6,848
Reserves	19,20	4,820,137	2,466,618
		4,829,337	2,473,466
Non-controlling interests		4,794,782	4,395,171
Total equity		9,624,119	6,868,637

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings from bank and other financial institutions	22	6,799,751	4,423,858
Amounts due to related parties	28	500,000	–
Deferred income tax liabilities		284,786	277,487
Lease liabilities		2,652	–
Total non-current liabilities		7,587,189	4,701,345
Current liabilities			
Trade and other payables	23	3,587,855	2,668,280
Amounts due to non-controlling interests	24	3,798,210	4,098,180
Amounts due to related parties	28	4,835,396	4,027,577
Contract liabilities	8	24,145,141	20,921,303
Current income tax liabilities		1,024,849	969,383
Borrowings from bank and other financial institutions	22	3,315,792	5,354,742
Lease liabilities		2,833	–
Total current liabilities		40,710,076	38,039,465
Total liabilities		48,297,265	42,740,810
Total equity and liabilities		57,921,384	49,609,447

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

The interim condensed consolidated financial information on pages 37 to 88 were approved by the Board of Directors of the Company on 28 August 2019 and were signed on its behalf.

Hu Yiping
Director

Feng Xia
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company					Non- controlling interests	Total equity
	Share capital	Other reserves	Statutory reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 18)	(Note 19)	(Note 20)				
Six months ended 30 June 2019							
(Unaudited)							
Balance at 1 January 2019	6,848	598,540	372,605	1,495,473	2,473,466	4,395,171	6,868,637
Comprehensive income							
– Profit for the period	–	–	–	995,813	995,813	287,570	1,283,383
Total comprehensive income	–	–	–	995,813	995,813	287,570	1,283,383
Transactions with owners in their capacity as owners							
Issue of shares in connection with the Company's listing	2,017	1,426,936	–	–	1,428,953	–	1,428,953
Share issuance costs	–	(46,481)	–	–	(46,481)	–	(46,481)
Issue of shares in connection with the capitalisation issue	335	(335)	–	–	–	–	–
Capital injections from non-controlling interests	–	–	–	–	–	378,077	378,077
Acquisition of additional interests in subsidiaries	–	(41,797)	–	–	(41,797)	(153,861)	(195,658)
Disposal of interests in subsidiaries without change of control	–	19,383	–	–	19,383	40,331	59,714
Acquisition of subsidiaries which do not contain a business	–	–	–	–	–	12,389	12,389
Distribution to non-controlling interests	–	–	–	–	–	(164,895)	(164,895)
Total transactions with owners in their capacity as owners	2,352	1,357,706	–	–	1,360,058	112,041	1,472,099
Transfer to statutory reserves	–	–	183,853	(183,853)	–	–	–
Balance at 30 June 2019	9,200	1,956,246	556,458	2,307,433	4,829,337	4,794,782	9,624,119

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company					Non- controlling interests	Total equity
	Share capital RMB'000 (Note 18)	Other reserves RMB'000 (Note 19)	Statutory reserves RMB'000 (Note 20)	Retained earnings RMB'000	Total RMB'000		
Six months ended 30 June 2018							
(Unaudited)							
Balance at 1 January 2018	–	800,177	91,152	623,470	1,514,799	668,950	2,183,749
Comprehensive income							
– Profit for the period	–	–	–	432,871	432,871	29,841	462,712
Total comprehensive income	–	–	–	432,871	432,871	29,841	462,712
Transactions with owners in their capacity as owners							
Acquisition of additional interests in subsidiaries	–	(37,149)	–	–	(37,149)	(10,618)	(47,767)
Capital injections from non-controlling interests	–	–	–	–	–	995,621	995,621
Disposal of subsidiaries	–	–	–	–	–	(4,550)	(4,550)
Distribution to non-controlling interests	–	–	–	–	–	(106,500)	(106,500)
Disposal of interests in subsidiaries without change of control	–	(1,263)	–	–	(1,263)	33,418	32,155
Dividends declared to the then shareholders of the Group	–	–	–	(300,000)	(300,000)	–	(300,000)
Deemed distributions to the then shareholders of the Group	–	(167,445)	–	–	(167,445)	–	(167,445)
Total transactions with owners in their capacity as owners	–	(205,857)	–	(300,000)	(505,857)	907,371	401,514
Transfer to statutory reserves	–	–	84,148	(84,148)	–	–	–
Balance at 30 June 2018	–	594,320	175,300	672,193	1,441,813	1,606,162	3,047,975

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	1,279,909	705,553
Income tax paid	(635,939)	(442,357)
Interest paid	(589,981)	(430,900)
Interest received	41,361	79,231
Net cash generated from/(used in) operating activities	95,350	(88,473)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(13,211)	(16,772)
Payments for purchase of intangible assets	(345)	(563)
Payments for purchase of investment properties	(479,538)	(193,027)
Payments for purchase of land use rights of properties for own use	–	(89,725)
Proceeds from disposal of property, plant and equipment	–	2,057
Investments in joint ventures	(62,691)	(214,490)
Investments in associates	(23,193)	(158,180)
Purchase of financial assets at fair value through profit or loss	(505,403)	(99,099)
Proceeds from disposal of financial assets at fair value through profit or loss	431,691	56,207
Proceeds from disposal of associates	–	2,518
Advances to third parties	(25,201)	–
Repayment of advances from third parties	22,201	118,308
Advances to joint ventures and associates	(2,374,323)	(857,496)
Repayment of advances from joint ventures and associates	1,654,532	976,536
Advances to non-controlling interests	(1,782,180)	–
Repayment of advances from non-controlling interests	515,717	–
Net cash outflow from disposal of a subsidiary	–	(53,349)
Advances to other related parties	–	(57)
Repayment of advances from other related parties	381,201	1,412,273
Dividends received from joint ventures and associates	98,782	34,095
Payments for acquisition of subsidiaries	(573,572)	–
Net cash (used in)/generated from investing activities	(2,735,533)	919,236

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cash flows from financing activities		
Proceeds from the Company's listing	1,428,953	–
Payments for listing expenses	(37,925)	(1,235)
Proceeds from borrowings from bank and other financial institutions	4,603,722	5,786,253
Repayments of borrowings from bank and other financial institutions	(4,266,779)	(4,444,344)
Repayments of loans to third parties	(56,001)	–
Advances from joint ventures and associates	1,674,979	507,405
Repayment of advances to joint ventures and associates	(462,083)	(729,490)
Advances from other related parties	65,529	27,074
Repayment of advances to other related parties	(1,692)	(177,735)
Capital injection from non-controlling interests	378,077	995,621
Distribution to non-controlling interests	(164,895)	(106,500)
Payments for acquisition of non-controlling interests	(195,658)	(47,767)
Advances from non-controlling interests	2,089,773	2,616,401
Repayment of advances to non-controlling interests	(2,389,743)	(3,596,906)
Distributions and dividends paid to the then shareholders of the Group	–	(467,445)
Proceeds from disposal of interests in subsidiaries without loss of control	59,714	32,155
Placement of restricted cash	(353)	(335,446)
Restricted cash released	89	150,139
Net cash generated from financing activities	2,725,707	208,180
Net increase in cash and cash equivalents	85,524	1,038,943
Cash and cash equivalents at beginning of the period	7,486,911	3,950,854
Exchange gains on cash and cash equivalents	4,266	–
Cash and cash equivalents at end of the period	7,576,701	4,989,797

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Dexin China Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 16 January 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries (the “Group”) are principally engaged in the property development and construction services, property investment and hotel operations (the “Listing Business”) in the People’s Republic of China (the “PRC”).

The Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 26 February 2019.

This interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated. This interim condensed consolidated financial information has been approved for issue by the Board on 28 August 2019.

This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2018, except for the adoption of new and amended standards and interpretations as set out below.

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

HKFRS 16	Leases
HK(IFRIC) 23	Uncertainty over Income Tax Treatments
HKAS 28 (Amendment)	Long-term Interests in Associates or Joint Ventures
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
Improvements to HKFRSs	Annual Improvements to HKFRSs 2015-2017 cycle

The adoption of the new and amended standards and interpretations does not have significant impact on the interim condensed consolidated financial information except for HKFRS 16. Please refer to note 4 below.

- (b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendment)	Definition of material	1 January 2020
HKFRS 3 (Amendment)	Definition of a business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint venture	To be determined

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing this interim condensed consolidated financial information. The impact of new standards and amendments to standards and interpretations above is still under assessment by the Group.

- (c) The Group has changed the presentation of certain financial statement line items in the interim condensed consolidated balance sheet as at 30 June 2019 and the interim condensed statement of cash flows for the six months ended 30 June 2019 and the comparing figures as at 31 December 2018 and for the six months ended 30 June 2018 have been reclassified and re-presented accordingly.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 4(b) below.

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	32,339
Discounted using the lessee's incremental borrowing rate of the date of initial application	29,781
Less: short-term leases and low-value leases recognised on a straight-line basis as expense	(22,946)
Lease liabilities recognised as at 1 January 2019	6,835
Of which are:	
Current lease liabilities	2,961
Non-current lease liabilities	3,874

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of HKFRS 16 (continued)

The land use rights are reclassified to right-of-use assets as of 1 January 2019.

The recognised right-of-use assets mainly relate to properties and land use rights.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by approximately RMB121,670,000
- lease liabilities – increase by approximately RMB6,835,000
- land use rights – decrease by approximately RMB114,835,000

No significant impact on the Group's net profit after tax for the six months ended 30 June 2019 as a result of adoption of HKFRS 16.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for

The Group leases only offices for long-term contracts. Rental contracts are typically made for fixed periods of 2 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets consist of properties and land use rights.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6. FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, and liquidity risk.

The Group's businesses are principally conducted in RMB. As at 30 June 2019, the non-RMB assets of the Group are mainly cash and cash equivalents (Note 17) denominated in United States Dollars ("US\$") and Hong Kong Dollars ("HK\$"). The Group has not entered into forward exchange contract to hedge its exposure to foreign exchange risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

There have been no changes in the risk management policies since 31 December 2018.

6.1.1 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing land acquisition, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing and seeking joint venture partners to develop projects. The Group will pursue such options basing on its assessment of relevant future costs and benefits. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Liquidity risk (continued)

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 30 June 2019 (Unaudited)					
Borrowings from bank and other financial institutions	4,360,451	4,511,024	2,172,293	392,615	11,436,383
Trade and other payables, excluding accrual for staff costs and allowances, and other taxes payable	1,909,668	-	-	-	1,909,668
Amounts due to non-controlling interests	3,828,629	-	-	-	3,828,629
Amounts due to related parties	4,876,661	518,351	-	-	5,395,012
Lease liabilities	3,076	2,880	90	-	6,046
Financial guarantee	13,569,861	-	-	-	13,569,861
	28,548,346	5,032,255	2,172,383	392,615	36,145,599
As at 31 December 2018 (Audited)					
Borrowings from bank and other financial institutions	6,017,581	3,765,941	763,755	193,487	10,740,764
Trade and other payables, excluding accrual for staff costs and allowances, and other taxes payable	2,211,720	-	-	-	2,211,720
Amounts due to non-controlling interests	4,113,317	-	-	-	4,113,317
Amounts due to related parties	4,027,697	-	-	-	4,027,697
Financial guarantee	11,876,880	-	-	-	11,876,880
	28,247,195	3,765,941	763,755	193,487	32,970,378

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings from bank and other financial institutions (including current and non-current portions as shown in the consolidated balance sheet) less total of cash and cash equivalents and restricted cash.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Borrowings from bank and other financial institutions	10,115,543	9,778,600
Less: Cash and cash equivalents	(7,576,701)	(7,486,911)
Restricted cash	(1,559)	(1,295)
Net borrowings	2,537,283	2,290,394
Total equity	9,624,119	6,868,637
Total capital	12,161,402	9,159,031
Gearing ratio	21%	25%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation

(a) Financial assets carried at fair value

The Group's financial assets carried at fair value include financial assets at fair value through profit or loss. The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2019 and 31 December 2018 on a recurring basis:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2019 (Unaudited)				
Financial assets at fair value through profit or loss	–	–	452,433	452,433
At 31 December 2018 (Audited)				
Financial assets at fair value through profit or loss	–	–	364,655	364,655

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (continued)

(a) *Financial assets carried at fair value (continued)*

The financial assets at fair value through profit or loss are measured at fair value, which is grouped into level 3 fair value measurements, subsequent to initial recognition. Techniques, such as discounted cash flow analysis, discount rate and etc., are used to determine fair value for the financial assets at fair value through profit or loss.

The Group's policy was to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers among levels 1, 2 and 3 for recurring fair value measurements.

(b) *Investment properties*

Investment properties of the Group were measured at fair value.

(i) *Fair value hierarchy*

This note explains the judgements and estimates made in determining the fair values of investment properties that are recognised and measured at fair value in the interim condensed consolidated financial information. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2019 (six months ended 30 June 2018: same).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (continued)

(b) *Investment properties (continued)*

(ii) *Valuation techniques used to determine level 3 fair values*

The directors determine a property's value within a range of reasonable fair value estimates. Fair values of the Group's completed investment properties are derived using the income capitalisation approach. This valuation method takes into account the net rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate.

Fair values of the Group's investment properties under development are derived on the basis that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. It is assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at the fair values, the direct comparison approach is adopted by making reference to comparable sales transactions as available in the market and also taken into account the costs that will be expended to complete the developments to reflect the quality of the completed developments. The "market value as if completed" represents the opinion of the aggregate selling prices of the property assuming that it would be completed as at the valuation date.

All resulting fair value estimates for investment properties are included in level 3.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (continued)

(b) *Investment properties (continued)*

(iii) *Valuation processes*

The Group's investment properties were valued by an independent professionally qualified valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department has a team to review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and the valuer at least once every six months for the Group's interim and annual reporting process.

At each reporting period end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior period valuation report; and
- Holds discussions with the independent valuer.

7. SEGMENT INFORMATION

The Executive Directors have been identified as the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the Executive Directors, which are used to allocate resources and assess performance. The Group is organised into three business segments: property development and construction, property investment, and other businesses. Other businesses mainly include hotel operations. As the Executive Directors of the Group consider most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented.

The Executive Directors of the Company assess the performance of the operating segments based on a measure of segment results, which is a measure of revenue and gross profit of each operating segment.

Segment assets and segment liabilities are measured in the same way as in the financial statements. These assets and liabilities are allocated based on the operations of the segment. Unallocated assets comprise financial assets at fair value through profit or loss and deferred income tax assets. Unallocated liabilities comprise deferred income tax liabilities, current income tax liabilities, borrowings from bank and other financial institutions and other financial liabilities. Management considered that it is impracticable or not meaningful in allocating these unallocated assets and liabilities to different segments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7. SEGMENT INFORMATION (CONTINUED)

(i) Segment results for the six months ended 30 June 2019 and 2018 are as follows:

Six months ended 30 June 2019 (Unaudited)

	Property development and construction RMB'000	Property investment RMB'000	Other businesses RMB'000	Unallocated RMB'000	Total RMB'000
Revenue from contracts with customers	3,486,163	–	4,972	–	3,491,135
Recognised at a point in time	3,473,066	–	–	–	3,473,066
Recognised over time	13,097	–	4,972	–	18,069
Revenue from other sources: Rental income	–	26,583	–	–	26,583
Segment revenue	3,486,163	26,583	4,972	–	3,517,718
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	3,486,163	26,583	4,972	–	3,517,718
Gross profit	1,192,509	21,988	1,421	–	1,215,918
Other income					35,521
Other gains – net					22,424
Selling and marketing expenses					(144,254)
Administrative expenses					(264,527)
Fair value gains on investment properties	–	57,528	–	–	57,528
Finance costs – net					(134,955)
Share of results of joint ventures and associates	778,720	–	–	–	778,720
Profit before income tax					1,566,375
Income tax expenses					(282,992)
Profit for the period					1,283,383
Depreciation and amortisation	6,344	–	3,441	–	9,785

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7. SEGMENT INFORMATION (CONTINUED)

(i) Segment results for the six months ended 30 June 2019 and 2018 are as follows (continued):

Six months ended 30 June 2018 (Unaudited)

	Property development and construction RMB'000	Property investment RMB'000	Other businesses RMB'000	Unallocated RMB'000	Total RMB'000
Revenue from contracts with customers	2,459,052	–	6,428	–	2,465,480
Recognised at a point in time	2,339,903	–	–	–	2,339,903
Recognised over time	119,149	–	6,428	–	125,577
Revenue from other sources: Rental income	–	5,425	–	–	5,425
Segment revenue	2,459,052	5,425	6,428	–	2,470,905
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	2,459,052	5,425	6,428	–	2,470,905
Gross profit	816,251	5,425	2,918	–	824,594
Other income					15,583
Other gains – net					37,836
Selling and marketing expenses					(89,678)
Administrative expenses					(162,077)
Fair value gains on investment properties	–	126,141	–	–	126,141
Finance costs – net					(106,566)
Share of results of joint ventures and associates	94,641	–	–	–	94,641
Profit before income tax					740,474
Income tax expenses					(277,762)
Profit for the period					462,712
Depreciation and amortisation	4,671	–	844	–	5,515

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7. SEGMENT INFORMATION (CONTINUED)

(ii) Segment assets and liabilities as at 30 June 2019 and 31 December 2018 are as follows:

As at 30 June 2019 (Unaudited)

	Property development and construction RMB'000	Property investment RMB'000	Other businesses RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	53,734,411	2,779,081	295,616	1,112,276	57,921,384
Segment liabilities	35,011,936	1,600,327	259,824	11,425,178	48,297,265

As at 31 December 2018 (Audited)

	Property development and construction RMB'000	Property investment RMB'000	Other businesses RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	46,422,878	2,076,472	235,527	874,570	49,609,447
Segment liabilities	28,055,891	1,103,820	203,189	13,377,910	42,740,810

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8. REVENUE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from sales of properties	3,473,066	2,448,240
Revenue from construction and project management services	13,097	10,812
Hotel income	4,972	6,428
Rental income	26,583	5,425
	3,517,718	2,470,905

Represented by:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from sales of properties, construction and project management services and hotel operation		
Recognised at a point in time	3,473,066	2,339,903
Recognised over time	18,069	125,577
	3,491,135	2,465,480
Revenue from other sources:		
Rental income	26,583	5,425
	3,517,718	2,470,905

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8. REVENUE (CONTINUED)

(a) Details of contract liabilities:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contract liabilities related to sales of properties	24,145,141	20,921,303

The Group receives payments from customers based on billing schedules as established in the property sale contracts. Payments are usually received in advance of the performance under the contracts for property development and sales.

The following table shows the revenue recognised related to carried-forward contract liabilities.

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
Property development and sales	3,403,628	2,242,297
Construction and project management services	13,097	10,812
	3,416,725	2,253,109

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as of 30 June 2019 and 31 December 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9. EXPENSES BY NATURE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold – including construction cost, land cost, capitalised interest expenses	2,281,081	1,613,156
Other tax expenses	26,981	44,468
Staff costs (including directors' emoluments)	132,287	91,661
Marketing and advertising costs	64,955	39,058
Consulting fees	59,447	31,257
Property management fees	16,266	6,845
Office lease payments	10,263	6,124
Entertainment expenses	10,728	9,139
Office and travelling expenses	15,962	11,206
Listing expenses	16,906	9,296

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10. FINANCE COSTS – NET

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance costs		
– Interest-bearing debts	683,337	485,183
– Less: capitalised interest	(492,168)	(319,439)
	191,169	165,744
Finance income		
Interest income from		
– Bank deposits	(19,696)	(15,186)
– Other receivables	(20,955)	(12,888)
– Amounts due from related parties	(15,563)	(31,104)
	(56,214)	(59,178)
Finance costs – net	134,955	106,566

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<hr/>		
Current income tax:		
– PRC corporate income tax	326,292	365,894
– PRC land appreciation tax	69,289	87,450
	<hr/>	<hr/>
	395,581	453,344
<hr/>		
Deferred income tax:		
– PRC corporate income tax	(112,589)	(181,034)
– PRC land appreciation tax	–	5,452
	<hr/>	<hr/>
	(112,589)	(175,582)
<hr/>		
	282,992	277,762
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PRC corporate income tax

The income tax provision of the Group in respect of operations in PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") effective on 1 January 2008.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11. INCOME TAX EXPENSE (CONTINUED)

PRC land appreciation tax (“LAT”)

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

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for these undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the PRC.

Hong Kong profits tax

The applicable Hong Kong profit tax rate is 16.5% for the six months ended 30 June 2019 (six months ended 30 June 2018: 16.5%). Hong Kong profits tax has not been provided as the Group did not have any assessable profit for the six months ended 30 June 2019 (six months ended 30 June 2018: same).

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company’s direct subsidiary in the British Virgin Islands (the “BVI”) was incorporated under the Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12. EARNINGS PER SHARE

In determining the weighted average number of ordinary shares in issue during the six months ended 30 June 2019 and 2018, the ordinary shares issued but not paid upon the incorporation of the Company, the ordinary shares issued in exchange for the Listing Business in the group reorganisation (Note 18), the sub-division of shares on 14 August 2018 and 11 January 2019 and the capitalisation issue (Note 18), were deemed to be issued on 1 January 2018 as if the Company has been incorporated by then.

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	995,813	432,871
Weighted average number of ordinary shares in issue (in thousand)	2,507,246	1,974,000
Basic earnings per share (RMB per share)	0.40	0.22

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equals the basic earnings per share.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

	Property, plant and equipment RMB'000	Right-of-use assets – Land use rights and properties RMB'000	Land use rights RMB'000	Investment properties RMB'000
Six months ended 30 June 2019				
At 31 December 2018 (audited)	153,149	–	114,835	1,768,420
Adoption of HKFRS 16	–	121,670	(114,835)	–
At 1 January 2019	153,149	121,670	–	1,768,420
Additions	68,642	2,999	–	645,092
Disposals	(147)	–	–	–
Fair value gains	–	–	–	57,528
Depreciation and amortisation	(9,699)	(4,465)	–	–
At 30 June 2019 (unaudited)	211,945	120,204	–	2,471,040
Six months ended 30 June 2018				
At 1 January 2018 (audited)	106,343	–	28,199	1,254,600
Additions	18,823	–	89,725	303,659
Disposals	(2,152)	–	–	(93,100)
Fair value gains	–	–	–	126,141
Depreciation and amortisation	(7,478)	–	(1,034)	–
At 30 June 2018 (unaudited)	115,536	–	116,890	1,591,300

Refer to Note 27 for information on non-current assets pledged as security by the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

For the associates and joint ventures that are accounted for using the equity method, amounts recognised in the interim condensed consolidated balance sheet and the interim condensed consolidated income statement are set out as below:

- (a) The amounts recognised in the consolidated balance sheets as “Investments accounted for using the equity method” are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Joint ventures	819,196	790,774
Associates	1,924,654	1,218,095
	2,743,850	2,008,869

- (b) The amounts recognised in the consolidated income statements as “Share of results of joint ventures and associates” are as follows:

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Joint ventures	34,261	(2,467)
Associates	744,459	97,108
	778,720	94,641

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

- (c) Set out below are the material associates of the Group as at 30 June 2019. The place of incorporation or registration is also their principal place of business.

Name of entity	Place of business/place of incorporation and business	% of ownership interest		Measurement method	Principal activities
		30 June	31 December		
		2019	2018		
義烏濱信房地產開發有限公司 Yiwu Binxin Real Estate Development Co., Ltd.	The PRC	33%	33%	Equity Method	Property development
溫州萬瑞置業有限公司 Wenzhou Wanrui Real Estate Co., Ltd.	The PRC	35%	35%	Equity Method	Property development
德信地產(衢州)有限公司 Dexin Real Estate (Quzhou) Co., Ltd.	The PRC	50%	47%	Equity Method	Property development

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Properties under development	30,620,826	27,684,622
Completed properties held for sale	558,805	345,610
	31,179,631	28,030,232
Properties under development comprise:		
– Construction costs	11,231,309	4,673,273
– Land use rights	18,225,506	21,927,788
– Interests capitalised	1,164,011	1,083,561
	30,620,826	27,684,622

Properties under development and completed properties held for sale of the Group are all located in the PRC and expected to be completed and available for sale within normal operating cycle.

The capitalisation rate of borrowings is 9.3% for the six months ended 30 June 2019 (six months ended 30 June 2018: 9.6%)

The information of the Group's pledged assets is disclosed in the Note 27.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables (Note a)		
– Third parties	188,165	199,094
– Related parties	29,851	20,756
Less: provision for impairment	(2,312)	(1,421)
	215,704	218,429
Other receivables		
– Deposits for acquisitions of land use rights	477,040	–
– Deposits for property development and construction projects	600,940	476,006
– Deposits for borrowings	36,524	66,207
– Cash advances with third parties	44,075	41,075
– Interest receivable	14,675	7,760
– Others	22,003	18,836
Less: provision for impairment	(28,910)	(21,285)
	1,166,347	588,599
Prepayments		
– Prepayments for acquisition of land use rights (Note b)	1,798,838	730,400
– Prepaid value added tax and other taxes	847,940	1,094,033
– Others	96,850	71,054
	2,743,628	1,895,487
Trade and other receivables and prepayments	4,125,679	2,702,515

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

- (a) Ageing analysis of the gross trade receivables as at 30 June 2019 and 31 December 2018 based on invoice dates or contractual terms are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 90 days	5,187	29,884
Over 90 days and within 365 days	34,202	10,058
Over 365 days	178,627	179,908
	218,016	219,850

Trade receivables are denominated in RMB and mainly arise from sales of properties and construction services. Proceeds from sales of properties and construction services are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

Trade receivables with ageing over 365 days mainly included receivables of construction service fees for two resettlement community projects, of which the customers are subsidiaries of the local State-owned Assets Supervision and Administration Commission. The Group maintains frequent communications with these customers. Management closely monitors the credit qualities and the collectability of these receivables and considers that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information.

- (b) Prepayments for acquisition of land use rights will be reclassified to properties under development when land certificates were obtained.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17. CASH AND CASH EQUIVALENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Denominated in		
– RMB	7,345,979	7,479,699
– US\$	8,721	5,862
– HK\$	222,001	1,350
	7,576,701	7,486,911

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary shares RMB'000
Authorised:			
As at 1 January 2019	100,000,000	1,000,000	
Increase	4,900,000,000	1,500,000	
As at 30 June 2019	5,000,000,000	2,500,000	
Issued:			
As at 1 January 2019	100,000,000	1,000,000	6,848
Sub-division of shares	1,900,000,000	–	–
Issue of shares in connection with the capitalisation issue (Note(i))	100,000,000	50,000	335
Issue of shares in connection with the Company's listing (Note(ii))	601,341,000	300,671	2,017
As at 30 June 2019	2,701,341,000	1,350,671	9,200

As at the date of incorporation, the authorised share capital of the Company was US\$50,000 divided into 50,000 shares with a par value of US\$1 each.

On the date of incorporation, 50,000 ordinary shares the Company were issued but not paid.

On 14 August 2018, each issued and unissued share with a par value of US\$1.00 each was sub-divided into 100 shares with a par value of US\$0.01 each. Upon completion of the share sub-division, the authorised share capital of the Company was US\$50,000 divided into 5,000,000 shares with a par value of US\$0.01 each. On 17 August 2018, the Company issued 6,000,000 shares and 89,000,000 shares to Createwisdom International Limited and Tak Shin International Limited respectively in connection with the reorganisation and the authorised number of ordinary shares of the Company was increased to 100,000,000 with a par value of US\$0.01 each.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18. SHARE CAPITAL (CONTINUED)

Pursuant to the written resolutions passed by the shareholders on 11 January 2019, the Company sub-divided all its issued and unissued shares with par value of US\$0.01 each into 20 shares of US\$0.0005 each. Accordingly, the number of issued ordinary shares increased from 100,000,000 shares to 2,000,000,000 shares. In addition, the Company increased its authorised share capital from US\$1,000,000 to US\$2,500,000 divided into 5,000,000,000 shares with a par value of US\$0.0005 each.

(i) Capitalisation issue

On 26 February 2019, the capitalisation issue pursuant to the shareholders' resolution dated 11 January 2019 was effected. The Company issued 100,000,000 ordinary shares at par value of US\$0.0005 each to holders of shares on the register of members of the Company at the close of business of 26 February 2019, by way of capitalisation of an amount of US\$50,000 standing to the credit of the share premium account of the Company.

(ii) The Company's listing

On 26 February 2019, the Company issued a total of 532,000,000 ordinary shares at a price of HK\$2.80 per share as a result of the completion of the global offering (the "Global Offering").

69,341,000 shares were issued upon the exercise of the over-allotment option in connection with the Global Offering on 19 March 2019 at a price of HK\$2.80 per share.

Number of total issued shares of the Company was increased to 2,701,341,000 shares upon completion of the capitalisation issue, the Global Offering and the exercise of over-allotment option.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19. OTHER RESERVES

Other reserves mainly included (i) the share premium in relation to the Company's listing after deducting share issuance expenses, and (ii) the accumulated capital contribution from the then shareholders of the group companies in excess of the consideration given in relation to the reorganisation.

20. STATUTORY RESERVES

In accordance with relevant rules and regulations in the PRC, when declaring dividend, the Group's PRC subsidiaries are required to appropriate not less than 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the respective companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses brought forward from prior years or to increase the paid up capital of respective companies.

21. DIVIDEND

At the board of directors meeting held on 28 August 2019, the directors of the Company proposed an interim dividend for the six months ended 30 June 2019 of RMB0.10 per ordinary share amounting to approximately RMB270,134,000 out of share premium account of the Company. These proposed dividends have not been reflected as dividends payable in this interim condensed consolidated financial information for the six months ended 30 June 2019, but will be reflected as dividends distribution for the year ending 31 December 2019.

For the six months ended 30 June 2018, dividends of RMB300,000,000 were declared and paid by the Group's subsidiary to the Group's then shareholders.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22. BORROWINGS FROM BANK AND OTHER FINANCIAL INSTITUTIONS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Borrowings included in non-current liabilities:		
Bank borrowings		
– Secured	4,903,500	3,183,000
Borrowings from other financial institutions		
– Secured	4,081,422	4,295,400
– Unsecured	325,621	1,028,200
Less: current portion of non-current borrowings	(2,510,792)	(4,082,742)
	6,799,751	4,423,858
Borrowings included in current liabilities:		
Bank borrowings		
– Secured	166,400	599,000
Borrowings from other financial institutions		
– Secured	538,600	673,000
– Unsecured	100,000	–
Current portion of non-current borrowings	2,510,792	4,082,742
	3,315,792	5,354,742
Total borrowings from bank and other financial institutions	10,115,543	9,778,600

As at 30 June 2019, all of the Group's borrowings were denominated in RMB (31 December 2018: same).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22. BORROWINGS FROM BANK AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

The carrying amounts of financial and non-financial assets pledged as security for borrowings are disclosed in Note 27.

Certain group companies in the PRC have entered into fund arrangements with trust companies and assets management companies, respectively, pursuant to which these financial institutions raised funds and injected them to the group companies. Certain equity interests of the group companies were held by the financial institutions as collateral of which the Group is obligated to redeem at predetermined prices. The funds bear fixed interest rates and have fixed repayment terms. Thus, the Group did not derecognise its equity interests in the subject group companies but treated the fund arrangements as other borrowings in the condensed consolidated financial information.

- (a) The weighted average effective interest rates as at 30 June 2019 is 9.12% (31 December 2018: 8.18%).
- (b) The carrying amounts of the borrowings approximated their fair values as at 30 June 2019 and 31 December 2018 as the impact of discounting of borrowings was not significant.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23. TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables (Note a)	1,214,419	1,400,010
Notes payables	7,924	7,612
Other payables:		
Other taxes payable	1,654,696	371,566
Interests payable	201,583	139,313
Construction fees received on behalf of constructors	167,034	299,540
Deposits from contractors and suppliers	160,662	164,162
Payroll payable	23,491	84,994
Deposits received for sales of properties	20,070	34,128
Advances from third parties	–	56,001
Others	137,976	110,954
	3,587,855	2,668,280

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23. TRADE AND OTHER PAYABLES (CONTINUED)

- (a) The ageing analysis of the trade payables based on invoice dates or contractual terms is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 90 days	520,264	1,207,401
Over 90 days and within 365 days	654,165	117,368
Over 365 days	39,990	75,241
	1,214,419	1,400,010

The carrying amounts of trade and other payables approximated their fair values.

24. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

(a) Amounts due from non-controlling interests

As at 30 June 2019, amounts due from non-controlling interests included amounts of RMB257,500,000 (31 December 2018: RMB95,000,000), which carried interest rates ranging from 4% to 10% per annum (31 December 2018: 4.75% to 12%). The remaining balance were interest free. All of the amounts due from non-controlling interests are unsecured and repayable on demand.

(b) Amounts due to non-controlling interests

As at 30 June 2019, amounts due to non-controlling interests included certain cash advances from non-controlling interests of approximately RMB1,710,472,000 (31 December 2018: RMB1,536,934,000) which bear interest rates ranging from 4.35% to 15% per annum as at 30 June 2019 (31 December 2018: 4.35% to 13% per annum) and are repayable according to respective agreements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25. FINANCIAL GUARANTEE

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Guarantee in respect of mortgage facilities for certain purchasers (Note a)	11,344,764	9,830,260
Guarantee provided for the borrowings of joint ventures and associates (Note b and Note 28)	1,925,897	1,587,410
Guarantee provided for the borrowings of third parties (Note b and Note c)	299,200	459,210
	13,569,861	11,876,880

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

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value as at 30 June 2019 and 31 December 2018 is immaterial.

- (b) Amounts represented the maximum exposure of the guarantees provided for the borrowings of the related parties and independent third parties at the respective balance sheet dates. The directors consider that the likelihood of default in payments by the related parties and independent third parties is minimal and therefore the financial guarantee measured at fair value as at 30 June 2019 and 31 December 2018 is immaterial.
- (c) As at 30 June 2019, the Group obtained counter-guarantees of approximately RMB284,240,000 from the shareholders of the borrowers.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

26. COMMITMENTS

Commitments contracted for but not provided for are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
– Property development activities	8,532,099	5,664,496
– Property, plant and equipment	20,558	8,622
– Investments in joint ventures and associates	191,149	60,284
– Investment properties	384,670	163,225
	9,128,476	5,896,627

27. ASSETS PLEDGED AS SECURITY

The Group's assets pledged as securities for the Group's borrowings (Note 22) are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	58,772	58,890
Right-of-use assets – land use rights	87,568	92,969
Investment properties	1,344,200	1,228,817
Total non-current assets pledged as security	1,490,540	1,380,676
Current assets		
Properties under development and completed properties held for sale	16,739,989	15,896,943
Total assets pledged as security	18,230,529	17,277,619

The Company's equity interests in certain subsidiaries were pledged as security for borrowing of the Group as at 30 June 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28. RELATED PARTY TRANSACTIONS

- (a) The ultimate holding company of the Company is Tak Shin International Limited (BVI), and the ultimate controlling shareholder of the Company is Mr. Hu Yiping (“Mr. Hu”).

Kylin Investment was an investment management company controlled by Mr. Hu during 1 January 2018 to 29 June 2018. On 29 June 2018, Mr. Hu transferred his equity interests in Kylin Investment to independent third parties and Kylin Investment ceased to be a related party of the Group.

(b) Key management compensation

Key management compensation for the six months ended 30 June 2019 and 2018 are set out below:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Key management compensation		
– Salaries and other employee benefits	2,546	2,518
– Pension costs	250	228
	2,796	2,746

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

As at 30 June 2019 and 31 December 2018, the Group had the following material balances with related parties:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
(i) Joint ventures		
Trade receivables from related parties	707	756
Amounts due from related parties	484,475	487,017
– Trade	–	–
– Non-trade	484,475	487,017
Amounts due to related parties	941,349	952,470
– Trade	–	–
– Non-trade	941,349	952,470
(ii) Associates		
Trade receivables from related parties	28,042	19,070
Amounts due from related parties	2,640,853	1,910,582
– Trade	17,000	15,000
– Non-trade	2,623,853	1,895,582
Amounts due to related parties	4,316,166	3,061,063
– Trade	–	–
– Non-trade	4,316,166	3,061,063
(iii) Entities controlled by Mr. Hu		
Trade receivables from related parties	1,102	930
Trade payables to related parties	35,638	26,459
Amounts due from related parties	22	381,223
– Trade	22	220
– Non-trade	–	381,003
Amounts due to related parties	77,881	14,044
– Trade	10,605	12,297
– Non-trade	67,276	1,747

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties (continued)

As at 30 June 2019, the non-trade amounts due to joint ventures and associates totalling RMB2,146,979,000 (31 December 2018: RMB759,505,000) bear interest rates ranging from 4.35% to 7% per annum (31 December 2018: 4.35% to 13% per annum) and were repayable on demand or based on the contractual agreements (31 December 2018: same).

As at 30 June 2019, the non-trade amounts due from joint ventures and associates totalling RMB105,900,000 (31 December 2018: RMB36,300,000) bear interest rates ranging from 7% to 10% per annum (31 December 2018: 12% per annum) and were repayable on demand or based on the contractual agreements (31 December 2018: same).

The rest of non-trade amounts due from/to related parties mainly represented the cash advances which were unsecured, interest free and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with related parties

During the six months ended 30 June 2019 and 2018, the Group had the following significant transactions with related parties.

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
(i) Entities controlled by Mr. Hu		
Receiving of property management services	15,338	10,752
Receiving of construction and decoration services	60,637	35,685
Purchase of financial assets at fair value through profit or loss	–	301,290
Receiving of financing and management services	–	16,155
Interest income	–	9,817
Interest expenses	–	23,006
(ii) Joint ventures		
Rendering of management and consulting services	813	1,362
Interest income	–	2,827
Interest expenses	3,316	6,925
(iii) Associates		
Rendering of management and consulting services	22,445	12,776
Interest income	15,563	18,460
Interest expenses	23,114	–

The prices for the above transactions were determined in accordance with the terms agreed by the relevant contracting parties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Guarantee with related parties

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Provision of guarantee for borrowings of related parties		
– Joint ventures	325,000	157,500
– Associates	1,600,897	1,429,910
	1,925,897	1,587,410
Received guarantee from Mr. Hu or Mr. Hu and his spouse in connection with the Group's borrowings	–	1,287,000

29. SUBSEQUENT EVENTS

The Company has issued US\$200 million senior notes bearing an interest rate of 12.875% per annum due in August 2021 at an issue price of 98.095% on 6 August 2019. The senior notes were listed on the Hong Kong Stock Exchange on 7 August 2019.