



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

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



根植中原 造福百姓

胡海森

Interim Report
2019



CONTENTS

Corporate Information	2
Corporate Profile	4
Chairman’s Statement	6
Financial Highlights	9
Management Discussion and Analysis	10
Disclosure of Interests	50
Corporate Governance and Other Information	54
Consolidated Income Statement	56
Consolidated Statement of Comprehensive Income	57
Consolidated Statement of Financial Position	58
Consolidated Statement of Changes in Equity	60
Condensed Consolidated Cash Flow Statement	62
Notes to the Financial Statements	64
Review Report	100

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Po Sum (*Chairman*)

Mr. Liu Weixing

Mr. Wang Jun

Non-executive Directors

Mr. Lucas Ignatius Loh Jen Yuh (*Vice-chairman*)
(resigned on 1 August 2019)

Mr. Puah Tze Shyang (resigned on 1 August 2019)

Ms. Wu Wallis (alias Li Hua)

Independent Non-executive Directors

Mr. Cheung Shek Lun

Mr. Xin Luo Lin

Dr. Sun Yuyang

BOARD COMMITTEES

Audit Committee

Mr. Cheung Shek Lun (*Chairman*)

Mr. Xin Luo Lin

Mr. Lucas Ignatius Loh Jen Yuh (resigned on 1 August 2019)

Dr. Sun Yuyang (appointed on 1 August 2019)

Remuneration Committee

Mr. Xin Luo Lin (*Chairman*)

Mr. Wu Po Sum

Mr. Cheung Shek Lun

Nomination Committee

Mr. Wu Po Sum (*Chairman*)

Mr. Cheung Shek Lun

Mr. Xin Luo Lin

CHIEF EXECUTIVE OFFICER

Mr. Yuan Xujun

COMPANY SECRETARY

Mr. Yeung Wai Leung

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Block E, Jianye Office Building

Nongye East Road, Zhengzhou City

Henan Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 7701B-7702A

77th Floor, International Commerce Centre

1 Austin Road West

Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited

3rd Floor, Royal Bank House,

24 Shedden Road, P.O. Box 1586,

Grand Cayman, KY1-1110, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East,

Wanchai, Hong Kong

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL BANKERS

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

LEGAL ADVISERS

As to Hong Kong Law

Li & Partners

As to Cayman Islands Law

Conyers Dill & Pearman (Cayman) Limited

INDEPENDENT AUDITORS

KPMG
Certified Public Accountants

WEBSITE OF THE COMPANY

www.jianye.com.cn

SHAREHOLDERS' INFORMATION

Share listing

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited

Ordinary Shares (as at 30 June 2019)

Shares outstanding : 2,731,762,560 shares
Nominal value : HK\$0.10 per share

INVESTOR RELATIONS CONTACT

Email address : ir@centralchina.com

HEAD OF INVESTOR RELATIONS & CHIEF INVESTMENT OFFICER

Mr. Mai Vinh

CORPORATE PROFILE

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

The Company has been committed to the real estate main business and the development of branded properties as its principal activity since its establishment. Over 27 years, we have continued to guide residents to new exposures in lifestyle through our articulately crafted architectural masterpieces in honour of our core value of “Taking Root in Central China and Contributing to Society”. The Company is of the view that enterprises relate to society in the same way as trees relate to the earth. When we establish our presence in a city, we cooperate with our local peer developers to contribute to the local community by improving the standards of construction, increasing tax collections for local governments and creating job opportunities. Our relentless efforts in driving the urbanisation process and promoting the economic and social growth in Henan Province have won the accolades of government authorities, professionals, peers, investors, customers and our employees.

The Company positions itself as a facilitator of urbanisation and all-round social progress for the region of central China. Having taken root in Henan Province for 27 years, we are resolute as ever in our vision and mission of “building quality houses for the people of Henan”. With the development of housing complexes such as “Forest Peninsula”, “U-Town”, “Code One City”, “Sweet-Scented Osmanthus Garden”, “Jianye Eighteen Cities” and “New Asia”, we have improved the standard of residential housing in various cities in the Henan Province. In addition, the launch of light-asset model of the Company has secured synergetic effect with its property development business, making important contributions to the urbanisation process of the province. Meanwhile, the Company endeavours to construct a “tailor-made” mega service regime by integrating internal and external resources, such as property, education, hotel, football, commerce and green house, with a view to activating the “New Blue Ocean Strategy” and transforming the Company from an urban complex developer to a new lifestyle services provider for urban residents.

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

In its persistent professional pursuit of premium residential housing development over the past 27 years, the Company has fostered a “CCRE model” focused on provincial and regional development, created a brand name well trusted for social responsibility, groomed a high calibre management team, given substance to the corporate philosophy of “Perseverance for Excellence” and embarked on a development cycle of “ongoing profitability and stable growth”.

As at 30 June 2019, the Company has established its presence in Henan Province’s 18 prefecture-level cities and 77 county-level cities. The Company had delivered development projects with an accumulated aggregate gross floor area (“GFA”) of approximately 32.53 million square metres (“sq.m.”) and owned 127 projects under development, total GFA under development of approximately 26.55 million sq.m. and land reserves GFA of approximately 47.69 million sq.m., including beneficially interested GFA of approximately 37.19 million sq.m..

CORPORATE PROFILE (CONTINUED)

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

The Company ranked 40th in the “2019 Top 500 Chinese Property Developers” in the “2019 Assessment Report on Top 500 Chinese Property Developers” published on 20 March 2019 and topped the list of “Top 10 Chinese Property Developers in Regional Operations” for eleven consecutive years. According to the “Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2019” published on 23 May 2019, the Company ranked 32nd on the “2019 Best 100 China Real Estate Listed Companies with Strongest Comprehensive Strengths” and ranked 4th among the listed property companies in China in terms of operations performance. The Company was awarded “the Most Socially Responsible Hong Kong Listed Company” (港股上市公司最具社會責任獎) in the “Gelonghui-1st Greater China Best Listed Companies Awarding Ceremony” (格隆匯·首屆大中華區最佳上市公司) held on 31 May. Meanwhile, “2019 Top 100 China Real Estate Brand Value” (2019中國房地產企業品牌價值TOP100) was issued on 27 June, in which the Company ranked 30th.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

I have the pleasure to present, on behalf of the board of directors of the Company, to you the unaudited consolidated interim results and the business review of the Group for the six months ended 30 June 2019.

In the first half of 2019, against the backdrop of complex and challenging global economic environment, slowdown in economic growth and growing external instability and uncertainties, the Chinese economy remained within a reasonable range and maintained a positive development momentum amidst the overall stable situation. In the first half of 2019, China's gross domestic product (GDP) grew by 6.3% as compared with the corresponding period in 2018 to RMB45.09 trillion. The central government vigorously pushed forward the structural reform, proactively implemented a wide variety of measures such as tax and fee cut and adopted proactive fiscal policies, enabling the Chinese economy to maintain steady growth despite negative impacts from external shocks.

As for the real estate market, driven by the national regulation objectives of "maintaining stability in the land prices, property prices, and expectations" and the basic tone of "Houses are for living, not for speculation", the investment in real estate development in China amounted to RMB6.16 trillion in the first half of 2019, representing an increase of 10.9% over the previous year, and the area of commercial housing sold amounted to 758 million sq.m., representing a decrease of 1.8% over the previous year. The sales of commodity housing in China amounted to RMB7.07 trillion, representing a year-on-year growth of 5.6%.

In the first half of 2019, growth in GDP of Henan Province stood at 7.7% over the same period of last year, and continued to outperform the average national economic development level, which was mainly attributable to the strong domestic demand, rapid urbanisation construction and urban agglomeration in Central China that promoted the integrated development of urban and rural areas, releasing huge market demands which further energized the economy of Henan Province.

Based on its prediction and analysis of the industry environment and competitive landscape in addition to its 27-year accumulative branding effects, the Company achieved sales of RMB27.66 billion in the first half of 2019, representing an increase of 9.2% over the same period of last year; together with the light assets business, the Company achieved a total sales of RMB39.591 billion, 24.1% higher than that of the same period of last year, becoming the "Double Champion" in the real estate market of Henan region in terms of cash flow and sales GFA. Meanwhile, according to the Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2019 published on 23 May 2019, the Company ranked the 32nd among the "Top 50 China Real Estate Listed Companies with Strongest Comprehensive Strength in 2019" and again ranked the 4th among the top five listed property companies in China in terms of operations performance.

Based on the coordination and analysis on different cities in the region, the Company has adopted a dual approach of light and heavy assets for development to explore projects resources in Henan Province and the surrounding areas through multi-channel expansion. In the reporting period, the Company newly acquired land reserves with a total GFA of approximately 4.52 million sq.m.. In relation to light assets, the Company has signed contracts in relation to 131 projects with a planned GFA of approximately 19.91 million sq.m. in aggregate. The diversified development will effectively enhance the market share and the brand influence of the Company, allowing the Company to achieve its development goals.

Over the past 70 years since the founding the People's Republic of China, people's life has undergone earth-shaking changes. In the new era, people's growing needs for a better life have become a whole new proposition of this era. To create a rich, diverse and wonderful life experience has become a new direction for enterprise development.

CHAIRMAN'S STATEMENT (CONTINUED)

Since 2015, the Company has officially launched the strategic transformation from a “real estate developer” to “new lifestyle service provider”. After four years of business expansion, “Jianye+” commercial ecosystem has been gradually improved, which began to show positive result. For example, the Company’s first premium customised residential project “Junlin Grand Courtyard” which is designed exclusively for members of Jianye Junlin Club has been successfully launched, Yingtaogou Football Town project of Jianye Central China Cultural Town received over 500,000 visitors during the Spring Festival and Jianye Film Town project is scheduled to be opened in the second half of the year. Jianye’s strategy of developing and transforming into “new lifestyle service provider” has paid off with the implementation and exploration of such projects, which also provided positive synergetic effects for the Company’s core property business in land resource acquisition and development.

On 6 June 2019, the “Jianye+” APP was officially launched, representing another material achievement made by the Company focusing on exploration for new ways to cater to the consumption upgrade and new lifestyle of its core customer groups since the implementation of its new blue ocean transformation strategy in 2015. Leveraging on the “Jianye+” commercial ecosystem and APP, the Company will adhere to its mission of “Providing quality living standards for the people of Henan”, and provide its customers with new diverse lifestyles by proactively catering to customer needs, with a hope to open up the entire lifestyle-focused industry chain from investment, construction to service.

With its strategic focus on Central China region for 27 years, the Company has built up strong brand influence, good reputation and credit support in the regional market, with growing core competitiveness in the region. At a time when the economic environment remained volatile, the regulation of the industry intensified and many real estate developers underwent business transformation, the Company maintained its “deep autumn outlook” and believed in the business philosophy of “the law is natural rules”, rendering extraordinary performance against the trend. In an era of global economic integration when everything is undergoing rapid changes, the Company believes that human nature and people’s hearts have not changed, and the law of doing business is to win the hearts of the people.

In the future, the Company will leverage the combined advantages brought by our brand, customers and unique business model, facilitate resources consolidation and innovate channels for land acquisition to further upgrade our products and service standards, maximise synergy of the “joint operations with multiple forces” within our “Jianye+” commercial ecosystem centred on the core property business, maintain our corporate culture underpinned by “honesty, responsibility, integrity and focus” so as to strive to achieve the management target of “sharing, win-win relations, responsibility, co-creation and consensus”.

As a value-driven and strategy-oriented company, the Company will rely on the development opportunities of Henan Province in a new era to further explore the regional market. Adhering to the corporate mission of “Providing quality living standards for the people of Henan”, the Company will continue to be committed to creating a new way of life for the 100 million people in Henan.

CHAIRMAN'S STATEMENT (CONTINUED)

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to our employees for their diligent work and contributions. In such an era of changing and evolution, the trust and recognition of our shareholders remain the driving force for us to go forward. We will keep trying to maximise shareholders' value by acting as the facilitator of urbanisation and social progress in the cities of Central China and enhancing our contributions to the healthy and sustainable development of China's real estate industry.

Wu Po Sum

Chairman

20 August 2019

FINANCIAL HIGHLIGHTS

SUMMARY OF INCOME STATEMENT

For the period ended 30 June

	2019	2018	Changes
Revenue (RMB'000)	9,068,042	4,770,643	90.1%
Gross profit (RMB'000)	2,474,340	1,719,666	43.9%
Gross profit margin	27.3%	36.0%	-8.7*
Gross profit from core businesses (RMB'000)	1,935,166	1,622,658	19.3%
Gross profit margin from core businesses	23.1%	31.1%	-8.0*
Net profit (RMB'000)	768,289	574,265	33.8%
Net profit margin	8.5%	12.0%	-3.5*
Profit attributable to equity shareholders (RMB'000)	657,720	550,011	19.6%
Basic earnings per share (RMB cents)	24.08	22.28	8.1%
Diluted earnings per share (RMB cents)	23.64	21.84	8.2%
Interim dividends per share (HK\$)	0.1560	0.0716	117.9%

SUMMARY OF STATEMENT OF FINANCIAL POSITION

As at 30 June

	2019	2018	Changes
Total cash (including cash and cash equivalents and restricted bank deposits) (RMB'000)	23,817,117	14,957,114	59.2%
Total assets (RMB'000)	120,927,232	76,812,926	57.4%
Total liabilities (RMB'000)	110,087,347	66,863,998	64.6%
Total equity (including non-controlling interests) (RMB'000)	10,839,885	9,948,928	9.0%
Total borrowings (RMB'000)	25,797,641	19,664,012	31.2%
Net borrowings (RMB'000)	6,557,039	7,097,240	-7.6%
Current ratio ⁽¹⁾	110.4%	113.2%	-2.8*
Net gearing ratio ⁽²⁾	60.5%	71.3%	-10.8*
Net asset value per share (RMB)	3.97	3.64	9.1%
Equity attributable to equity shareholders (RMB)	3.34	3.28	1.8%

Notes: * change in percentage points

(1) calculated based on the Group's total current assets divided by the Group's total current liabilities

(2) calculated as set out on pages 14 to 15

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall performance

The Group is pleased to announce a growth in contracted sales amounting to RMB39,591 million for the six months ended 30 June 2019, representing a year-on-year increase of approximately 24.1%, of which the contracted sales of heavy assets amounted to RMB27,660 million, representing a year-on-year increase of approximately 9.2%, and the contracted sales of light assets amounted to RMB11,931 million, representing a year-on-year increase of approximately 81.3%. As the increase in contracted sales and cash collection of sales were satisfactory, the cash and cash equivalents and restricted bank deposits of the Group in total amounted to approximately RMB23,817 million as at 30 June 2019.

As at 30 June 2019, net borrowings in total amounted to approximately RMB6,557 million with net gearing ratio of approximately 60.5%. The Group has persisted in adhering to a prudent principle in financial management, thus maintaining a high proportion of cash with a reasonable level of borrowing.

The Group continued to implement a prudent approach to acquire land and accelerated the project construction progress, so as to shorten the development cycle. During the six months ended 30 June 2019, the property projects delivered by the Group amounted to 31, an increase of 22 projects over the corresponding period of last year. Furthermore, the Group owned 127 projects under development during the six months ended 30 June 2019, an increase of 39 projects over the corresponding period of last year. As a result, revenue from the real estate business recognised upon delivery and according to the percentage of completion recorded an increase. The profit attributable to the equity shareholders of the Company for the six months ended 30 June 2019 was approximately RMB658 million, representing a year-on-year increase of approximately 19.6%.

As at 30 June 2019, the Company has entered into contracts for 131 light-asset model projects in total with expected total GFA of approximately 19.91 million sq.m. according to those contracts. Those light-asset model projects contracts generated revenues of approximately RMB404 million in the six months ended 30 June 2019 for the Group, representing a year-on-year increase of approximately 62.2%. Such light-asset projects will generate steady income to the Group in the coming years.

As at 30 June 2019, the contracted sales of the Company which was not recognised was approximately RMB50,592 million with corresponding gross profits of approximately RMB12,602 million. The amount is expected to be recognised as revenue and gross profit in the next two or three years. In addition, the contracted sales of the joint ventures and associates that were not recognised was approximately RMB19,656 million with corresponding gross profit of approximately RMB4,768 million.

In addition to property sales, the Group has been developing hotel, cultural tourism, green house and light-asset projects, so as to diversify its businesses, expand its revenue base and spread its operational risks. The management believes that the injection of part of the resources into these new businesses would improve the Group's industry value-chain and the integration of its businesses into interactive business segments such as properties, hotels, cultural tourism and green house, which will enable it to offer "personalised" services to its customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue: Our revenue increased by 90.1% to approximately RMB9,068 million for the six months ended 30 June 2019 from approximately RMB4,771 million for the six months ended 30 June 2018, primarily due to the increase in the number of property projects delivered and projects under development recognised according to the percentage of completion that were eligible for revenue recognition.

- **Income from sales of properties:** Revenue from property sales increased by 93.9% to approximately RMB8,394 million for the six months ended 30 June 2019 from approximately RMB4,329 million for the six months ended 30 June 2018 due to an increase in the GFA sold by 102.6% to 1,376,219 sq.m. for the six months ended 30 June 2019 from 679,243 sq.m. for the six months ended 30 June 2018, while the average selling price (excluding underground parking spaces) increased by 5.9% to RMB5,747 per sq.m. for the six months ended 30 June 2019 from RMB5,427 per sq.m. for the six months ended 30 June 2018.
- **Rental income:** Income from property leasing increased by 31.7% to approximately RMB79 million for the six months ended 30 June 2019 from approximately RMB60 million for the six months ended 30 June 2018, which was mainly due to the rental income from the newly-opened shopping malls, commercial buildings and their supporting facilities.
- **Revenue from hotel operation:** Revenue from hotel operation increased by 12.9% to RMB149 million for the six months ended 30 June 2019 from approximately RMB132 million for the six months ended 30 June 2018, as the markets of the famous tourist cities of Henan, such as Nanyang and Luohe, were rather prosperous during the period as compared with the corresponding period of 2018, with the occupancy rate and room rates increasing as compared with that of the corresponding period of 2018.
- **Revenue from provision of project management service:** Revenue from provision of project management service increased by 62.2% to approximately RMB404 million for the six months ended 30 June 2019 from approximately RMB249 million for the six months ended 30 June 2018 which was derived from operation and management services provided by the Group under light-asset projects. The increase was mainly attributable to a rapid increase in projects.

Cost of sales: Our cost of sales increased by 116.1% to approximately RMB6,594 million for the six months ended 30 June 2019 from approximately RMB3,051 million for the six months ended 30 June 2018. The increase in cost of sales was due to the increase in GFA of properties sold as mentioned above.

Gross profit: The Group's gross profit increased by 43.8% to approximately RMB2,474 million for the six months ended 30 June 2019 from approximately RMB1,720 million for the six months ended 30 June 2018, while our gross profit margin decreased by 8.7 percentage points from 36.0% for the six months ended 30 June 2018 to 27.3% for the six months ended 30 June 2019. It was principally because that: 1) the proportion of recognised sales of car park spaces with high gross decreased, resulting in a decrease of approximately 3.8 percentage points in gross profit margin; and 2) the projects recognised in the first half of 2018 was mostly projects with high gross profit, leading to a decrease of approximately 4.5 percentage points in gross profit margin of the property sales for the current period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other revenue: Other revenue decreased by 5.3% to approximately RMB125 million for the six months ended 30 June 2019 from approximately RMB132 million for the six months ended 30 June 2018. This was primarily due to a decrease in government compensation.

Other net income/(loss): Other net income/(loss) increased significantly by 1,397.8% to an income of approximately RMB597 million for the six months ended 30 June 2019 from a loss of approximately RMB46 million for the six months ended 30 June 2018. This was primarily due to the gain from deemed disposal of joint ventures and gain from the disposal of a joint venture recorded during the period.

Selling and marketing expenses: Our selling and marketing expenses increased by 73.4% to approximately RMB751 million for the six months ended 30 June 2019 from approximately RMB433 million for the six months ended 30 June 2018. The increase was primarily due to the increase in contracted sales and revenue and the increase in sales staff resulting in an increase in the salary and bonuses, sale commissions, advertising marketing expenses and other related marketing expenses, of which 1) the staff costs increased by RMB104 million; 2) the advertising marketing expenses increased by RMB101 million; and 3) the property management fees for the sales centre and vacant properties increased by RMB57 million.

General and administrative expenses: Our general and administrative expenses increased by 32.4% to approximately RMB772 million for the six months ended 30 June 2019 from approximately RMB583 million for the six months ended 30 June 2018. This increase was primarily due to the increase by 44.3% in the number of projects under development from 88 during the six months ended 30 June 2018 to 127 at the end of the current period, thus resulting in the increase of 1) approximately RMB103 million in staff costs; 2) approximately RMB25 million in travel expenses; 3) approximately RMB21 million in legal and professional service fees; and 4) approximately RMB19 million in other related tax for the six months ended 30 June 2019 as compared with that of the corresponding period of 2018.

Impairment losses on trade and other receivables and contract assets: Impairment losses on trade and other receivables and contract asset increased by 48.8% to approximately RMB61 million for the six months ended 30 June 2019 from approximately RMB41 million for the six months ended 30 June 2018, which was mainly due to the increase in the contract assets and balance of trade receivables as at the end of the period, leading to an increase in the provision of expected credit loss.

Finance costs: Our finance costs increased by 40.2% to approximately RMB230 million for the six months ended 30 June 2019 from approximately RMB164 million for the six months ended 30 June 2018, mainly due to 1) the increase in interest expenses on borrowings; and 2) the change in fair value of derivatives.

Share of profits less losses of associates: Our share of losses of associates decreased by 20.0% to approximately RMB4 million for the six months ended 30 June 2019 from approximately RMB5 million for the six months ended 30 June 2018, primarily due to gradually stabilizing operation of certain associates which were still at early stage of development.

Share of profits less losses of joint ventures: Our share of profits less losses of joint ventures increased by 353.8% to a profit of approximately RMB165 million for the six months ended 30 June 2019 from a loss of approximately RMB65 million for the six months ended 30 June 2018, primarily due to the increase in revenue recognised in respect of the joint ventures as certain joint venture projects were accounted for as sales carried forward.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Net valuation gain on investment property: A valuation gain of approximately RMB20 million on our investment property for the six months ended 30 June 2019 was recorded, which was mainly due to the rising rental of the commercial buildings such as the five buildings of Zhengzhou Jianye and Luoyang Triumph Plaza, resulting in an increase in the valuation of investment properties.

Income tax: Income tax mainly comprises corporate income tax and land appreciation tax. The Group's income tax increased by 57.7% to approximately RMB795 million for the six months ended 30 June 2019 from approximately RMB504 million for the six months ended 30 June 2018. It was principally due to the increase in income tax as a result of the increase in revenue from property sales recognised according to the percentage of completion during the period.

Profit for the period: As a result of the foregoing, our profit increased by 33.8% to approximately RMB768 million for the six months ended 30 June 2019 as compared to approximately RMB574 million for the six months ended 30 June 2018.

Financial resources and utilisation: As at 30 June 2019, the Group's cash and cash equivalents amounted to approximately RMB19,241 million (31 December 2018: approximately RMB14,202 million). Subsequent to the reporting period, the Company has declared an interim dividend of approximately RMB383 million in total to the shareholders of the Company in relation to profit attributable to the six months ended 30 June 2019 (30 June 2018: approximately RMB165 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Structure of Borrowings and Deposits

The Group continued to adopt a prudent principle on financial management and centralise our funding and financial management. Therefore, we maintained a high proportion of cash with a reasonable level of borrowing. During the period, we successfully issued the 7.325% senior notes due 2020 with a principal amount of US\$200,000,000 (the "US\$200m Senior Notes Due 2020") and 7.25% senior notes due 2023 with a principal amount of US\$300,000,000 (the "US\$300m Senior Notes Due 2023"), respectively. As at 30 June 2019, the repayment schedule of the Group's bank and other borrowings was as follows:

Repayment Schedule	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Bank loans		
Within one year	3,280,945	1,756,130
More than one year, but not exceeding two years	1,822,750	2,232,976
More than two years, but not exceeding five years	1,625,703	1,368,250
Exceeding five years	270,797	473,125
	7,000,195	5,830,481
Other loans		
Within one year	1,597,640	593,150
More than one year, but not exceeding two years	2,773,100	240,030
	4,370,740	883,180
Corporate bonds		
Within one year	–	2,996,760
More than one year, but not exceeding two years	1,499,893	–
	1,499,893	2,996,760
Senior notes		
Within one year	2,126,029	–
More than one year, but not exceeding two years	7,412,115	4,744,799
More than two years, but not exceeding five years	3,388,669	5,446,030
	12,926,813	10,190,829
Total borrowings	25,797,641	19,851,250

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Repayment Schedule	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Deduct:		
Cash and cash equivalents	(19,240,602)	(14,202,259)
Net borrowings	6,557,039	5,648,991
Total equity	10,839,885	10,269,784
Net gearing ratio (%)	60.5%	55.0%

Pledge of assets: As at 30 June 2019, we had pledged restricted bank deposits, completed properties, properties under development, properties for future development, plant and equipment, and equity interest in a joint venture with an aggregate carrying amount of approximately RMB10,104 million (31 December 2018: approximately RMB4,349 million) to secure general bank credit facilities and other loans granted to us. We also pledged properties for sale with an aggregate carrying amount of approximately RMB3,788 million (31 December 2018: approximately RMB450 million) to secure loans granted to a joint venture.

Contingent liabilities: As at 30 June 2019, we provided guarantees of approximately RMB32,105 million (31 December 2018: approximately RMB29,523 million) to banks in respect of the mortgage loans provided by the banks to customers who purchased the developed properties of the Group and its joint ventures. We also provided guarantees of approximately RMB10,373 million as at 30 June 2019 (31 December 2018: approximately RMB4,985 million) in respect of bank loans and other loans of joint ventures.

Capital commitment: As at 30 June 2019, we had contractual commitments undertaken by subsidiaries, the performance of which was underway or ready, in respect of property development amounting to approximately RMB24,146 million (31 December 2018: approximately RMB24,153 million), and we had authorised, but not yet contracted for, a further approximately RMB49,996 million (31 December 2018: approximately RMB44,535 million) in expenditure in respect of property development and capital investments.

Foreign exchange risk: Our businesses are principally conducted in RMB. The majority of our assets are denominated in RMB. As at 30 June 2019, our major non-RMB assets and liabilities are (i) bank deposits denominated in H.K. dollar; and (ii) the senior notes denominated in U.S. dollar and Singapore dollar. We are subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities denominated in currencies other than RMB. Considering the main income stream of the Group denominated in RMB, we have changed the currency to repay the principal and interest of the US\$200 million Senior Notes issued in 2016 into RMB through a foreign exchange swap contract, and locked the exchange rate of the net investment denominated in RMB and with an equivalent amount of US\$600 million through foreign exchange forward contracts.

Interest rate risk: The interest rates for a portion of our loans were floating. Upward fluctuation in interest rates will increase the interest cost of new and existing loans. We have swapped the floating rate of the borrowing of US\$135 million to fixed rates through interest rate swap contracts to hedge part of the interest rate risk.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

REVIEW OF OPERATIONS

(I) Market and Operations Review

1. General Situation

In the first half of 2019, in the face of an extremely complicated and severe situation at home and abroad, the Chinese Central Government adhered to the market-oriented reform strategy and approach to address the development issues by strengthening the countercyclical adjustment of macro policies, implementing diverse and flexible fiscal, monetary and employment policies, and launching more forward-looking, targeted and effective regulatory policies, creating favourable conditions for stable economic operation. Despite the slowdown in economic growth, the overall economy maintained stable development momentum. The further implementation of reform and launching of measures such as tax-cut and fee-reduction enhanced economy vitality, with a number of economic indicators remaining within reasonable range and improvement in market expectation. In the first half of 2019, China achieved a GDP of approximately RMB45.09 trillion, representing a year-on-year increase of 6.3%.

In 2019, under the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, Henan Province adhered to the general tone of striving for economic growth on the basis of steadiness while closely following the guidance of the new development theories and concentrating its efforts and resources in implementing all kinds of policies. Consequently, its economy has maintained an overall stable and progressive development trend. The increasing market demand, improved quality and efficiency of economic development and enhanced growth drivers have laid a solid foundation for the steady and healthy economic development of the province throughout the year. In the first half of 2019, Henan Province achieved a GDP of approximately RMB2.42 trillion, representing a year-on-year increase of 7.7%, which is 1.4 percentage points higher than the national average.

2. The Property Market

In the first half of 2019, there showed a high degree of policy synergy regarding the real estate industry from central government to local government and from demand management to supply management: the central government made timely emphasis on that "Houses are for living, not for speculation" at important meetings, demonstrating the government's resolution in implementing this policy; the competent authorities strived to establish risk preventing mechanism focusing on market alert, money supply regulation and cash flow supervision; the local governments adjusted policies in a timely manner in light of changes in actual situation, and implemented differentiated policies in different cities, so as to ensure stable market performance. In the first half of the year, the overall market experienced recovery with clear differentiation in performance in the markets in different cities, showing a market feature of eventual decline following initial growth.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In the first half of 2019, the GFA of commodity housing sold in China amounted to 757.86 million sq.m., representing a year-on-year decrease of 1.8%; the sales of commodity housing amounted to RMB7,069.8 billion, representing a year-on-year growth of 5.6%; total investment in real estate development was RMB6,160.9 billion, representing a year-on-year growth of 10.9%.

Henan Province continued to accelerate new urbanisation construction, resulting in increasingly enlarged urban space. While insisting on the guideline known as “housing is for accommodation, not for speculation”, Henan Province underlined the function of the city and insisted on applying differentiated policies in different cities, implementing a basket of policy tools, combining both long-term and short-term policies and adhering to the strategy of “One Policy for One City”, so as to establish and improve long-term development mechanism to ensure stable and healthy development of the real estate industry. In 2019, despite the significant contraction in shanty area renovation scheme as compared with last year, market demand remained relatively strong and the land markets in various cities experienced noticeable improvement with land price records being repeatedly broken and the commercial property market remaining relatively stable. The growth rate of the real estate market was higher than the national average rate. In the first half of 2019, the area of commercial house sold in Henan Province amounted to 57,474,800 sq.m., up 7.7% year-on-year; the commercial house sales amounted to RMB368.345 billion, up 20.0% year-on-year; and the investment in real estate development amounted to RMB326.112 billion, up 4.1% year-on-year.

(II) Project Development

1. Property Development

The Company continued to grow in the first half of 2019. It orderly commenced all works set out in the annual operating plan. By leveraging our strengths, the Company persistently focused on Henan while developing the cities where we operate, and moderately stocked up high quality projects in cities with better development prospects with an aim to ensure stable operation and sound development of the Company.

(a) Property Sales Performance

The Company achieved steady growth in sales performance through greater sales effort. As at 30 June 2019, the contracted sales achieved by the Company amounted to approximately RMB27,660 million, representing a year-on-year increase of 9.2%; and the contracted area sold by the Company was approximately 3,824,356 sq.m., representing a year-on-year increase of 11.0%. In terms of contracted sales amount, the market share of the Company as at 30 June 2019 in Henan province was 7.7%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Geographical Breakdown of Contracted Sales in the first half of 2019

City	Contracted sales amount (RMB million)			Contracted GFA ('000 sq.m.)		
	1H2019	1H2018	Change	1H2019	1H2018	Change
Zhengzhou	4,959	7,598	-35%	426	642	-34%
Kaifeng	362	306	18%	59	36	64%
Luoyang	3,641	1,575	131%	407	184	121%
Pingdingshan	945	508	86%	173	99	75%
Anyang	1,275	1,153	11%	194	209	-7%
Hebi	34	125	-73%	8	21	-62%
Xinxiang	2,921	1,137	157%	399	174	129%
Jiaozuo	852	873	-2%	135	150	-10%
Puyang	1,733	1,283	35%	308	190	62%
Xuchang	940	1,595	-41%	119	218	-45%
Luohe	498	572	-13%	64	81	-21%
Sanmenxia	185	718	-74%	28	116	-76%
Shangqiu	1,679	819	105%	201	120	68%
Zhoukou	3,112	2,865	9%	558	469	19%
Zhumadian	2,356	2,329	1%	433	474	-9%
Nanyang	1,035	1,013	2%	130	120	8%
Xinyang	400	196	104%	71	43	65%
Jiyuan	733	664	10%	111	101	10%
Total	27,660	25,329	9%	3,824	3,447	11%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(b) Newly Commenced Property Projects

During the reporting period, the Company commenced construction of 60 projects in total with newly commenced GFA of 7,222,000 sq.m., representing an increase of 28% as compared with the same period last year. The Company strengthened the efforts in market research and optimised product plans based on the geological distribution of customers and estimated sales. This helped the Company to further enhance its product competitiveness and market performance, and contributed to a safe and reasonable inventory structure.

City	Project name	Principal use of property	Newly commenced GFA during the period (sq.m.)
Zhengzhou	International City	Residential	586,781
Zhengzhou	Royal Mansion	Residential	221,557
Zhengzhou	Zhengzhou Blossom Garden	Residential	242,602
Zhengzhou	Zhengzhou Wonderland	Residential	134,829
Zhengzhou	Zhengzhou J18 Project	Commercial	361,207
Zhengzhou	Zhengxi U-Town	Residential	145,080
Zhengzhou	Financial Island	Commercial	362,695
Zhengzhou	Jianye Art Mansion (Unique in Henan)	Residential	139,219
Zhengzhou	Jianye Chengyuan (Movie Town)	Residential	26,081
Zhengzhou	Gongyi Spring Time	Residential	109,934
Zhengzhou	Dengfeng Songyue Mansion	Residential	146,340
Kaifeng	Tongxu Code One City	Residential	78,136
Kaifeng	Tongxu Jianye City	Residential	113,712
Kaifeng	Lankao Red World	Commercial	16,801
Luoyang	Luoyang Honour Mansion	Residential	112,069
Luoyang	Luoyang Longcheng Dongwang	Residential	97,780
Luoyang	Luoyang Technology City	Residential	156,893
Luoyang	Luoyang Dingding House	Residential	148,331
Luoyang	Luanchuan Luanzhou House	Residential	61,108
Pingdingshan	Wugang Forest Peninsula	Residential	60,102
Pingdingshan	Wugang Jade County	Residential	34,342
Pingdingshan	Pingdingshan Spring Time	Residential	109,780
Anyang	Anyang Code One City	Residential	120,178
Anyang	Anyang Chinoiserie House	Residential	43,606
Anyang	Anyang Jianye City	Residential	40,440

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

City	Project name	Principal use of property	Newly commenced GFA during the period (sq.m.)
Xinxiang	Changyuan Forest Peninsula Courtyard	Residential	191,922
Xinxiang	Xinxiang Chinoiserie House	Residential	621,718
Xinxiang	Xinxiang U-Town	Residential	130,474
Xinxiang	Beverly Manor	Residential	195,694
Xinxiang	Hui County Code One City	Residential	78,315
Xinxiang	Hui County Spring Time	Residential	21,455
Jiaozuo	Wuzhi Star Mall	Residential	97,192
Jiaozuo	Jiaozuo Chinoiserie House	Residential	1,932
Jiaozuo	Jiaozuo Spring Time	Residential	2,945
Jiaozuo	Bo'ai Spring Time	Residential	46,983
Puyang	Puyang Zhenyuehui	Residential	140,749
Puyang	Puyang Code One City	Residential	48,974
Puyang	Puyang Tonghe House	Residential	21,487
Puyang	Puyang Chinoiserie House	Residential	77,819
Puyang	Puyang Jianye New City	Residential	107,392
Xuchang	Changge Forest Eco-City	Residential	35,538
Xuchang	Changge Sweet-Scented Osmanthus Garden New City	Residential	129,472
Xuchang	Yanling Eco-City	Residential	97,182
Xuchang	Xuchang Zhenyuehui	Residential	150,078
Luohe	Luohe Xicheng Forest Peninsula	Residential	174,780
Zhoukou	Zhoukou Code One City	Residential	2,114
Zhoukou	Zhoukou Forest Peninsula	Residential	2,570
Zhoukou	Zhoukou Jianye City	Residential	161,924
Zhoukou	Taikang Jianye City North Courtyard	Residential	40,580
Zhoukou	Shangshui Yangcheng Courtyard	Residential	43,060
Zhoukou	Luyi Jianye City	Residential	70,136
Zhumadian	Xincai Sweet-Scented Osmanthus Garden	Residential	144,237
Nanyang	Xixia Central Garden	Residential	123,263
Nanyang	Nanzhao Jianye City	Residential	131,753
Nanyang	Nanyang Shilihushan	Residential	35,164
Nanyang	Nanyang Central Garden	Residential	56,607
Nanyang	Dragon Bay	Residential	104,592
Nanyang	Dengzhou Central Garden	Residential	44,291
Xinyang	Xinyang Jianye City	Residential	144,993
Jiyuan	Jiyuan Blossom Garden	Residential	74,658
Total			7,221,646

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(c) Property Projects under Development

As of 30 June 2019, the Company had 127 projects under development with a GFA of approximately 26,546,000 sq.m., including 18 projects under development in Zhengzhou and 109 projects under development in other cities of Henan Province.

City	Project name	Principal use of property	GFA under development (sq.m.)
Zhengzhou	Dengfeng Songyue Mansion	Residential	463,683
Zhengzhou	Gongyi CCRE Mall	Residential	53,831
Zhengzhou	Gongyi Spring Time	Residential	388,228
Zhengzhou	Financial Island	Commercial	750,004
Zhengzhou	Xinmi Code One City	Residential	81,159
Zhengzhou	Zhengxi U-Town	Residential	567,083
Zhengzhou	Zhengzhou Spring Time	Residential	206,780
Zhengzhou	Zhengzhou Blossom Garden	Residential	704,689
Zhengzhou	Jianye Chengyuan (Movie Town)	Residential	215,491
Zhengzhou	Intelligent Square	Commercial	230,205
Zhengzhou	Fuli-Intelligent Palace	Residential	164,355
Zhengzhou	Wulong Century New City	Residential	372,099
Zhengzhou	Royal Mansion	Residential	221,557
Zhengzhou	International City	Residential	1,634,004
Zhengzhou	Jianye Art Mansion (Unique in Henan)	Residential	257,844
Zhengzhou	Zhengzhou J18 Project	Commercial	361,207
Zhengzhou	Zhengzhou Wonderland	Residential	134,829
Zhengzhou	Grand Mansion	Residential	221,307
Kaifeng	Kaifeng Blossom Garden	Residential	81,223
Kaifeng	Kaifeng Chrysanthemum Garden	Residential	133,010
Kaifeng	Lankao Red World	Commercial	33,601
Kaifeng	Qi County Yipin Blossom Garden	Residential	91,968
Kaifeng	Tongxu Code One City	Residential	156,272
Kaifeng	Tongxu Jianye City	Residential	113,712
Luoyang	Luoyang Dingding House	Residential	390,671
Luoyang	Luoyang Code Two City	Residential	304,085
Luoyang	Luoyang Sweet-Scented Osmanthus Garden	Residential	10,221
Luoyang	Luoyang Huayang Fengdu	Residential	30,900
Luoyang	Luoyang Technology City	Residential	284,614
Luoyang	Luoyang Honour Mansion	Residential	190,036
Luoyang	Yanshi Forest Peninsula	Residential	25,479
Luoyang	Luanchuan Luanzhou House	Residential	61,108
Luoyang	Luoyang Longcheng Dongwang	Residential	97,780

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

City	Project name	Principal use of property	GFA under development (sq.m.)
Pingdingshan	Pingdingshan Spring Time	Residential	202,680
Pingdingshan	Pingdingshan Eighteen Cities	Residential	265,648
Pingdingshan	Ruzhou Sweet-Scented Osmanthus Garden	Residential	169,869
Pingdingshan	Wugang CCRE Mall	Residential	29,496
Pingdingshan	Wugang Forest Peninsula	Residential	188,187
Pingdingshan	Wugang Jade County	Residential	34,342
Anyang	Anyang Sweet-Scented Osmanthus Garden	Residential	359,280
Anyang	Anyang Jianye City	Residential	173,646
Anyang	Anyang Chinoiserie House	Residential	197,008
Anyang	Anyang Code One City	Residential	260,787
Anyang	Hua County Code One City	Residential	386,424
Anyang	Linzhou CCRE Mall	Residential	141,212
Anyang	Tangyin Forest Peninsula	Residential	152,594
Hebi	Hebi Code One City	Residential	190,205
Xinxiang	Hui County Spring Time	Residential	177,746
Xinxiang	Hui County Code One City	Residential	187,800
Xinxiang	Beverly Manor	Residential	835,419
Xinxiang	Xinxiang Spring Time	Residential	126,134
Xinxiang	Xinxiang U-Town	Residential	209,647
Xinxiang	Xinxiang Code One City	Residential	153,123
Xinxiang	Xinxiang Commercial Street of Code One City	Commercial	14,266
Xinxiang	Changyuan Forest Peninsula	Residential	86,657
Xinxiang	Changyuan Forest Peninsula Courtyard	Residential	191,922
Xinxiang	Xinxiang Chinoiserie House	Residential	621,718
Jiaozuo	Bo'ai Spring Time	Residential	81,207
Jiaozuo	Jiaozuo Spring Time	Residential	215,441
Jiaozuo	Jiaozuo Central Garden	Residential	151,694
Jiaozuo	Jiaozuo Chinoiserie House	Residential	210,583
Jiaozuo	Qinyang Spring Time	Residential	1,462
Jiaozuo	Wen County Spring Time	Residential	119,467
Jiaozuo	Xiuwu Forest Peninsula	Residential	58,002
Jiaozuo	Wuzhi Star Mall	Residential	97,192
Puyang	Puyang Jianye New City	Residential	320,338
Puyang	Puyang Chinoiserie House	Residential	392,146
Puyang	Puyang Tonghe House	Residential	275,707
Puyang	Puyang Code One City	Residential	263,909
Puyang	Puyang Zhenyuehui	Residential	214,000

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

City	Project name	Principal use of property	GFA under development (sq.m.)
Xuchang	Yuzhou Shenhui World	Residential	12,227
Xuchang	Yanling Eco-City	Residential	154,539
Xuchang	Xuchang Sweet-Scented Osmanthus Garden	Residential	86,597
Xuchang	Xuchang Chinoiserie House	Residential	213,107
Xuchang	Yuzhou Sweet-Scented Osmanthus Garden	Residential	160,212
Xuchang	Changge Spring Time	Residential	180,203
Xuchang	Changge Forest Eco-City	Residential	125,019
Xuchang	Changge Sweet-Scented Osmanthus Garden New City	Residential	129,472
Xuchang	Xuchang Zhenyuehui	Residential	150,078
Luohe	Luohe Sweet-Scented Osmanthus Garden	Residential	140,940
Luohe	Luohe Xicheng Forest Peninsula	Residential	426,554
Sanmenxia	Sanmenxia Jianye City	Residential	124,338
Sanmenxia	Sanmenxia New District Forest Peninsula	Residential	91,326
Sanmenxia	Sanmenxia Honour Mansion	Residential	75,863
Shangqiu	Shangqiu Central Garden	Residential	322,021
Shangqiu	Shangqiu Blossom Garden	Residential	154,169
Shangqiu	Shangqiu Sky Mansion	Residential	123,097
Shangqiu	Shangqiu Xingfuli	Residential	128,512
Shangqiu	Shangqiu Headquarter Port	Residential	108,052
Shangqiu	Yongcheng U-Town	Residential	83,354
Zhoukou	Fugou Jianye New City	Residential	254,037
Zhoukou	Huaiyang Jianye City	Residential	206,516
Zhoukou	Luyi Jianye City	Residential	360,542
Zhoukou	Shangshui Yangcheng Courtyard	Residential	101,745
Zhoukou	Taikang Jianye City North Courtyard	Residential	105,801
Zhoukou	Xihua Central Garden	Residential	87,318
Zhoukou	Xihua Jicheng Courtyard	Residential	205,154
Zhoukou	Xiangcheng Jianye City	Residential	147,409
Zhoukou	Xiangcheng Spring Time	Residential	78,778
Zhoukou	Zhoukou Jianye City	Residential	311,637
Zhoukou	Zhoukou Forest Peninsula	Residential	85,635
Zhoukou	Zhoukou Chinoiserie House	Residential	206,692
Zhoukou	Zhoukou Shiyue Mansion	Residential	189,152
Zhoukou	Zhoukou Code One City	Residential	125,070
Zhoukou	Zhoukou Landmark	Residential	164,427

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

City	Project name	Principal use of property	GFA under development (sq.m.)
Zhumadian	Pingxing Jianye City	Residential	226,222
Zhumadian	Runan Jianye City	Residential	325,671
Zhumadian	Suiping Forest Peninsula	Residential	348,417
Zhumadian	Xiping Forest Peninsula	Residential	185,733
Zhumadian	Xincai CCRE Mall	Residential	186,142
Zhumadian	Zhengyang Jianye City	Residential	242,630
Zhumadian	Zhumadian Spring Time	Residential	252,483
Zhumadian	Zhumadian Eighteen Cities	Residential	352,561
Zhumadian	Zhumadian The West Lake Villa	Residential	141,190
Zhumadian	Xincai Sweet-Scented Osmanthus Garden	Residential	144,237
Nanyang	Dragon Bay	Residential	119,469
Nanyang	Nanyang Shilihushan	Residential	186,965
Nanyang	Nanyang Code One City	Residential	161,957
Nanyang	Xixia Central Garden	Residential	123,263
Nanyang	Nanzhao Jianye City	Residential	131,753
Nanyang	Nanyang Central Garden	Residential	56,607
Nanyang	Dengzhou Central Garden	Residential	44,291
Xinyang	Gushi Jianye City	Residential	164,877
Xinyang	Xinyang Jianye City	Residential	153,910
Jiyuan	Jiyuan Blossom Garden	Residential	283,753
Jiyuan	Jiyuan Jianye City	Residential	199,059
Jiyuan	Jiyuan Code One City North Courtyard	Residential	104,900
Total			26,545,676

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(d) Property Projects Delivered

As of 30 June 2019, the Company had 31 projects delivered in total, with a GFA of approximately 2,468,000 sq.m..

City	Project name	Principal use of property	GFA delivered (sq.m.)
Zhengzhou	Canal Courtyard	Residential	105,498
Zhengzhou	International City	Residential	168,723
Zhengzhou	Blossom Garden	Residential	155,411
Zhengzhou	Wulong Century New City	Residential	119,032
Zhengzhou	Zhengxi U-Town	Residential	127,379
Zhengzhou	Xinmi Code One City	Residential	10,515
Luoyang	Yanshi Forest Peninsula	Residential	76,959
Luoyang	Luoyang Sweet-Scented Osmanthus Garden	Residential	95,249
Anyang	Anyang Jianye City	Residential	124,487
Xinxiang	Changyuan Forest Peninsula	Residential	4,802
Xinxiang	Xinxiang Code One City	Residential	40,118
Jiaozuo	Qinyang Spring Time	Residential	86,734
Jiaozuo	Jiaozuo Central Garden	Residential	95,924
Xuchang	Shenhou World	Commercial	1,991
Xuchang	Yuzhou Sweet-Scented Osmanthus Garden	Residential	66,605
Xuchang	Xuchang Code One City	Residential	35,095
Xuchang	Xuchang Chinoiserie House	Residential	63,945
Luohe	Luohe Code One City	Residential	30,263
Sanmenxia	Sanmenxia Code One City	Residential	87,556
Sanmenxia	Sanmenxia New District Forest Peninsula	Residential	78,902
Sanmenxia	Lingbao Forest Peninsula	Residential	33,070
Shangqiu	Zhecheng U-Town	Residential	37,394
Shangqiu	Yongcheng U-Town	Residential	75,721
Shangqiu	Shangqiu Hill Water Lake City	Residential	222,992
Zhoukou	Zhoukou Forest Peninsula	Residential	47,458
Zhoukou	Shenqiu Jianye City	Residential	121,581
Zhoukou	Luyi Jianye City	Residential	107,217
Zhumadian	Zhumadian Eighteen Cities	Residential	42,936
Zhumadian	Zhengyang Jianye City	Residential	79,016
Nanyang	Nanyang Code One City	Residential	113,872
Xinyang	Xinyang Jianye City	Residential	11,772
Total			2,468,217

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Hotels

Hotel profile

Henan Jianye Zhizun Hotel Investment Co., Ltd. (河南建業至尊酒店管理有限公司), a wholly-owned subsidiary of Central China Real Estate Group (China) Company Limited, is mainly responsible for brand management, design management, engineering management, opening preparation and operation management for all hotel projects of the Group. Currently, the Group has established strategic cooperation with various international well-known groups of hotel management, such as Marriott, InterContinental and Accor, under which five high-end hotel projects are in operation. Each of the five high-end hotel projects, namely Le Méridien Zhengzhou, Pullman Kaifeng Jianye, Holiday Inn Nanyang, Four Points by Sheraton Luohe and Aloft Zhengzhou Shangjie opened successively from 2011 to 2015. In addition, our own-brand hotels, namely Yanling Jianye The Mist Hot Spring Hotel and Zhengzhou Jianye Sky Mansion, opened successively and was put into trial operation in 2018 respectively, while the hotel projects in Pingdingshan and Zhumadian will also commence construction successively in the second half of 2019. Thus, our total investment in hotels at present has reached RMB4.15 billion. In the next 3-5 years, the number of hotels invested in Henan will increase to 10 with further development in the construction of the mega-service regime.

Le Méridien Zhengzhou

Le Méridien Zhengzhou is the first international brand hotel focusing on art, design and culture in central China. Adjacent to Zhengdong New District and Zhengzhou East Railway Station, the largest railway station in Asia, it only takes 10 minutes' and 28 minutes' drive to Zhengzhou International Convention and Exhibition Centre and Xinzheng International Airport, respectively.

Located at No. 1188, Zhongzhou Avenue, Zhengzhou City, the hotel forms a complete integrated business district with the surrounding shopping malls, restaurants and commercial office buildings. Modern art elements and local features are integrated into the design of the restaurant, guest rooms and lobby in the hotel. The unique design and brand concept present you the distinctive Le Méridien Zhengzhou.

The hotel has a total of 337 deluxe rooms and suites, equipped with world-class facilities and a mix of classic design and fashion elements. The characteristic restaurants and bars will enrich your stay experience and provide you with splendid Chinese and international cuisines. The fitness centre combining fitness, spa, swimming pool, yoga and jogging track, the sizeable pillarless banquet covering an area of 800 sq.m., and 8 multi-function halls, are all ideal places for you to relax and hold events.

Address: No. 1188, Zhongzhou Avenue (northwest corner of the junction of Zhengbian Road and Zhongzhou Avenue), Zhengzhou City

Tel: 0371-55998888

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Aloft Zhengzhou Shangjie

Located on the opposite of the District Government of Shangjie District, Zhengzhou City, Henan Province, Aloft Zhengzhou Shangjie is conveniently situated, within only 50 minutes' and one hour's drive from Zhengzhou Railway Station and Zhengzhou Xinzheng International Airport, respectively.

The 16-floor hotel has 172 stylish, fresh and fun Aloft Cheerful Rooms (樂窩客房), including 8 deluxe Cheerful Suites (樂窩套房) and 2 accessible Cheerful Rooms. Besides, inspired by the 9-foot ceiling, velvety dreaming beds, wireless network service, 42-inch LCD TVs, oversized shower space with rain showers, and fragrant specialty coffee, the 3,698 sq.m. cool conference room and the sizeable banquet space, countless whimsies would spark here and there.

Address: No. 101, Zhongxin Road, Shangjie District, Zhengzhou (opposite to the District Government of Shangjie District)

Tel: 0371-68136666

Holiday Inn Nanyang

Holiday Inn Nanyang is located in Nanyang, the ancient capital of China, which is famous for its natural fresh air and jade culture. Holiday Inn Nanyang is the first internationally renowned five-star hotel in Nanyang. Covering an area of 66,700 sq.m., the hotel has a favourable geographical location with pleasant garden landscape and a rippling lake.

The 353 guestrooms and suites are tailor-made for your luxury and comfort experience. The 1,000 sq.m. sizeable banquet hall offers banquet services to both local and international companies, with wireless Internet accessing to all areas of the hotel, including the fitness centre and the swimming pool. Whether you are on vacation, planning a wedding or holding a meeting, Holiday Inn Nanyang is the perfect choice for you.

Address: No. 2000, Xincheng Road East, Wancheng District, Nanyang City

Tel: 0377-60218888

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Four Points by Sheraton Luohe

Four Points by Sheraton Luohe is located by the west branch of Songshan Road, Yancheng District, Luohe City, adjacent to Luohe International Convention and Exhibition Centre. It takes about 10 minutes' drive to the downtown and Luohe Railway Station, and only 90 minutes' drive to Zhengzhou Xinzheng International Airport.

The hotel has 244 warmly designed rooms, with the only international buffet restaurant in the city, namely The Eatery (宜客樂), a Chinese restaurant integrated with traditional and new Cantonese cuisine, namely Juweixuan (聚味軒), an indoor heated swimming pool, sauna equipment, a fitness centre, chess rooms and a pillarless banquet hall, which can bring you infinite surprises of accommodation, catering and leisure.

Address: No. 6, west branch of Songshan Road, Yancheng District, Luohe City

Tel: 0395-2566999

Pullman Kaifeng Jianye

Embraced by the rippling surface of a lake, Pullman Kaifeng Jianye is located on the northwest side of the ancient city walls in downtown Kaifeng, within 10 minutes' drive from Kaifeng Railway Station and 50 minutes' drive from Xinzheng International Airport. The hotel covers a total GFA of 43,536 sq.m. and a site area of approximately 58,300 sq.m., with the vegetation within city wall area remaining intact.

Pullman Kaifeng Jianye offers 186 guest rooms or suites and is a five-star resort hotel comprising business conference, food & beverage, accommodation, leisure and entertainment. The hotel is equipped with conference centre, banquet centre, all-day dining restaurant, Chinese restaurant, featured bar, lobby bar, executive lounge, gym, swimming pool, SPA, yoga room, indoor golf and other facilities to provide occupants with convenience and sense of superiority. The building is a post-modern architecture in Northern Song Dynasty style, adopting wood-like exterior finishing material to cast beautiful reflections in the blue waters.

Address: No. 16, Longting North Road, Longting District, Kaifeng City

Tel: 0371-23589999

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Zhengzhou Jianye Sky Mansion

Zhengzhou Jianye Sky Mansion is located at the northwest corner of the intersection of Dongfeng East Road and Kangning Street with a site area of 32,929.8 sq.m..

The project is featured as a high-end service apartment of the Group with a total of 302 rooms, ranging from single-family apartments to four-bedroom apartments. The apartment is equipped with all-day dining restaurant, Japanese Izakaya, gym centre, children's play room and other facilities to provide occupants with safe, convenient, warm and comfortable living space.

Address: Block 9, 58 Kangning Street, Zhengzhou City

Tel: 0371-65686888

Yanling Jianye The Mist Hot Spring Hotel

Yanling Jianye The Mist Hot Spring Hotel is situated in Chenhuadian Town, Yanling County, Xuchang, Henan with a site area of 50,264 sq.m..

The hotel offers 51 guest rooms or suites and is equipped with all-day dining restaurant, Chinese restaurant, outdoor hot spring and pool, indoor swimming pool and pool, SPA, gym centre, lobby bar, tea room, banquet hall and other facilities.

Yanling Jianye The Mist Hot Spring Hotel is a joint masterpiece of internationally renowned architects, namely Amata Luphaiboon and Twitee Vajrabhaya Tepakum. It was officially launched in 2018.

Address: North side of Huadu Avenue, Chenhuadian Town, Yanling County, Xuchang City, Henan Province

Tel: 0374-7968888

Hotel Projects in Pingdingshan and Zhumadian (In Preparation)

Hotel projects in Pingdingshan and Zhumadian are our own-brand hotels and the representatives of our standard hotel construction. The hotels currently plan to offer approximately 160 guest rooms or suites and are equipped with banquet hall, all-day dining restaurant, conference room, gym and other facilities to meet the needs of business travelers. The hotels in Pingdingshan and Zhumadian are scheduled to commence construction in the second half of 2019 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Cultural Tourism

Cultural tourism sector of the Company is engaged in development and operation of real estate projects for cultural tourism principally located in historic cities in Henan Province, such as Zhengzhou, Kaifeng and Luoyang. Having been rich in history, culture and natural resources, it tells the “Jianye story of cultural tourism” in different style, forms and substance through theme park, tourist district and real scenery performance. As at 30 June 2019, the Company had 4 projects for cultural tourism, namely Jianye Huayi Brothers Movie Town, Jianye Unique in Henan (只有河南), Zhengping Fang in Luoyang and Jianye Ivi 1895.

Jianye Huayi Brothers Movie Town is the Company’s strategic cooperation project with Huayi Brothers (Tianjin) Real Scene Entertainment Company Limited (the “Huayi Brothers”) and one of the Type-A Key Construction Projects in Henan Province for 2017. The project is located in International Cultural and Creative Industrial Park in Zhengzhou with a planned total site area of approximately 1.33 million sq.m. and a total GFA of approximately 1.80 million sq.m.. In the form of film scene and with an essence of historical culture and memory of the city, the project provides an experiential site for experiencing film culture incorporating tour of film scene, exhibition of film culture, film interactive games, folk and intangible cultural heritage experience, a series of large-scale performance, unique cuisine and themed inns. As at 30 June 2019, the first phase of the project has been topped out, and the project is scheduled to be opened for trial operation as at the end of 2019.

Unique in Henan is a large-scale acting and performance project co-developed with Wang Chaoge (王潮歌), a director of real scenery performance, and is also one of the Type-A Key Construction Projects in Henan Province for 2018. The project is located in International Cultural and Creative Industrial Park in Zhengzhou with a total site area of approximately 600,000 sq.m.. Inspired by the long-standing and rich history and culture of Henan with innovated forms of performance, the project aims to reveal the rich Central China culture as well as the glorious Chinese culture through the combination of several dramas with outdoor scenes as well as functional spaces by making use of its unique architectural space, helping people understand the history and culture in multi-sensory approach. Unique in Henan will be developed as a contemporary themed drama park integrating acting and performance, exhibition and experience with the feature of Central China culture, custom and habit, as well as a perfect and innovative complex satisfying different needs for culture, arts, tourism and business. The construction of the project was commenced in March 2018, and its opening is scheduled to be in 2020.

Zhengping Fang in Luoyang is a large-scale acting and performance projects co-developed with Wang Chaoge (王潮歌), a director of real scenery performance. Zhengping Fang Cultural and Creativity Park in Luoyang is located at Ancient Capital of 13 Dynasties, Luoyang City, Henan Province, and its development is currently under good progress.

Jianye Ivi 1895 is a cinematic theme event venue for culture and leisure co-developed with Ivi movie Cultural Development Co. Ltd. The project pairs technology with culture, film with arts and vogue with leisure, and integrates film-viewing space, performing arts space, cultural creation space, reading space and technology space. Its products featured by “uniqueness and customisation” will be shown at cinemas simultaneously, creating a site for diversified culture and entertainment for consumers. As at 30 June 2019, three Jianye Ivi theatres were in operation in Zhengzhou, with another three franchise cinemas and eight audio-visual halls distributed in various cities in Henan. In the first half of 2019, the number of film watchers reached 100,000. Among the 71 Ivi theatres all over the country, three Jianye Ivi theatres ranked second, fifth and sixth respectively. Moreover, since its opening, the synchronous hall in the MIXC theatre has repeatedly recorded the highest attendance among synchronous halls in the theatres in Henan.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Green House

CCRE's green houses are main body of the establishment and operation of CCRE's modern agricultural projects. As at the end of the reporting period, the Company had two green houses completed and in operation, namely Yanling Jianye Green House and Hebi Jianye Green House; one green house initially constructed and ready for visiting, namely Zhoukou Jianye Green House; two green houses under development, namely Yichuan Jianye Green House and Wuzhi Jianye Green House.

Yanling Jianye Green House

Yanling Jianye Green House is located in Yanling County, Xuchang City, less than 100 km from Zhengzhou City, with a site area of over 5,000 Chinese-mu. The project is equipped with intelligent gutter-connected glass greenhouse, multi-functional exhibition hall, technology research centre and culture room for cut flowers as well as 3,000 Chinese-mu eco-tree seedlings, endeavouring to build a modern agricultural countryside complex zone concerning six highlights of "efficient agriculture, agri-tourism, cultural creativity agriculture, experience centre agriculture, science popularisation agriculture, and healthcare and well-being improvement agriculture".

In the first half of 2019, the number of visitors of Yanling Jianye Green House was in excess of 40,000, including state leaders, provincial and city level officials, local and foreign experts and researchers in relevant areas, research and study groups, Jianye property owners and members of "Jianye Junlin Club".

Yanling Jianye Green House successively won the honorary titles of the "Municipal Leading Enterprise of Agricultural Industrialisation of Xuchang City for 2019-2020" and the "Provincial Key Leading Enterprise of Agricultural Industrialisation for 2019-2021"; In June 2019, Hu Chunhua, Vice Premier of the State Council, visited Yanling Jianye Green House and gave a high appraisal to the development model of the house.

The abovementioned achievements and honours represent the affirmation of the government and all sectors of society for the role of the Company in effective promotion of local industrial upgrading, farmers' prosperity and rural revitalisation.

Hebi Jianye Green House

Hebi Jianye Green House is located at the urban-rural integration demonstration zone in Hebi City with a total site area of approximately 4,430 Chinese-mu. It is a countryside complex covering modern agriculture, leisure and tourism, and rural community. Hebi Jianye Green House is equipped with approximately 4,200 Chinese-mu of eco-tree seedlings, over 100 Chinese-mu of characteristic flower hill planting, 20,000 sq.m. of artificial lake and wedding lawn, and 60,000 sq.m. of intelligent gutter-connected greenhouse. Hebi Jianye Foodcourt has also been put into use and Chenzhai Flower Group, a China "Top 3 Enterprises" in respect of flower, settled in the project.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

After three years of collaborative and innovative development, Hebi Jianye Green House has been successively rated as one of the Agricultural Parks of the PRC (中國農業公園) by Ministry of Agriculture and Rural Affairs, Leisure and Sightseeing Park of Henan Province by Henan Cultural Tourism Bureau, Provincial Key Leading Enterprise of Agricultural Industrialisation of Henan Province by Henan Agricultural and Rural Affairs Department, and Hebi Agricultural Science and Technology Park by the municipal science and technology bureau; "Jianye Green House Qihe Ecological Conservancy Belt Project" was listed as a national comprehensive pilot project of energy conservation and emission reduction and "Jianye Green House Agricultural Complex Project" was listed as a key construction project of Henan Province. In addition, the Company has also undertaken provincial and municipal key projects including the municipal vegetable basket project. Hebi Jianye Green House proactively participated in poverty alleviation for agriculture and country, provided more than 2,000 science popularisation education sessions benefiting over 50,000 people from universities, middle and primary schools, enterprises and institutions and offered over 3,000 jobs for local farmers. Thus, the Company was awarded the title of "Advanced Unit" with outstanding contributions.

Zhoukou Jianye Green House

Zhoukou Jianye Green House is located at the banks of the old canal in Xuwan Village, Xuwan Township, Dongxin District, Zhoukou City with a site area of 6,500 Chinese-mu and a planned total investment of RMB2 billion. The project covers modern eco-agriculture, old canal reconstruction and urban wetland restoration, leisure experience, cultural tourism, health and elderly care, etc. and integrates high-end flower, fruit and vegetable production, fine seedling and flower cultivation, culture mining of century-old shipping ferry, experience of special diet in Central Plains, urban wetland and riverside landscape belt along the old canal, folk wedding celebration photography base, etc. with a view to forming an urban countryside complex with an international leading and domestic first-class modern agricultural industry chain integrating "research and development, production, demonstration and experience".

Construction progress as at 30 June 2019: (1) the office and accommodation area of approximately 6,000 sq.m. have been put into trial use; (2) as to the intelligent gutter-connected greenhouse of 36,000 sq.m., the Netherlands tomato and Netherlands anthurium production area of 10,000 sq.m. have been put into trial use and the rest is still in the stage of business type research and program design; (3) the core landscape demonstration area of 200,000 sq.m. has been completed and in the stage of detail treatment; (4) the sports park of 20,000 sq.m. has been under development; (5) the experience agriculture demonstration park of 60 Chinese-mu has been completed and in the stage of detail treatment; (6) Jianye Foodcourt has been under development and will be opened as scheduled.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Yichuan Jianye Green House

Yichuan Jianye Green House is located in North of Zhangyao Village, Jiangzuo Town, Yichuan County, Luoyang City, with a site area of approximately 6,725 Chinese-mu and total investment amount of approximately RMB2 billion. The overall positioning strategy of the project is a countryside complex concerning six highlights of “modern agriculture, ecological leisure, cultural creativity, experience centre, science popularisation and healthcare”, with maintaining sustainable development for protecting ecological environment as its basis and with development strategy focusing on “agricultural + cultural tourism + healthy”, by establishing of “demonstration zone of modern agricultural complex + ecological culture protection + picturesque village + Jianye Foodcourt”. As at 30 June 2019, the temporary office premises had been completed and put into trial use. The project planning and design had been completed, and the relevant infrastructures are increasingly improved with a 1.3km of asphalt road and a 15 km of round-the-mountain road having been constructed in the park. 1 domestic leading four-storey intelligent gutter-connected greenhouse of 11,000 sq.m. had been completed, in which 90% of facilities had been installed. The construction and decoration of the lakeside properties of 1,400 sq.m. had been completed and the main part had been topped out. The main part of 2 flower forcing caves of 510 sq.m. had been completed in which 90% of production facilities had been installed, and the sightseeing cave of 630 sq.m. had been completed and put into trial use. The park gate had been constructed and the landscape along the main road has been initially completed with the improvement works being carried out. The landscape lighting design plan and the forest form transformation (phase I) had been completed, with a total of 26,000 ornamental seedlings planted. The construction of the intercepting dam had been completed, and the renovation of the core landscape area surrounding the greenhouse and the lakeside properties had been completed. 50% of the electricity facility construction works had been completed, while 80% of the natural gas facility construction works had been completed in the park. The sewage treatment facility had been put into trial operation, and the design plan for staff canteen and dormitory had been completed.

Wuzhi Jianye Green House

Wuzhi Jianye Green House is located in Jiayingguan Township, Wuzhi County, covering an area of 2,568.6 Chinese-mu and a total planned investment of about RMB1 billion. The proposed construction includes the Yellow River ancient road cultural exhibition area, the ancient and modern commercial and cultural complex, pastoral style hotel, pastoral high-end residence, comprehensive demonstration area of modern agriculture, and Jianye Foodcourt. As at 30 June 2019, (1) construction of the temporary electricity facility had been completed; (2) the original wall bricks on the exterior walls of the square-shaped city had been removed, the foundation work had been completed, and 80% of the mortar plaster painting had been completed; (3) 50% of the civil renovation of the major canteen had been completed; and (4) construction works of the landscape area had commenced by the construction unit.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5. Light-asset Model Projects

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

Henan Zhongyuan Central China City Development Company Limited* (河南中原建業城市發展有限公司, hereinafter referred to as “CCRE Zhongyuan”), a subsidiary of the Company, is in charge of expanding and management of light-asset business and positions itself as a comprehensive service provider for real estate development. As at 30 June 2019, the Company has entered into contracts for 131 light-asset model projects with total planned GFA of approximately 19.91 million sq.m. and sales amount of RMB11.931 billion. CCRE Zhongyuan is responsible for constantly formulating and optimising standardised management principles and agreements, improving talent development program, partnership pairing up and evaluation mechanism, enhancing products and services supervision mechanism, and building resources integration and sharing platform.

In 2019, in accordance with the strategic development plan of the Group, CCRE Zhongyuan began to extend its business into markets in other provinces. Following the contract for development of Central China Cultural Town in Xingtai, Hebei, CCRE Zhongyuan has received letters of intent for cooperation from over 10 local governments and enterprises across the country. After visits to Jianye Football Town, Jianye Movie Town and Jianye Residential Projects, the business partners thought highly of Jianye’s products and expressed strong intention for cooperation. For the six months ended 30 June 2019, CCRE Zhongyuan was approached for six projects with intention for cooperation, including three projects similar to the style of Central China Cultural Town and three residential projects.

For the six months ended 30 June 2019, the Company has entered into contracts for 22 light-asset model projects, of which one project is located outside Henan Province. According to those contracts, the total GFA of these projects is expected to reach approximately 3.19 million sq.m.. The implementation of diverse development model will effectively improve the market shares and brand influence of the Company, which will help to achieve the development goal of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(III) Land Reserves

During the reporting period, the Group acquired land with a site area of approximately 1.665 million sq.m. through tendering, auction and listing and equity acquisitions, which newly added land reserves with a total GFA of approximately 4.52 million sq.m.. As at 30 June 2019, the Company had land reserves with a total GFA of approximately 47.69 million sq.m., including beneficially interested GFA of approximately 37.19 million sq.m..

1. Land Tendering, Auction and Listing

On 21 January 2019, the Group acquired the land use right of a land parcel (Zhengzhengdongchu No. [2018]24 (Wang)) located at Beilonghu Area, Zhengdong New District which is at the south of North 3rd Ring and east of Jiuru East Road in tendering (listing) for sale process on the online listing system held by Zhengzhou City Public Resources Trading Centre* (鄭州市公共資源交易中心) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB1.32 billion. Zhengzhengdongchu No. [2018]24 (Wang) land parcel has a site area of 33,048.3 sq.m. with a mandatory detailed planned plot ratio of 1.7.

On 25 January 2019, the Group acquired the land use rights of three land parcels (No. 6-24-36, 6-24-39, 6-24-42) located at south of Wenhua Road, west of Ziyun Avenue, north of Wenchang Road, Xiangcheng County in online tendering (listing) for sale process on the online exchange system organised by Department of Land and Resources of Henan Province (河南省國土資源廳) for transfer of land use rights. The purchase prices for the acquisitions were RMB103 million, RMB60 million and RMB156 million respectively. Land parcel No. 6-24-36 has a site area of 42,926.82 sq.m. with a mandatory detailed planned plot ratio of 2.3; land parcel No. 6-24-39 has a site area of 39,685.68 sq.m. with a mandatory detailed planned plot ratio of 2.3; land parcel No. 6-24-42 has a site area of 65,049.51 sq.m. with a mandatory detailed planned plot ratio of 2.3.

On 31 January 2019, the Group acquired the land use right of a land parcel (Zhengzhengchu No. [2018]185) located at Huiji District, Zhengzhou City which is adjacent to the Garden North Road (main road of the downtown) in the east and North University Town in the west in online tendering (listing) for sale process on the online listing system held by Zhengzhou City Public Resources Trading Centre* (鄭州市公共資源交易中心) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB98.9 million. Zhengzhengchu No. [2018]185 land parcel has a site area of 8,820.35 sq.m. with a mandatory detailed planned plot ratio of 4.2.

On 26 February 2019, the Group acquired the land use right of a land parcel (Zhengzhengchu No. [2018]27 (Wang)) located at Beilonghu Area, Zhengdong New District, Zhengzhou which is at the south of North 3rd Ring and west of Jiuru East Road in tendering (listing) for sale process on the online listing system held by Zhengzhou City Public Resources Trading Centre* (鄭州市公共資源交易中心) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB1.68 billion. Zhengzhengchu No. [2018]27 (Wang) land parcel has a site area of 43,232.88 sq.m. with a mandatory detailed planned plot ratio of 1.7.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 8 March 2019, the Group acquired the land use right of a land parcel (Zhengzhengdongchu No. [2018]25 (Wang)) located at Beilonghu Area, Zhengdong New District, Zhengzhou which is at the east of Jiuru East Road and south of Ruyihedong 2nd Street in tendering (listing) for sale process on the online listing system held by Zhengzhou City Public Resources Trading Centre* (鄭州市公共資源交易中心) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB2.52 billion. Zhengzhengdongchu No. [2018]25 (Wang) land parcel has a site area of 64,692.24 sq.m. with a mandatory detailed planned plot ratio of 1.7.

On 19 March 2019, the Group acquired the land use right of a land parcel (No. (2019)004) located at the east of Binhe Lane and north of Wuwan South Street, Yuzhou City in a listing for sale process on the online listing system held by Department of Natural Resources of Henan Province (河南省自然資源廳) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB75 million. No. (2019)004 land parcel has a site area of 29,021 sq.m. with a mandatory detailed planned plot ratio of 2.5.

On 23 April 2019, the Group acquired the land use right of a land parcel (No. SP-2019-01) located at the south of the intersection of Jianshe Road and Quyang Avenue in online tendering (listing) for sale process held by Suiping County Public Resources Trading Centre* (遂平縣公共資源交易中心) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB138 million. No. SP-2019-01 land parcel has a site area of 40,012.43 sq.m. with a mandatory detailed planned plot ratio of 2.8.

On 29 April 2019, the Group acquired the land use right of a land parcel (No. 2019-8) located at the south of Huanglong Road and west of Huxi Road, Linying County in online tendering (listing) for sale process on the online listing system held by Natural Resources Bureau of Linying County (臨潁縣自然資源局) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB133 million. No. 2019-8 land parcel has a site area of 56,944 sq.m. with a mandatory detailed planned plot ratio of 2.0.

On 10 May 2019, the Group acquired the land use right of a land parcel (No. 2019-1) located at the south of Gaoxin District, Xinxiang City, within the 107 National Highway section in Langgongmiao Town, Xinxiang County, at the west of the planned East Ring Road and north of the planned Heti South Road in online tendering (listing) for sale process held by Xinxiang County Public Resources Trading Centre* (新鄉縣公共資源交易中心) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB85 million. No. 2019-1 land parcel has a site area of 43,452.26 sq.m. with a mandatory detailed planned plot ratio of 2.0.

On 21 May 2019, the Group acquired the land use right of a land parcel (No. 2019-008) located at the urban area of Huaibin County which is surrounded by roads at three directions, i.e. adjacent to Bailuhe Road at the west, Qingnian Street at the south and Langan Street at the north in online tendering (listing) for sale process held by Xinyang City State-owned Land Use Rights Trading Portal (信陽市國有土地使用權交易門戶網站) for transfer of state-owned land use rights. The purchase price for the acquisition was RMB163 million. No. 2019-008 land parcel has a site area of 39,739.9 sq.m. with a mandatory detailed planned plot ratio of 2.4.

On 24 May 2019, the Group acquired the land use right of a land parcel (No. 2019-4) located at the east of Seventh Avenue and north of Anshun Road in online tendering (listing) for sale process held by Kaifeng City Public Resources Trading Centre* (開封市公共資源交易中心) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB566 million. No. 2019-4 land parcel has a site area of 57,463.4 sq.m. with a mandatory detailed planned plot ratio of 2.5.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 11 June 2019, the Group acquired the land use right of a land parcel (No. 2018-36) located at the southeast corner of the intersection of Jidu Avenue and Yucai Road, Jiyuan City in tendering (listing) for sale process held by Jiyuan City Public Resources Trading Centre* (濟源市公共資源交易中心) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB143 million. No. 2018-36 land parcel has a site area of 38,199.86 sq.m. with a mandatory detailed planned plot ratio of 2.0.

On 18 June 2019, the Group acquired the land use rights of land parcel (No. 2019-8) located at the northwest of the county government building of Sui County in tendering (listing) for sale process on the online exchange system held by the Land and Resources Bureau of Sui County (睢縣國土資源局) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB101.5 million. Land parcel No. 2019-8 has a site area of 45,018.2 sq.m. with a mandatory detailed planned plot ratio of 2.0.

On 20 June 2019, the Group acquired the land use rights of land parcels (No. GTZ2019-4, GTZ2019-5 and GTZ2019-10) located at the west of Yulu Avenue, east and west of Zhongshan North Street, north of Zhongshan Road and south of Renmin Road, Lankao County in tendering (listing) for sale process on the online exchange system held by Department of Land and Resources of Henan Province (河南省國土資源廳) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB75 million, RMB71 million and RMB25 million respectively. Land parcel No. GTZ2019-4 has a site area of 38,667.98 sq.m. with a mandatory detailed planned plot ratio of 2.0; land parcel No. GTZ2019-5 has a site area of 36,228.7 sq.m. with a mandatory detailed planned plot ratio of 2.0; land parcel No. GTZ2019-10 has a site area of 27,954.6 sq.m. with a mandatory detailed planned plot ratio of 2.0.

On 29 June 2019, the Group acquired the land use rights of land parcel (Dengzhengchu No. [2019]14) located at the northeast of the intersection of Yangcheng Road and Yinghe Road, Dengfeng City in tendering (listing) for sale process held by Dengfeng City Public Resources Trading Centre* (登封市公共資源交易中心) for transfer of state-owned land use rights. The purchase price for the acquisition was RMB90 million. Dengzhengchu No. [2019]14 land parcel has a site area of 22,409.1 sq.m. with a mandatory detailed planned plot ratio of 2.0.

2. Equity Interest Cooperation

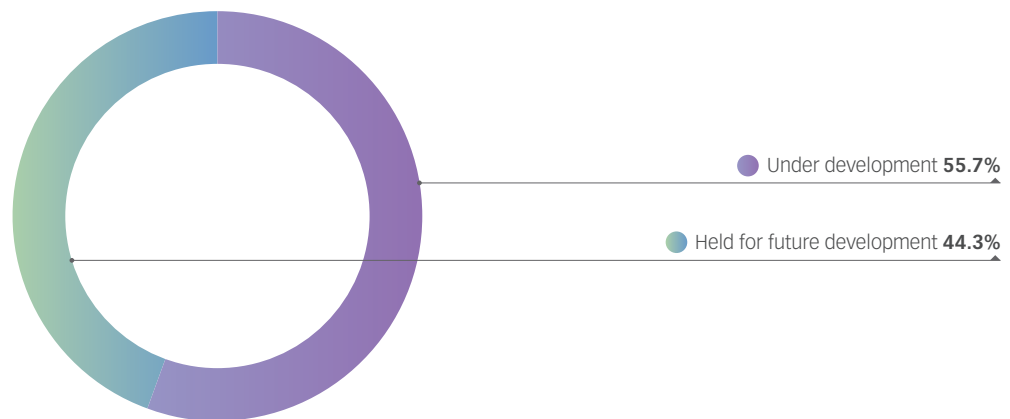
As at 30 June 2019, the Group acquired 17, in aggregate, land parcels with a total site area of 892,883 sq.m. in Luoyang City, Zhoukou City, Anyang City, Nanyang City and Shangqiu City by way of equity interest cooperation.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Distribution of Land Reserves

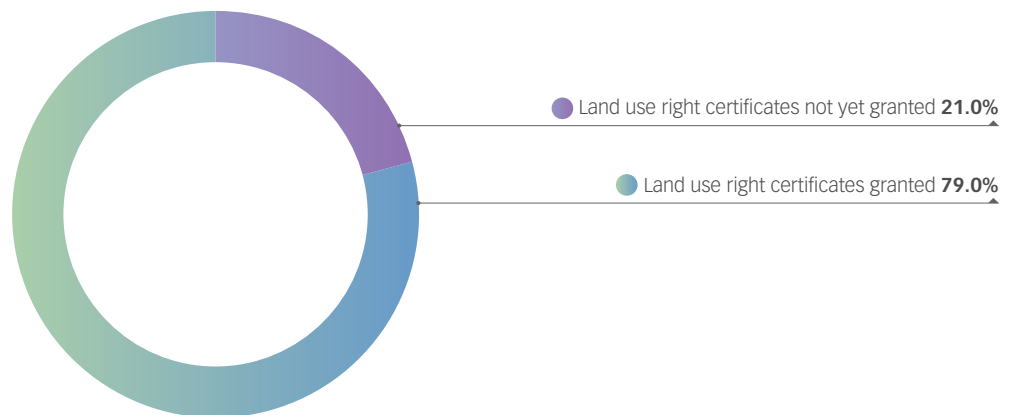
(1) Distribution of the Company's land reserves by current development status

As of 30 June 2019, the distribution of the Company's land reserves by current development status is set out in the table below:



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

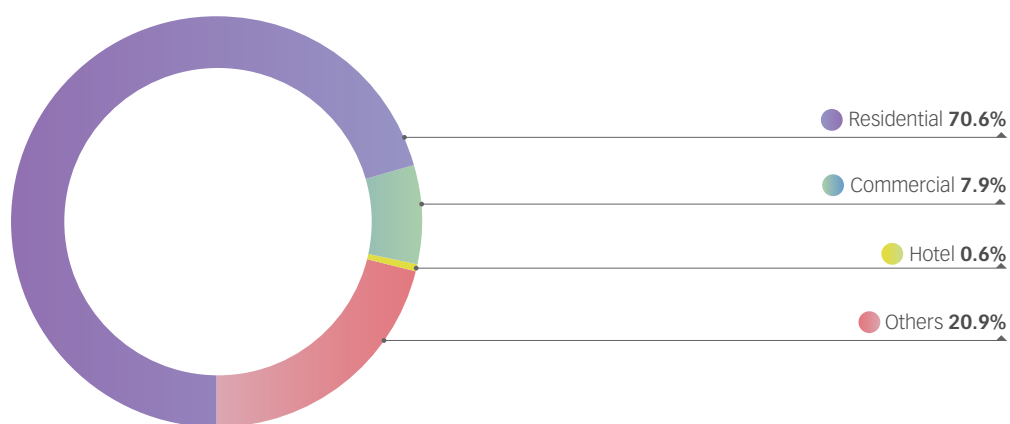
As of 30 June 2019, the distribution of the Company's land reserves by land use right certificates is set out in the table below:



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

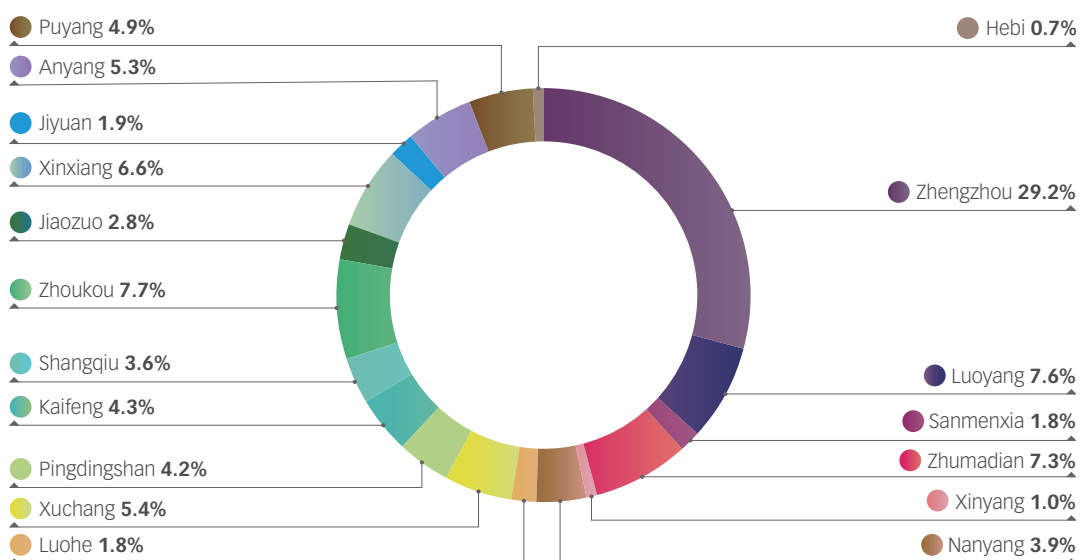
(3) Distribution of the Company's land reserves by property types

As of 30 June 2019, the distribution of the Company's land reserves by property types is as follows:



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

As of 30 June 2019, the distribution of the Company's land reserves by cities is as follows:



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Product Research and Development

The Company has established its unique production line system on a concrete foundation of serialisation and standardisation which the Company had laid for years. The Company always takes customers' needs as an essence and conducts research and development for product design and construction with the main notion of achieving "Green, Low-carbon, Energy-saving and Technology".

Product Development and Serialisation, Standardisation and Commercialisation

During the reporting period, based on its product line system, the Company constantly deepened and improved the serialisation and standardisation construction of architecture, landscape and decoration centring on product line and product adaption.

By integrating smart technologies into product design, and upholding its 5M smart technology residential concept of creating safer, healthier, more convenient, more comfortable and more environmentally friendly experience, the Company progressively implemented projects to further show its meticulous care to customers.

As to the commercialisation of residential properties, on the basis of mature serialisation, standardised products series and long-term industrialised technology exploration, the Company researched and developed its technology standards, and applied the prefabricated technologies in the projects of Luoyang Jianye Technology City, Xinxiang Jianye Spring Time, Linying Jianye Forest Peninsula and Puyang Jianye Chinoiserie House.

Fully Decorated House

Adhering to the development concept of "Green, Low-carbon, Energy-saving and Technology", the Company had in-depth research in a variety of module units of fully decorated residences and conducted design development on the fully decorated houses of Zhengzhou Jianye Beverly, Zhengzhou Air Harbour Zone Jianye Wonderland, Zhengzhou Beilong Lake Land, Shangqiu Sky Mansion and other projects during the reporting period, which has gained customer recognition.

(V) Customer Service and Customer Relations

In 2019, after 27 years of accumulation and several years of exploration and development, the Company has formed a rich "Jianye+" ecosystem concerning people's well-being based on the framework of internal and external quality resources; and created a new lifestyle and happiness for our customers by providing personalised, customised and differentiated services and products.

During the reporting period, the Company focused on improving customer satisfaction, consolidated basic innovative services, and continuously improved product and service quality. The Company strengthened risk management by establishing the Real Estate Sector Risk Management System 2.0 and requiring to carry out full life-cycle risk inspection and prevention at every key point throughout the whole project process, and enhanced the awareness of risk control of all employees, so as to effectively mitigate the risk of complaint. The Company streamlined customer contact points and established customer service standardised system which sets out standardised customer care and services at every contact point covering contract signing, house delivery to moving-in, including Home Broadcast, Site Open Day, Jianye with You, One-stop Property Delivery, "Fix-it Quick" maintenance team, doorstep visits, etc. In addition, the Company continued to engage third-party institutes to conduct delivery assessment which carried out comprehensive inspection and assessment on indoor perception, public area, external facade, landscape design and all kinds of certificates. The Company would not delivery properties if they failed to pass our quality check, so as to improve product quality. The "Improvement and Enhancement" campaign (琢玉行動) was further carried out to improve the dwelling environment and dwelling quality of property owners, and the property owners were invited to attend the construction commencement ceremony, with an aim to expand the brand influence of the Group. The Company pioneered in the adoption of the dynamic customer satisfaction management approach targeted at each key point by conducting mystery customer survey and establishing joint multi-department inspection mechanism, so as to ensure super execution of services and improve service quality. In addition to integration of internal and external resources, the large campaigns for large accounts organised by the Company including "A Tour in Zhengzhou for Million Customers (因愛而遊一百萬客戶遊鄭州)", 10,000-people Brisk Walking in Xinxiang and Puyang City Run received unanimous praise from the local governments, all walks of life and property owners and generated positive social effects.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS OUTLOOK

(I) Market Outlook

1. The Macro-economic Landscape

The year 2019 marks the 70th anniversary for the founding of the People's Republic of China. In the first half of the year, driven by the "Six Stability (六穩)" policy and a series of reform measures, the Chinese economy successfully overcame a variety of downward risks and maintained overall stable performance. In the second half of the year, the government will adhere to the general tone of striving for economic growth on the basis of steadiness, insist on the new development concept and continue to drive high quality development. Meanwhile, the government will adhere to the supply-side structural reform as the main direction, continue to push forward market-oriented reform, expand high-level opening up, and accelerate the development of modern economic system. The government will also strive to stimulate micro-main vitality, innovate and improve macro-control, coordinate the efforts in securing steady growth, advancing reform, optimising structure, improving the people's welfare, preventing all kinds of risks and ensuring social stability, so as to maintain economic operation within a reasonable range. It is expected that the economic growth will slow down in the second half of the year as compared with that of last year, while maintaining overall stable growth.

In the first half of 2019, the economic development of Henan Province maintained a "stable, progressive and satisfactory" trend. Looking forward to the second half of the year, Henan Province will continue to pursue the development goal of "Three Simultaneity (三個同步)" and "Three Maximum Thresholds (三個高於)", and coordinate efforts in promoting the "Five in One (五位一體)" overall development plan and "Four Comprehensive Strategic Blueprint (「四個全面」戰略佈局)". Measures will be taken to increase effective investment, unleash consumption potential, support real economy development, accelerate supply-side reform and optimise operation environment for private enterprises, so as to maintain sustainable and healthy development of the economy and overall social stability. As the major player of the Central City Conglomerate, and supported by favourable demographic dividend, policy and national strategy, it is expected that Henan Province will release economic potential to ensure steady and healthy development in the second half of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Outlook of the Property Market

In the first half of 2019, as the overall regulation on the real estate market stayed tightened and the strategy of “One Policy for One City” is adopted at local level, the industry continued to focus on maintaining stable performance. In the second half of the year, adhering to the basic tone of “Houses are for living, not for speculation”, local governments will implement the strategy of “One Policy for One City” and adjust relevant policies in light of changes in the market conditions, with an aim to ensure stable development of the real estate market. Being affected by the basic tone set by our national economic and monetary policies and regulation policies on the real estate market, it is expected that the real estate industry will be characterised by “market size falling from the peak with stable price and medium-to-low growth in investment and new construction” in the second half of the year. In the first-tier and popular second-tier cities, driven by the positive effect from demand releasing as a result of improvement in supply and benefit from development planning of major cities, the transaction scale will continue to grow while the price will maintain relatively stable. In the third-tier and fourth-tier cities, as the overall market showed significant trend of adjustment and support from shanty area renovation diminished, the market may face certain correction pressure in the second half of the year. In the financial sector, it is expected that the relatively loose financial and credit environment in the first half of the year will be slightly tightened with greater emphasis on timing and amount.

In the first half of 2019, the land market of Zhengzhou’s urban area remained heated, with basically balanced land supply and demand condition in the urban area and intensified competition for land not for redevelopment purpose. The Zhengzhou Rim suburbs have become the main battlefields. The real estate developers showed increased interest in those areas with good fundament and planning. The land market was heated with land price records being repeatedly broken. In the second half of 2019, from the perspective of government policy, it is expected that the regulation policy will remain unchanged by adhering to the principle that “Houses are for living, not for speculation” and pushing forward the implementation of differentiated policies in different cities, with an aim to promote steady development. On the market side, as the financing environment for real estate developers tightens, it is expected that the land markets in various cities will gradually become more rational while remaining heated in the second half of the year. Being affected by several factors such as decreasing number of shanty area renovation projects and the proportion of monetised resettlement compensation dropping, the real estate market in some cities will somehow cool down. However, driven by the huge population of our province and the effective support from high-speed urbanisation, it is expected that the overall demand and supply is relatively balanced in the second half of the year, so as to realise stable development.

3. Business Planning

In the second half of 2019, the Company will make greater vigor in land acquisitions and land development as well as the profitability enhancement of key regions with an aim to achieve quality growth in scale. In addition, co-branding partnerships will be formed for exploring creative marketing ideas to maintain a satisfactory annual performance of the Company, laying a concrete foundation for sustainable and stable development of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Construction Plans

In the second half of 2019, the Company plans to commence construction of a total of 68 projects, with a GFA of approximately 6.78 million sq.m..

City	Project name	Principal use of property	GFA under development (sq.m.)
Zhengzhou	International City	Residential	99,717
Zhengzhou	Wulong Century New City	Residential	206,300
Zhengzhou	Zhengzhou Blossom Garden	Residential	37,044
Zhengzhou	Zhengzhou Junlin Grand Courtyard	Residential	82,495
Zhengzhou	Zhengxi U-Town	Residential	176,770
Zhengzhou	Land Parcel Located at Southeast and Northeast of Xinmi	Residential	229,344
Zhengzhou	Jianye Art Mansion (Unique in Henan)	Residential	238,828
Zhengzhou	Jianye Chengyuan (Movie Town)	Residential	90,586
Zhengzhou	Gongyi Chinoiserie House	Residential	87,504
Zhengzhou	Gongyi Spring Time	Residential	84,221
Zhengzhou	Dengfeng Songyue Mansion	Residential	136,746
Kaifeng	Project of Qi County Jingsan Road	Residential	79,960
Kaifeng	Lankao Music Town	Commercial	73,319
Kaifeng	Kaifeng Taihe House	Residential	145,497
Kaifeng	Kaifeng Headquarter Port	Commercial	87,866
Kaifeng	Kaifeng CCRE Mall	Residential	165,935
Luoyang	Yanshi Forest Peninsula	Residential	36,966
Luoyang	Luoyang Technology City	Residential	56,503
Luoyang	Luoyang Dingding House	Residential	55,757
Luoyang	Luoyang Dachengxiaoyuan	Residential	92,274
Luoyang	Luoyang Binhelong House	Residential	235,798
Luoyang	Luanchuan Luanzhou House	Residential	98,091
Pingdingshan	Wugang Forest Peninsula	Residential	66,132
Pingdingshan	Ruzhou Sweet-Scented Osmanthus Garden	Residential	147,637
Pingdingshan	Pingdingshan Eighteen Cities	Residential	43,377
Pingdingshan	Pingdingshan Spring Time	Residential	146,675
Anyang	Anyang Tonghe House	Residential	120,367
Anyang	Anyang Jianye City	Residential	110,400
Anyang	Anyang Sweet-Scented Osmanthus Garden	Residential	58,691
Hebi	Hebi Qishuiguanlu	Residential	113,403
Xinxiang	Xinxiang U-Town	Residential	4,875
Xinxiang	Beverly Manor	Residential	109,847
Xinxiang	Hui County Code One City	Residential	47,229

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

City	Project name	Principal use of property	GFA under development (sq.m.)
Jiaozuo	Wuzhi Star Mall	Residential	31,748
Jiaozuo	Jiaozuo Zhenyuehui	Residential	141,514
Puyang	Puyang Code One City	Residential	34,265
Puyang	Puyang Tonghe House	Residential	18,899
Puyang	Puyang Chinoiserie House	Residential	293,329
Puyang	Puyang Landmark	Residential	147,860
Puyang	Puyang Jianye New City	Residential	4,613
Puyang	Puyang Puyuan	Residential	92,453
Xuchang	Changge Forest Eco-City	Residential	60,980
Xuchang	Change Sweet-Scented Osmanthus Garden New City	Residential	122,635
Xuchang	Yuzhou Spring Time	Residential	147,625
Xuchang	Xiangcheng CCRE Mall	Residential	103,937
Luohe	Luohe Sweet-Scented Osmanthus Garden West District	Residential	63,718
Luohe	Project Luohe Jinjiang Road	Residential	143,541
Sanmenxia	Sanmenxia Honour Mansion	Residential	91,980
Sanmenxia	Sanmenxia New District Forest Peninsula	Residential	63,937
Shangqiu	Sui County Project	Residential	77,017
Shangqiu	Shangqiu Blossom Garden	Residential	141,407
Shangqiu	Minquan Project	Residential	102,301
Zhoukou	Zhoukou Shiyue Mansion	Residential	35,490
Zhoukou	Zhoukou Landmark	Residential	107,647
Zhoukou	Zhoukou Jianye City	Residential	26,880
Zhoukou	Xihua Jicheng Courtyard	Residential	30,590
Zhoukou	Taikang Xingfuli East Garden	Residential	125,892
Zhoukou	Taikang Eco-City	Residential	95,604
Zhoukou	Huaiyang CCRE Mall	Residential	90,639
Zhumadian	Zhumadian Zhenyuehui	Residential	132,228
Zhumadian	Zhumadian Spring Time	Residential	226,696
Zhumadian	Zhengyang Jianye City	Residential	7,600
Zhumadian	Xincai CCRE Mall	Residential	20,833
Zhumadian	Pingxing Jianye City	Residential	8,165
Zhumadian	Project at the Cross of Dexin Road and Cheyu Avenue, Pingyu	Residential	163,685
Nanyang	Nanyang Longyue City	Residential	101,881
Nanyang	Xinyang Jianye City	Residential	95,164
Jiyuan	Jiyuan Code One City North	Residential	63,309
Total			6,782,216

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Delivery Plans

In the second half of 2019, the Company plans to deliver a total of 41 projects, with a GFA of approximately 3.73 million sq.m..

City	Project name	Principal use of property	GFA under development (sq.m.)
Zhengzhou	Gongyi Spring Time	Residential	172,522
Zhengzhou	Xinmi Code One City	Residential	52,722
Zhengzhou	Zhengxi U-Town	Residential	110,314
Zhengzhou	Wulong Century New City	Residential	95,680
Zhengzhou	Fuli-Intelligent Palace	Residential	160,025
Zhengzhou	Zhengzhou Blossom Garden	Residential	127,559
Zhengzhou	International City	Residential	153,960
Kaifeng	Kaifeng Chrysanthemum Garden	Residential	130,115
Luoyang	Yanshi Forest Peninsula	Residential	2,679
Pingdingshan	Wugang Forest Peninsula	Residential	29,187
Anyang	Anyang Jianye City	Residential	30,532
Anyang	Hua County Code One City	Residential	126,592
Hebi	Hebi Code One City	Residential	86,413
Xinxiang	Beverly Manor	Residential	143,336
Xinxiang	Xinxiang Code One City	Residential	67,220
Xinxiang	Changyuan Forest Peninsula	Residential	105,895
Jiaozuo	Jiaozuo Spring Time	Residential	22,898
Jiaozuo	Jiaozuo Central Garden	Residential	11,136
Jiaozuo	Xiuwu Forest Peninsula	Residential	54,481
Puyang	Puyang Jianye New City	Residential	61,483
Puyang	Puyang Code One City	Residential	121,047
Xuchang	Xuchang Sweet-Scented Osmanthus Garden	Residential	135,188
Xuchang	Xuchang Chinoiserie House	Residential	7,289
Xuchang	Yanling Eco-City	Residential	28,162
Xuchang	Changge Spring Time	Residential	83,352
Luohe	Luohe Xicheng Forest Peninsula	Residential	81,624
Shangqiu	Shangqiu Central Garden	Residential	80,073
Zhoukou	Luyi Jianye City	Residential	164,528
Zhoukou	Xiangcheng Spring Time	Residential	73,247
Zhoukou	Zhoukou Landmark	Residential	164,973
Zhoukou	Zhoukou Forest Peninsula	Residential	28,640
Zhoukou	Zhoukou Code One City	Residential	151,689
Zhumadian	Pingxing Jianye City	Residential	163,033
Zhumadian	Suiping Forest Peninsula	Residential	120,033
Zhumadian	Xiping Forest Peninsula	Residential	88,695

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

City	Project name	Principal use of property	GFA under development (sq.m.)
Zhumadian	Xincai CCRE Mall	Residential	104,662
Zhumadian	Zhengyang Jianye City	Residential	88,799
Zhumadian	Zhumadian Eighteen Cities	Residential	151,546
Nanyang	Nanyang Shilihushan	Residential	71,608
Nanyang	Nanyang Code One City	Residential	67,442
Xinyang	Xinyang Jianye City	Residential	14,026
Total			3,734,405

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

(I) Risk management principles

The Company's risk management is based on the following principles: (i) strategy-oriented principle, i.e. risk management is aligned to the Company's development strategy in pursuit of the strategic objectives; (ii) prevention first principle, i.e. the Company extends risk management to its business preparation process by strengthening the prevention and systematic management of risks; and (iii) principle of materiality, i.e. risk management focuses on identifying, assessing and managing risks that have significant impact on the Company's development as well as achieving the best efficiency at reasonable costs.

(II) Risk management structure

According to the actual conditions of the Company's risk management and internal control, the Company has clearly defined the responsibilities of the Board, the audit committee, the management, the internal audit function and other units which are responsible for the establishment, implementation, evaluation and effective assessment of the risk management and internal control systems.

In order to improve our risk management and internal control, the Company has established the Risk Management and Internal Control Steering Group to organise and conduct such efforts. The Company has appointed three full-time internal control personnel at its head office who are responsible for coordinating the execution of internal control policies, and has appointed one full-time internal control personnel for each of its regional company and professional company respectively, totaling eleven internal control personnel at regional level and three internal control personnel at professional company level, who are responsible for the establishment of the risk management and internal control systems.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(III) Risk management procedure

The risk management and internal control group is responsible for organising our regional companies to identify, evaluate, alert and cope with the risks associated with our core businesses, and reporting our performance to the Risk Management and Internal Control Steering Group. According to its work requirements, the group shall rationalise key risk control points on a monthly basis and update the internal control assessment template in a timely manner. The internal control assessment template in respect of six segments including human resources, costs, financial position, customer service, marketing and engineering has been updated and optimised during the first half of 2019.

(IV) Scope and approaches of risk management assessment

The core risk focused in the first half of 2019 mainly include financial risks (risks associated with achieving profit target and trade receivables), operation risks (risks associated with realising operation plan and investment & development plan), investment risks (land bank risks), complaint risks (risks associated with achieving customer satisfaction), engineering quality risks and specific project plan risks (risks associated with achieving investment return and transfer risk). Assessment approaches of risk management and internal control mainly comprise regional self-assessment and peer assessment amongst regional companies.

(V) Achievements made in the establishment of risk management and internal control systems during the first half of 2019

Updating and revising internal control assessment template, and executing all management policies and operation guidelines

During the first half of the year, the Company updated and revised the internal control assessment template in respect of six professional series including human resources, costs, financial function, customer service, marketing and engineering, with an aggregate of 147 internal control assessment templates approved for execution after the revision, 84 of which are key controls and 63 are general controls, effectively covering the business control points of the relevant profession series, so as to ensure efficient execution of each management policy and operation guideline.

Conducting internal control self-assessment and peer assessment of each region for the first half of the year

Each region has completed internal control self-assessment for the first half of the year as scheduled, while the head office has organised and completed peer assessment on four series including human resources, financial function, customer service and costs. Meanwhile, as to the issues identified during the internal control assessment, we have taken timely measures to rectify the defects in such systems at the regional company level in accordance with the system process and operation regulations.

Organising trainings on internal control knowledge

According to plans on the establishment of internal control systems, the risk management and internal control group provides continuous trainings for internal control personnel. The group organised the first session of professional training which comprises three course programs during the first half of 2019, covering tax practice, internal control risk prevention and control throughout the real estate development chain and financial practice.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES AND REMUNERATION POLICY

I. Analysis of employees as at 30 June 2019

As at 30 June 2019, the Group had 3,401 employees with a turnover rate of approximately 6.7%. The numbers of employees by age, education level and function are set out as below:

Age:

20-30 (including 19)	1,624
31-40	1,376
41-50	331
51-60	61
61 or above	9

Total	3,401
-------	-------

Education level:

Master degree or above	379
Bachelor degree	2,218
Associate degree	721
Middle school or below	83

Total	3,401
-------	-------

Function:

Finance and accounting (finance and costing)	589
Engineering	720
Management	304
Design	265
Investment (investment, preliminary work)	161
Sales, marketing and customer service	716
Administration	445
Others	201

Total	3,401
-------	-------

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

II. Remuneration policy

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

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

DISCLOSURE OF INTERESTS

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

As at 30 June 2019, the interests and short positions of the Directors and chief executives of the Company in the shares (the "Shares"), underlying Shares and debentures (the "Debentures") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules, were as follows or as disclosed under the section headed "Share Option Scheme" below:

(a) Long positions in the Shares

Name of Director or chief executive	Capacity and nature of interest	Number of share options held ²	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital ⁴
Mr. Wu Po Sum	Interest in a controlled corporation	–	1,386,315,639 ¹	50.75%
	Beneficial owner	2,050,400	–	0.08%
Mr. Wang Jun	Beneficial owner	27,000,000	–	0.99%
Mr. Liu Weixing	Beneficial owner	20,000,000	1,000,000	0.77%
Ms. Wu Wallis (alias Li Hua) ³	Interest of spouse	8,500,000	–	0.31%
Mr. Yuan Xujun	Beneficial owner	20,000,000	–	0.73%

Notes:

- The 1,386,315,639 Shares were registered in the name and were beneficially owned by Joy Bright Investments Limited ("Joy Bright"), a company wholly owned by Mr. Wu Po Sum. Accordingly, he is deemed to be interested in the 1,386,315,639 Shares by virtue of the SFO. According to the disclosure of interests form filed by the Company on 29 June 2019, Joy Bright entered into a sales and purchase agreement with CapitaLand (Cayman) on 29 June 2019 to acquire 658,116,228 Shares held by CapitaLand (Cayman). The transaction has been completed as at the date of this report, and currently Joy Bright effectively holds 2,044,431,867 Shares.
- Such interest in the Shares is held pursuant to the share options granted under the Share Option Scheme (as defined below), the details of which are disclosed on pages 51 to 52 of this interim report.
- The 8,500,000 share options are beneficially owned by the spouse of Ms. Wu Wallis (alias Li Hua), therefore Ms. Wu Wallis (alias Li Hua) is deemed to be interested in her spouse's share options for the purposes of the SFO.
- The approximate percentage of the interest in the Company's issued share capital is based on a total of 2,731,762,560 Shares of the Company in issue as at 30 June 2019.

DISCLOSURE OF INTERESTS (CONTINUED)

Save as disclosed above or under the section headed "Share Option Scheme" below, as at 30 June 2019, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any Shares, underlying Shares and Debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under the provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

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

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

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

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

The exercise periods of the share options may be specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of the grant. As at 30 June 2019, share options to subscribe for 87,925,760 Shares (representing approximately 3.22% of the issued share capital of the Company as at 30 June 2019 (i.e. 2,731,762,560 shares)) remained outstanding.

DISCLOSURE OF INTERESTS (CONTINUED)

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

The Share Option Scheme will expire on 18 April 2028.

Movement of share options granted under the Share Option Scheme for the six months from 1 January 2019 to 30 June 2019 was as follows:

Name or category of participants	Date of grant	Exercise price per Share	Exercise period (Notes)	As at 1 January 2019	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2019
Directors								
Mr. Wu Po Sum	25 May 2010	HK\$1.853	2	2,050,400	–	–	–	2,050,400
Mr. Wang Jun	23 August 2018	HK\$3.470	6	27,000,000	–	–	–	27,000,000
Mr. Liu Weixing	23 May 2017	HK\$1.764	4	20,000,000	–	–	–	20,000,000
Ms. Wu Wallis (alias Li Hua) ⁷	27 March 2013	HK\$2.560	3	1,500,000	–	–	–	1,500,000
	23 May 2017	HK\$1.764	4	7,000,000	–	–	–	7,000,000
Chief Executive Officer								
Mr. Yuan Xujun	23 May 2017	HK\$1.764	4	20,000,000	–	–	–	20,000,000
Senior Management, other employees and consultants of the Group	25 May 2010	HK\$1.853	2	3,025,360	–	–	–	3,025,360
	27 March 2013	HK\$2.560	3	13,850,000	–	(500,000)	–	13,350,000
	23 May 2017	HK\$1.764	4	45,000,000	–	–	–	45,000,000
	12 June 2018	HK\$4.296	5	64,000,000	–	–	–	64,000,000
	23 August 2018	HK\$3.470	6	10,000,000	–	–	–	10,000,000
				213,425,760	–	(500,000)	–	212,925,760

Notes:

- In relation to each grantee of the share options granted under the Share Option Scheme, no share option is exercisable within the first year from the respective dates of grant, that is, 25 May 2010, 25 July 2011, 27 March 2013, 23 May 2017, 12 June 2018 and 23 August 2018 (the "Dates of Grant"), not more than 20% of the share options are exercisable within the second year from the respective Dates of Grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the respective Dates of Grant.
The initial exercise price of the share options granted on 25 May 2010 under the Share Option Scheme was HK\$1.9 per share and was adjusted to HK\$1.853 per share on 28 June 2011 as a result of and following the Rights Issue conducted by the Company.
- The share options are divided into 3 tranches exercisable from 25 May 2011, 25 May 2012 and 25 May 2013 respectively to 24 May 2020.
- The share options are divided into 3 tranches exercisable from 27 March 2014, 27 March 2015 and 27 March 2016 respectively to 26 March 2023.
- The share options are divided into 3 tranches exercisable from 23 May 2018, 23 May 2019 and 23 May 2020 respectively to 22 May 2027.
- The share options are divided into 3 tranches exercisable from 12 June 2019, 12 June 2020 and 12 June 2021 respectively to 11 June 2028.
- The share options are divided into 3 tranches exercisable from 23 August 2019, 23 August 2020 and 23 August 2021 respectively to 22 August 2028.
- The 8,500,000 share options are beneficially owned by the spouse of Ms. Wu Wallis (alias Li Hua), therefore Ms. Wu Wallis (alias Li Hua) is deemed to be interested in her spouse's share options for the purposes of the SFO.

Additional information in relation to the Share Option Scheme is set out in note 22 to the financial statements of this interim report.

DISCLOSURE OF INTERESTS (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any Directors or chief executives of the Company, as at 30 June 2019, other than the interests and short positions of the Directors or chief executives of the Company as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures" and "Share Option Scheme" above, the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital ¹
Joy Bright	Beneficial owner	1,386,315,639 ²	50.75%
CapitaLand LF (Cayman) Holdings Co., Ltd. ("CapitaLand (Cayman)")	Beneficial owner	658,116,228 ³	24.09%
CapitaLand China Holdings Pte Ltd. ("CapitaLand China")	Interest of controlled corporation	658,116,228 ³	24.09%
CapitaLand China Investments Limited ("CapitaLand China Investments")	Interest of controlled corporation	658,116,228 ³	24.09%
CapitaLand Limited ("CapitaLand")	Interest of controlled corporation	658,116,228 ³	24.09%
Temasek Holdings (Private) Limited ("Temasek Holdings")	Interest of controlled corporation	658,116,228 ³	24.09%

Notes:

- (1) The approximate percentage of the interest in the Company's issued share capital is based on a total of 2,731,762,560 Shares of the Company in issue as at 30 June 2019.
- (2) Mr. Wu Po Sum holds 100% of the issued share capital of Joy Bright and is deemed to be interested in the 1,386,315,639 Shares held by Joy Bright for the purposes of the SFO. According to the disclosure of interests form filed by the Company on 29 June 2019, Joy Bright entered into a sales and purchase agreement with CapitaLand (Cayman) on 29 June 2019 to acquire 658,116,228 Shares held by CapitaLand (Cayman). The transaction has been completed as at the date of this report, and currently Joy Bright effectively holds 2,044,431,867 Shares.
- (3) CapitaLand (Cayman) is directly wholly owned by CapitaLand China. CapitaLand China is directly wholly owned by CapitaLand China Investments and CapitaLand China Investments is directly wholly owned by CapitaLand. Temasek Holdings has an interest in approximately 40.011% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand China Investments, CapitaLand and Temasek Holdings is deemed or taken to be interested in the 658,116,228 Shares which are owned by CapitaLand (Cayman) for the purposes of the SFO. The 658,116,228 Shares were sold on 29 June 2019 when the sales and purchase agreement were entered into with Joy Bright. The transaction has been completed as at the date of this report, and such Shares are no longer held by CapitaLand (Cayman).

Save as disclosed above, as at 30 June 2019, there was no other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company has always valued the superiority, steadiness and rationality of having a sound system of corporate governance and is committed to continuously improving its corporate governance and disclosure practices. For the six months ended 30 June 2019, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code (the “Corporate Governance Code”) in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) with the exception of code provision E.1.2 as addressed below.

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

Mr. Xin Luo Lin, an independent non-executive Director and the chairman of the remuneration committee of the Company, was unable to attend the 2019 AGM as he was out of town for other business.

In the absence of the chairman of the remuneration committee, Mr. Cheung Shek Lun, being a member of the Board, the remuneration committee and the nomination committee, attended the 2019 AGM and answered questions raised at the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 to the Listing Rules as the code of conduct for the Directors in their dealings in the Company’s securities. Having made specific enquires with each Director, the Company confirmed that the Directors had complied with the required standard as set out in the Model Code for the six months ended 30 June 2019.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

CHANGES SUBSEQUENT TO 31 DECEMBER 2018

There were no other significant changes in the Group’s financial position or from the information disclosed under Management Discussion and Analysis in the annual report of the Company for the year ended 31 December 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee of the Company has discussed with the management and external auditors the accounting principles and policies adopted by the Group, and has reviewed the Group's unaudited interim consolidated financial statements for the six months ended 30 June 2019.

INTERIM DIVIDEND

The Board declared an interim dividend (the "Interim Dividend") of HK15.6 cents per share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK7.16 cents per share).

The Interim Dividend will be paid on or around Friday, 13 September 2019 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 4 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the shareholders to the Interim Dividend, the register of members of the Company will be closed on Wednesday, 4 September 2019. In order to qualify for the Interim Dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 3 September 2019, for registration. The Interim Dividend will be paid on or around Friday, 13 September 2019.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
Revenue	3	9,068,042	4,770,643
Cost of sales	5	(6,593,702)	(3,050,977)
Gross profit		2,474,340	1,719,666
Other revenue	4	124,672	131,511
Other net income/(loss)	4	597,388	(45,794)
Selling and marketing expenses		(751,395)	(432,813)
General and administrative expenses		(771,813)	(582,862)
Impairment losses on trade and other receivables and contract assets	5	(61,419)	(40,513)
		1,611,773	749,195
Finance costs	5	(230,098)	(163,940)
Share of profits less losses of associates		(3,897)	(4,969)
Share of profits less losses of joint ventures		164,617	(65,107)
Profit before change in fair value of investment property and income tax		1,542,395	515,179
Net valuation gains on investment property	9	20,420	563,555
Profit before taxation	5	1,562,815	1,078,734
Income tax	6	(794,526)	(504,469)
Profit for the period		768,289	574,265
Attributable to:			
Equity shareholders of the Company		657,720	550,011
Non-controlling interests		110,569	24,254
Profit for the period		768,289	574,265
Earnings per share	7		
– Basic (RMB cents)		24.08	22.28
– Diluted (RMB cents)		23.64	21.84

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 64 to 99 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 22.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit for the period	768,289	574,265
Other comprehensive income for the period (after tax and reclassification adjustments)		
<i>Items that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income		
– net movement in fair value reserve (non-recycling)	(27,640)	43,982
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on:		
– translation of financial statements to the presentation currency	105,855	9,161
– arising on a monetary item that forms part of net investment in foreign operations	(8,070)	(117,547)
Cash flow hedge:		
– effective portion of changes in fair value	5,937	(817)
Other comprehensive income for the period	76,082	(65,221)
Total comprehensive income for the period	844,371	509,044
Attributable to:		
Equity shareholders of the Company	732,564	484,968
Non-controlling interests	111,807	24,076
Total comprehensive income for the period	844,371	509,044

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 64 to 99 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 – unaudited
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2019	At 31 December 2018 <i>(Note)</i>
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	2, 8	5,713,843	4,808,494
Investment property	9	2,935,400	2,916,000
Intangible assets		54,670	518,008
Biological assets		222,818	203,946
Interests in associates	10	646,834	449,913
Interests in joint ventures	11	11,415,613	9,915,331
Other financial assets		787,124	602,333
Deferred tax assets		343,376	248,318
Trade and other receivables		516,941	49,532
		22,636,619	19,711,875
Current assets			
Trading securities		96,456	82,775
Biological assets		35,811	32,778
Inventories and other contract costs	12	56,965,696	50,315,979
Contract assets		153,739	137,691
Trade and other receivables	13	3,581,269	2,577,140
Deposits and prepayments	14	10,763,760	9,161,824
Tax recoverable		2,876,765	2,160,457
Restricted bank deposits	15	4,576,515	3,579,597
Cash and cash equivalents	16	19,240,602	14,202,259
		98,290,613	82,250,500
Current liabilities			
Bank loans	17	(3,280,945)	(1,756,130)
Other loans	18	(1,597,640)	(593,150)
Trade and other payables	19	(35,421,968)	(28,924,187)
Contract liabilities		(46,032,663)	(40,829,626)
Corporate bonds	21	–	(2,996,760)
Senior notes	20	(2,126,029)	–
Lease liabilities	2(d)	(35,039)	–
Taxation payable		(576,221)	(833,264)
		(89,070,505)	(75,933,117)
Net current assets		9,220,108	6,317,383
Total assets less current liabilities		31,856,727	26,029,258

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2019 – unaudited
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2019	At 31 December 2018 <i>(Note)</i>
		RMB'000	RMB'000
Non-current liabilities			
Bank loans	17	(3,719,250)	(4,074,351)
Other loans	18	(2,773,100)	(240,030)
Corporate bonds	21	(1,499,893)	–
Senior notes	20	(10,800,784)	(10,190,829)
Lease liabilities	2(d)	(345,998)	–
Deferred tax liabilities		(1,877,817)	(1,254,264)
		(21,016,842)	(15,759,474)
NET ASSETS		10,839,885	10,269,784
CAPITAL AND RESERVES			
Share capital		240,001	239,958
Reserves		8,884,302	8,597,132
Total equity attributable to equity shareholders of the Company		9,124,303	8,837,090
Non-controlling interests		1,715,582	1,432,694
TOTAL EQUITY		10,839,885	10,269,784

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Approved and authorised for issue by the board of directors on 20 August 2019.

Wu Po Sum
Executive Director

Wang Jun
Executive Director

The notes on pages 64 to 99 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company												Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve fund	Other capital reserve	Exchange reserve	Share-based compensation reserve	Property revaluation reserve	Hedging reserve	Fair value reserve (non-recycling)	Retained profits	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018	216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	-	24,752	3,217,917	7,849,966	792,237	8,642,203	
Changes in equity for the six months ended 30 June 2018:														
Profit for the period	-	-	-	-	-	-	-	-	-	550,011	550,011	24,254	574,265	
Other comprehensive income	-	-	-	-	(108,208)	-	-	(817)	43,982	-	(65,043)	(178)	(65,221)	
Total comprehensive income	-	-	-	-	(108,208)	-	-	(817)	43,982	550,011	484,968	24,076	509,044	
Dividend approved in respect of previous years	22(a)	-	-	-	-	-	-	-	-	(243,915)	(243,915)	-	(243,915)	
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,480)	(4,480)	
Appropriation to statutory reserve fund	-	-	52,161	-	-	-	-	-	-	(52,161)	-	-	-	
Issue of ordinary shares	23,042	809,114	-	-	-	-	-	-	-	-	832,156	-	832,156	
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	68,874	68,874	
Equity settled share-based payment	-	-	-	-	-	10,780	-	-	-	-	10,780	-	10,780	
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(49,003)	(49,003)	
Acquisitions of additional interests in subsidiaries	-	-	-	12,327	-	-	-	-	-	-	-	12,327	(9,746)	2,581
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	180,688	180,688
	23,042	809,114	52,161	12,327	-	10,780	-	-	-	(296,076)	611,348	186,333	797,681	
Balance at 30 June 2018 and 1 July 2018	239,958	2,489,835	2,362,839	476,388	(206,696)	37,710	6,479	(817)	68,734	3,471,852	8,946,282	1,002,646	9,948,928	
Changes in equity for the six months ended 31 December 2018:														
Profit for the period	-	-	-	-	-	-	-	-	-	604,251	604,251	236,607	840,858	
Other comprehensive income	-	-	-	-	(586,655)	-	-	1,346	20,645	-	(564,664)	(1,582)	(566,246)	
Total comprehensive income	-	-	-	-	(586,655)	-	-	1,346	20,645	604,251	39,587	235,025	274,612	
Dividend declared in respect of the current year	22(a)	-	-	-	-	-	-	-	-	(165,000)	(165,000)	-	(165,000)	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(80,650)	(80,650)	
Appropriation to statutory reserve fund	-	-	192,520	-	-	-	-	-	-	(192,520)	-	-	-	
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	45,355	45,355	
Equity settled share-based payment	-	-	-	-	-	32,279	-	-	-	-	32,279	-	32,279	
Acquisitions of additional interests in subsidiaries	-	-	-	(16,058)	-	-	-	-	-	-	(16,058)	1	(16,057)	
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	230,317	230,317	
	-	-	192,520	(16,058)	-	32,279	-	-	-	(357,520)	(148,779)	195,023	46,244	
Balance 31 December 2018 (Note)	239,958	2,489,835	2,555,359	460,330	(793,351)	69,989	6,479	529	89,379	3,718,583	8,837,090	1,432,694	10,269,784	

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company												Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve fund RMB'000	Other capital reserve RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Property revaluation reserve RMB'000	Hedging reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	
Balance at 1 January 2019	239,958	2,489,835	2,555,359	460,330	(793,351)	69,989	6,479	529	89,379	3,718,583	8,837,090	1,432,694	10,269,784
Changes in equity for the six months ended 30 June 2019:													
Profit for the period	-	-	-	-	-	-	-	-	-	657,720	657,720	110,569	768,289
Other comprehensive income	-	-	-	-	96,547	-	-	5,937	(27,640)	-	74,844	1,238	76,082
Total comprehensive income	-	-	-	-	96,547	-	-	5,937	(27,640)	657,720	732,564	111,807	844,371
Dividend approved in respect of previous years	22(a)	-	-	-	-	-	-	-	-	(326,848)	(326,848)	-	(326,848)
Dividend declared to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(4,026)	(4,026)
Appropriation to statutory reserve fund		-	-	203,545	-	-	-	-	-	(203,545)	-	-	-
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	-	-	96,429	96,429
Shares issued under share option scheme	22(b)	43	1,395	-	-	(329)	-	-	-	-	1,109	-	1,109
Equity settled share-based payment		-	-	-	-	36,735	-	-	-	-	36,735	-	36,735
Disposal of subsidiaries		-	-	-	-	-	-	-	-	-	-	(29,188)	(29,188)
Acquisitions of additional interests in subsidiaries		-	-	-	(156,347)	-	-	-	-	-	(156,347)	(5,650)	(161,997)
Acquisitions of subsidiaries		-	-	-	-	-	-	-	-	-	-	113,516	113,516
		43	1,395	203,545	(156,347)	-	36,406	-	-	(530,393)	(445,351)	171,081	(274,270)
Balance at 30 June 2019		240,001	2,491,230	2,758,904	303,983	(696,804)	106,395	6,479	6,466	61,739	3,845,910	1,715,582	10,839,885

The notes on pages 64 to 99 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
	RMB'000	(Note) RMB'000
Operating activities		
Cash generated from/(used in) operations	2,276,440	(205,189)
Income tax paid	(1,237,666)	(845,957)
Net cash generated from/(used in) operating activities	1,038,774	(1,051,146)
Investing activities		
Payment for the purchase of property, plant and equipment	(1,046,977)	(426,336)
Net cash paid upon acquisitions of subsidiaries	(558,727)	(561,703)
Net cash outflow upon disposals of subsidiaries	(230,148)	–
Acquisitions of additional interest in subsidiaries	(150,000)	(13,477)
Investment in joint ventures	(899,357)	(935,893)
Advances to joint ventures	(2,453,282)	(1,186,939)
Repayment from joint ventures	1,627,943	1,067,543
Investment in associates	(50,000)	–
Advances to associates	(2,270)	(14,203)
Repayment from associates	279,648	28,715
Investment in other financial assets	(215,155)	–
Dividend received	6,630	225,324
Interest received	101,362	91,845
Other cash flows arising from investing activities	(17,607)	(41,737)
Net cash used in investing activities	(3,607,940)	(1,766,861)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
	RMB'000	(Note) RMB'000
Financing activities		
Proceeds from bank loans and other loans	9,931,697	1,976,000
Repayment of bank loans and other loans	(2,328,891)	(597,875)
Issue of senior notes	3,985,501	4,967,851
Redemption of senior notes	(1,371,027)	(2,632,467)
Repayment of corporate bonds	(2,838,672)	–
Resale of corporate bonds	1,271,609	–
Issue of ordinary shares	–	832,156
Interest paid	(840,638)	(516,652)
Dividends paid	(330,872)	(248,395)
Capital contribution by non-controlling interest	96,429	68,874
Capital element of lease rentals paid	(4,032)	–
Interest element of lease rentals paid	(13,380)	–
Other cash flows arising from financing activities	1,438	–
Net cash generated from financing activities	7,559,162	3,849,492
Net increase in cash and cash equivalents	4,989,996	1,031,485
Cash and cash equivalents at 1 January	14,202,259	11,283,853
Effect of changes in foreign exchange rate	48,347	251,434
Cash and cash equivalents at 30 June	19,240,602	12,566,772

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 64 to 99 form part of this interim financial report.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

Central China Real Estate Limited (“the Company”) is a limited liability company incorporated in the Cayman Islands on 15 November 2007. Its principal place of business is at Room 7701B–7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. This interim financial report as at and for the six months ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interests in associates and joint ventures. The principal activity of the Company is investment holding and the Group are principally engaged in property development, property leasing, hotel operations and provision of project management service in Henan Province in the People’s Republic of China (“the PRC”).

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 20 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 100.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 24(b).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically office furniture or equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

The right-of-use asset of the Group is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value; and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the group's financial statements as the group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

(iv) Lessor accounting

In addition to leasing out the investment property referred to in paragraph (a)(iii) above, the Group leases out a number of properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 7.32%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, Leases (continued)

(c) Transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 24(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	RMB'000
Operating lease commitments at 31 December 2018	636,695
Less: commitments relating to leases exempt from capitalisation: – short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(784)
	635,911
Less: total future interest expenses	(276,261)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	359,650
Add: finance lease liabilities recognised as at 31 December 2018	–
Total lease liabilities recognised at 1 January 2019	359,650

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, Leases (continued)

(c) Transitional impact (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	4,808,494	376,979	5,185,473
Total non-current assets	19,711,875	376,979	20,088,854
Deposits and prepayments	9,161,824	(17,329)	9,144,495
Current assets	82,250,500	(17,329)	82,233,171
Lease liabilities (current)	–	(30,715)	(30,715)
Current liabilities	(75,933,117)	(30,715)	(75,963,832)
Net current assets	6,317,383	(48,044)	6,269,339
Total assets less current liabilities	26,029,258	328,935	26,358,193
Lease liabilities (non-current)	–	(328,935)	(328,935)
Total non-current liabilities	(15,759,474)	(328,935)	(16,088,409)
Net assets	10,269,784	–	10,269,784

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, Leases (continued)

(c) Transitional impact (continued)

The analysis of the net book value of the Group's separately measured right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Included in "Property, plant and equipment":		
– Registered ownership interest in leasehold properties for own use, carried at depreciated cost	258,457	243,100
– Other properties leased for own use, carried at depreciated cost	388,641	376,979
	647,098	620,079

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	35,039	37,580	30,715	32,161
After 1 year but within 2 years	29,575	34,010	27,168	31,213
After 2 years but within 5 years	62,513	88,741	60,550	86,198
After 5 years	253,910	642,023	241,217	486,339
	345,998	764,774	328,935	603,750
	381,037	802,354	359,650	635,911
Less: total future interest expenses		(421,317)		(276,261)
Present value of lease liabilities		381,037		359,650

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, Leases (continued)

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated income statement, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A) RMB'000	Add back: HKFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C) RMB'000	
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					Compared to amounts reported for 2018 under HKAS 17
Profit from operations	1,611,773	9,829	(17,412)	1,604,190	749,195
Finance costs	(230,098)	13,380	–	(216,718)	(163,940)
Profit before taxation	1,562,815	23,209	(17,412)	1,568,612	1,078,734
Profit for the year	768,289	23,209	(17,412)	774,086	574,265

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, Leases (continued)

(e) Impact on the financial result, segment results and cash flows of the Group (continued)

	Amounts reported under HKFRS 16 (A) RMB'000	2019 Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) RMB'000	2018 Compared to amounts reported for 2018 under HKAS 17 RMB'000
--	--	--	---	--

Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:

Cash generated from/(used in) operations	2,276,440	(17,412)	2,259,028	(205,189)
Net cash generated from/(used in) operating activities	1,038,774	(17,412)	1,021,362	(1,051,146)
Capital element of lease rentals paid	(4,032)	4,032	–	–
Interest element of lease rentals paid	(13,380)	13,380	–	–
Net cash generated from financing activities	7,559,162	17,412	7,576,574	3,849,492

Note 1: The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of HKFRS15		
Disaggregation by major products or service lines		
– Sales of properties	8,393,660	4,329,414
– Revenue from hotel operations	149,166	132,356
– Revenue from project management service	404,296	248,901
– Others	42,413	–
	8,989,535	4,710,671
Revenue from other sources		
– Rental income from investment properties	49,805	34,114
– Rental income from properties for sale	28,702	25,858
	78,507	59,972
	9,068,042	4,770,643

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue (continued)

(i) Disaggregation of revenue (continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition is as follows:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Point in time		
– Sales of properties	5,152,614	1,149,196
– Revenue from hotel operations	149,166	132,356
– Others	42,413	–
	5,344,193	1,281,552
Over time		
– Sales of properties	3,241,046	3,180,218
– Revenue from project management service	404,296	248,901
– Rental income from investment properties	49,805	34,114
– Rental income from properties for sale	28,702	25,858
	3,723,849	3,489,091
	9,068,042	4,770,643

(b) Segment reporting

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

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

(ii) Geographic information

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

4 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Other revenue		
Interest income on financial assets measured at amortised cost	61,288	91,805
Other interest income	40,074	40
Dividend income from equity securities	7,805	2,076
Government grants	14,972	22,443
Others	533	15,147
	124,672	131,511
Other net income/(loss)		
Net realised and unrealised gain/(loss) on trading securities	13,882	(21,778)
Inventory write-down	(14,074)	(18,670)
Net (loss)/gain on disposals of property, plant and equipment	(7,868)	136
Net gain on deemed disposals of joint ventures	248,121	14,107
Net gain on disposal of a joint venture	441,240	–
Net exchange loss	(31,174)	(10,061)
Others	(52,739)	(9,528)
	597,388	(45,794)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2019	2018
	RMB'000	(Note) RMB'000
(a) Finance costs		
Interest on bank loans and other borrowings	973,419	588,414
Interest on lease liabilities	13,380	–
Total interest expense on financial liabilities not at fair value through profit or loss	986,799	588,414
Interest accrued on advance payments from customers	735,268	327,732
Less: interest expense capitalised into properties under development	(1,408,482)	(776,068)
	313,585	140,078
Net change in fair value of derivatives	(83,487)	23,862
	230,098	163,940
(b) Other items		
Amortisation	10,448	11,886
Depreciation charge		
– owned property, plant and equipment	117,517	115,817
– right-of-use assets	13,680	–
Impairment losses on trade and other receivables and contract assets	61,419	40,513
Cost of properties sold	6,458,494	2,971,852
Football club sponsorship fee	200,983	190,000

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Current tax		
PRC Corporate Income Tax	79,506	229,371
PRC Land Appreciation Tax	97,342	189,078
Withholding tax	40,000	–
	216,848	418,449
Deferred tax		
PRC Corporate Income Tax	423,368	86,020
PRC Land Appreciation Tax	154,310	–
	577,678	86,020
	794,526	504,469

- (a) Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.
- (b) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.
- (c) **PRC Corporate Income Tax (“CIT”)**

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

Certain PRC subsidiaries were subject to CIT calculated based on the deemed profit which represents 10% (2018: 10%) of their revenue in accordance with the authorised taxation method pursuant to the applicable PRC tax regulations. The tax rate was 25 % (2018: 25%) on the deemed profit. Other PRC subsidiaries, which were subject to the actual taxation method, were charged CIT at a rate of 25 % (2018: 25%) on the estimated assessable profits for the period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX (continued)

(d) Land Appreciation Tax ("LAT")

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 of land value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation of land value do not exceed 20% of the sum of the total deductible items.

(e) Withholding tax

Withholding taxes are levied on the Company's subsidiaries in Hong Kong ("Hong Kong subsidiaries") in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 and interest on inter-company balance received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 10%.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB657,720,000 (2018: RMB550,011,000) and the weighted average of 2,731,415,985 ordinary shares (2018: 2,468,577,628 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share was based on the profit attributable to ordinary equity shareholders of the Company of RMB657,720,000 (2018: RMB550,011,000) and the weighted average number of ordinary shares of 2,781,838,316 (2018: 2,518,263,696 shares).

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

	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 RMB'000
Profit attributable to equity shareholders (diluted)	657,720	550,011

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

7 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share (continued)

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

	Six months ended 30 June 2019	Six months ended 30 June 2018
Weighted average number of ordinary shares at 30 June	2,731,415,985	2,468,577,628
Effect of deemed issue of ordinary shares under the Company's share option scheme	50,422,331	49,686,068
Weighted average number of ordinary shares at 30 June (diluted)	2,781,838,316	2,518,263,696

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of properties and therefore recognised the additions to right-of-use assets of RMB21,490,000.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of RMB1,076,625,000 (2018: RMB426,336,000). Items of property, plant and equipment with a net book value of RMB10,772,000 (2018: RMB113,000) were disposed of during the six months ended 30 June 2019, resulting in a net loss on disposal of RMB7,868,000 (2018: net gain on disposal of RMB136,000).

9 INVESTMENT PROPERTY

The valuations of investment property were updated at 30 June 2019 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2018 valuations.

As a result of the update, a net gain of RMB20,420,000 (2018: RMB563,555,000), and deferred tax thereon of RMB5,105,000 (2018: RMB140,889,000) has been recognised in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

10 INTEREST IN ASSOCIATES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Share of net assets	262,326	202,462
Amounts due from associates	384,508	247,451
	646,834	449,913

11 INTEREST IN JOINT VENTURES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Share of net assets	3,775,834	2,879,212
Amounts due from joint ventures	7,639,779	7,036,119
	11,415,613	9,915,331

(a) Deemed disposal of joint ventures in step acquisitions

During the six months ended 30 June 2019, the Group entered into equity transfer agreements with respective joint venturers to acquire additional equity interest. Upon completion of the above transactions, these joint ventures became subsidiaries of the Group.

The net gain of RMB248,121,000 on deemed disposals of these joint ventures was recognised in profit or loss during the period, by remeasuring the Group's previously held equity interests in these entities at the acquisition date fair value.

(b) Disposal of a joint venture

During the six months ended 30 June 2019, the Group entered into an equity transfer agreement with the joint venturer to dispose of its equity interest in a joint venture with a net gain of RMB441,240,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

12 INVENTORIES AND OTHER CONTRACT COSTS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Inventories		
Properties held for future development and under development for sale	53,331,572	46,628,504
Completed properties held for sale	3,498,571	3,570,986
Others	1,268	3,369
	56,831,411	50,202,859
Other contract costs	134,285	113,120
	56,965,696	50,315,979

As at 30 June 2019, the Group's properties for sale of RMB3,787,762,000 (31 December 2018: RMB449,954,000) were pledged as securities of a joint venture's bank loan and other loan (31 December 2018: a joint venture's bank loan).

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade debtors and bills receivable, net of loss allowance	65,660	43,984
Other debtors	1,300,981	760,281
Amounts due from joint ventures	–	69,092
Amounts due from entities controlled by the ultimate controlling shareholder	26,544	15,400
Amounts due from entities jointly controlled by a close family member of the ultimate controlling shareholder	4,281	–
Amounts due from non-controlling interests	2,048,310	1,593,499
Derivative financial instruments	135,493	94,884
	3,581,269	2,577,140

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES (continued)

Amounts due from joint ventures and non-controlling interests are unsecured, interest-free and has no fixed terms of repayment.

Amount due from entities controlled by the ultimate controlling shareholder mainly represented amount receivable due from Central China New Life Service Company Limited 河南建業新生活服務有限公司 (“Central China New Life”) together with its subsidiaries, which are interest free, unsecured and to be settled according to the contract terms.

Amounts due from entities jointly controlled by a close family member of the ultimate controlling shareholder mainly represented amount receivable due from Shanghai Meihua Yuezhang Investment Company Limited 上海美華樂章投資有限公司 (“Shanghai Meihua”) together with its subsidiaries, which are interest free, unsecured and to be settled according to the contract terms.

(a) Aging analysis

The aging analysis of bills and trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 month	30,640	16,241
1 to 3 months	6,714	5,764
3 to 6 months	13,605	1,073
6 to 12 months	4,568	7,910
Over 1 year	10,133	12,996
	65,660	43,984

Trade debtors and bills receivable are due upon the invoicing.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

14 DEPOSITS AND PREPAYMENTS

At 30 June 2019, the balance included deposits and prepayments for leasehold land for development purpose of RMB7,623,231,000 (31 December 2018: RMB4,247,968,000), which will be transferred to inventory upon the registration of the ownership interest in the land.

15 RESTRICTED BANK DEPOSITS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Guarantee deposits in respect of:		
– mortgage loans related to property sale	2,292,113	1,837,835
– bills payable	2,272,682	1,741,762
– bank loan	11,720	–
	4,576,515	3,579,597

16 CASH AND CASH EQUIVALENTS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Deposits with banks and other financial institutions	14,461	17,924
Cash at bank and in hand	19,226,141	14,184,335
Cash and cash equivalents in the statement of financial position and cash flow statement	19,240,602	14,202,259

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

17 BANK LOANS

(a) At 30 June 2019, bank loans were repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year or on demand	3,280,945	1,756,130
After 1 year but within 2 years	1,822,750	2,232,976
After 2 years but within 5 years	1,625,703	1,368,250
After 5 years	270,797	473,125
	3,719,250	4,074,351
	7,000,195	5,830,481

(b) At 30 June 2019, the bank loans were secured as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank loans		
– secured	3,985,709	3,419,705
– unsecured	3,014,486	2,410,776
	7,000,195	5,830,481

(c) As at 30 June 2019, the secured bank loans are secured over equity interest in subsidiaries of the Group and other assets as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Properties for sale	4,422,440	2,238,693
Property, plant and equipment	792,220	792,220
Equity interest in a joint venture	66,858	66,858
Restricted bank deposits	11,720	–
	5,293,238	3,097,771

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

18 OTHER LOANS

(a) At 30 June 2019, other loans were repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year or on demand	1,597,640	593,150
After 1 year but within 2 years	2,773,100	240,030
	4,370,740	833,180

(b) At 30 June 2019, the other loans were secured as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Other loans		
– secured	3,412,740	490,250
– unsecured	958,000	342,930
	4,370,740	833,180

(c) As at 30 June 2019, the secured other loans are secured over interests in subsidiaries of the Group and other assets as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Properties for sale	3,487,123	983,577
Property, plant and equipment	49,082	49,082
Investment Property	1,274,928	218,336
	4,811,133	1,250,995

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

19 TRADE AND OTHER PAYABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade creditors and bills payable	15,925,960	16,159,800
Other creditors and accrued charges	5,335,439	3,418,226
Patent payables	–	40,000
Amounts due to joint ventures	8,616,060	5,079,664
Amounts due to associates	467,591	225,607
Amounts due to entities controlled by the ultimate controlling shareholder	248,394	94,639
Amounts due to non-controlling interests	4,782,714	3,828,999
Derivative financial instruments	45,810	77,252
	35,421,968	28,924,187

Amounts due to joint ventures and associates are unsecured, interest-free and have no fixed terms of payment.

Amounts due to entities controlled by the ultimate controlling shareholder mainly included amount due to Central China New Life together with its subsidiaries of RMB248,394,000 (2018: RMB78,482,000) for receiving services from these entities as disclosed in note 26, which are interest free, unsecured and to be settled according to the contract terms.

Amounts due to non-controlling interests included amount of RMB 758,693,000 (2018: RMB 873,072,000) which are unsecured, interest bearing at 12%-17% (2018: 12%-17%) per annum and have no fixed terms of payment. The remaining amounts due to non-controlling interests are unsecured, interest-free and have no fixed terms of payment.

(a) Aging analysis

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 month	8,230,398	7,839,814
1 – 3 months	1,962,946	2,543,872
3 – 6 months	2,060,551	1,440,263
6 – 12 months	888,513	905,144
Over 1 year	2,783,552	3,430,707
	15,925,960	16,159,800

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

20 SENIOR NOTES

Liability component of the Senior Notes:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
USD200million due in 2020	–	1,368,455
USD300million due in 2021	2,051,749	2,047,039
USD200million due in 2021	1,362,656	1,359,000
USD400million due in 2021	2,727,955	2,039,991
USD386million due in 2020	2,632,411	2,623,029
SGD150million due in 2020	758,434	753,315
USD200million due in 2020	1,367,595	–
USD300million due in 2023	2,026,013	–
	12,926,813	10,190,829
Less: amount due for maturity within 12 months (classified as current liabilities)	(2,126,029)	–
	10,800,784	10,190,829

During the six months ended 30 June 2019, the Company early redeemed in full the outstanding senior notes with principal amount of USD200 million due in 2020 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest and issued senior notes with principal amount of USD200 million due in 2020, USD300 million due in 2023 and additional USD100 million due in 2021, respectively.

21 CORPORATE BONDS

During the six months ended 30 June 2019, the Group raised the coupon rate of corporate bonds from 6% per annum up to 7.2% and redeemed corporate bonds of RMB2,771,609,000 while re-sold corporate bonds of RMB1,271,609,000. As at 30 June 2019, the principal amount of the corporate bonds decreased to RMB1,500,000,000, which will be due in April 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2019 RMB'000	2018 RMB'000
Interim dividend declared after the interim period of HK15.6 cents (equivalent to RMB14.0 cents) (2018 interim: HK7.16 cents (equivalent to RMB6.04 cents)) per ordinary share	382,798	165,000

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

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK14.12 cents (equivalent to RMB12.09 cents) (six months ended 30 June 2018: HK12.29 cents (equivalent to RMB9.96 cents) per ordinary share	326,848	243,915

(b) Equity Settled Share-Based Transaction

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

	2019		2018	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
Outstanding at 1 January	2.88	213,425,760	1.89	116,225,920
Issued during the period	-	-	4.30	64,000,000
Exercised during the period/year	2.56	(500,000)	-	-
Forfeited/lapsed during the period	-	-	2.40	(3,800,160)
Outstanding at 30 June	2.88	212,925,760	2.75	176,425,760
Exercisable at 30 June	2.27	87,925,760	2.09	38,825,760

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS (continued)

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

The options outstanding at 30 June 2019 had a weighted average exercise price of HK\$2.88 (30 June 2018: HK\$2.75) and a weighted average remaining contractual life of 7.98 years (2018: 8.72 years).

On 25 April 2019 and 20 May 2019, options were exercised to subscribe for 300,000 and 200,000 respectively ordinary shares in the Group at a total consideration of HK\$ 1,280,000 (equivalent to RMB1,109,000), HK\$50,000 (equivalent to RMB43,000) of which was credited to share capital and the rest of which was credited to share premium. HK\$381,000 (equivalent to RMB329,000) was transferred from the share-based compensation reserve to the share premium account.

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes total bank and other loans, senior notes and corporate bonds, and lease liabilities) less cash and cash equivalents. Adjusted capital comprises all components of equity, other than amounts recognised in equity relating to cash flow hedges.

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused a slight increase in the Group's total debt and hence the Group's adjusted net debt-to-capital ratio rose from 55.0% to 58.5% on 1 January 2019 when compared to its position as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to HKFRS 16 was as follows:

	<i>Note</i>	30 June 2019	1 January 2019	31 December 2018
		RMB'000	RMB'000	RMB'000
Current liabilities:				
Bank loans		3,280,945	1,756,130	1,756,130
Other loans		1,597,640	593,150	593,150
Senior notes		2,126,029	–	–
Corporate bonds		–	2,996,760	2,996,760
Lease liabilities		35,039	30,715	–
		7,039,653	5,376,755	5,346,040
Non-current liabilities:				
Bank loans		3,719,250	4,074,351	4,074,351
Other loans		2,773,100	240,030	240,030
Senior notes		10,800,784	10,190,829	10,190,829
Corporate bonds		1,499,893	–	–
Lease liabilities		345,998	328,935	–
		19,139,025	14,834,145	14,505,210
Total debt		26,178,678	20,210,900	19,851,250
Less: Cash and cash equivalents	<i>16</i>	(19,240,602)	(14,202,259)	(14,202,259)
Adjusted net debt		6,938,076	6,008,641	5,648,991
Total equity		10,839,885	10,269,784	10,269,784
Less: Hedging reserve		(6,466)	(529)	(529)
Adjusted capital		10,833,419	10,269,255	10,269,255
Adjusted net debt-to-capital ratio		64.0%	58.5%	55.0%

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 2.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(i) Fair value hierarchy (continued)

	Fair value measurements as at 30 June 2019 categorised into			
	Fair value at 30 June 2019 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
<i>Financial assets:</i>				
Trading securities:				
– Listed equity securities in Hong Kong	96,456	96,456	–	–
Other financial assets:				
– Non-trading listed equity securities	205,089	205,089	–	–
– Unlisted equity securities	366,880	–	–	366,880
– Units in fund investment	215,155	215,155	–	–
Derivative financial instruments:				
– Redemption call options embedded in senior notes	82,161	–	82,161	–
– Foreign exchange forward contracts	46,738	–	46,738	–
– Interest rate swaps contracts	6,594	–	6,594	–
<i>Financial liabilities:</i>				
Derivative financial instruments:				
– Foreign exchange rate swap contracts	45,810	–	45,810	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000

Recurring fair value measurement

Financial assets:

Trading securities:

– Listed equity securities in Hong Kong	82,775	82,775	–	–
---	--------	--------	---	---

Other financial assets:

– Non-trading listed equity securities	249,419	249,419	–	–
– Unlisted equity securities	352,914	–	–	352,914

Derivative financial instruments:

– Redemption call options embedded in senior notes	62,533	–	62,533	–
– Foreign exchange forward contracts	31,799	–	31,799	–
– Interest rate swap contracts	552	–	552	–

Financial liabilities:

Derivative financial instruments:

– Foreign exchange rate swap contract	77,252	–	77,252	–
---------------------------------------	--------	---	--------	---

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

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

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

The fair value of foreign exchange forward contracts and foreign exchange rate swap contracts in Level 2 are determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant interest rate swap and cross currency basis swap yield curve as at the end of the reporting period plus an adequate credit spread.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(iii) Information about level 3 fair value measurements

The fair value of non-publicly traded equity investments as of 30 June 2019 of RMB366,880,000 in Level 3 is determined by reference to the net asset value of these investments.

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

	At 30 June 2019 RMB'000	At 30 June 2018 RMB'000
Unlisted equity securities:		
At 1 January	352,914	327,069
Additional securities acquired	13,320	–
Net unrealised gains or losses recognised in other comprehensive income during the period	646	7,919
At 30 June	366,880	334,988
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	–	–

Any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2018 and 30 June 2019.

24 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Capital commitment for property development		
– Authorised but not contracted for	49,996,432	44,534,992
– Contracted for	24,145,679	24,153,219
	74,142,111	68,688,211

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties RMB'000
Within 1 year	25,619
After 1 year but within 5 years	93,459
After 5 years	517,617
	636,695

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

25 FINANCIAL GUARANTEE

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

The Group and joint ventures provide guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's and joint ventures' properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group and joint ventures are responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's and joint ventures' guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the buyers obtain the individual property ownership certificates of the properties purchased. The amounts of guarantees given to banks for mortgage facilities granted to the buyers of the Group's and joint ventures' properties at 30 June 2019 are as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Guarantees given to banks for mortgage facilities granted to buyers of:		
– the Group's properties	29,142,340	27,135,358
– the joint ventures' properties (the Group's shared portion)	2,963,054	2,387,633
	32,105,394	29,522,991

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

(b) Guarantees given to financial institutions for bank loans and other loans granted to joint ventures and given to trust manager of a joint venture:

The Group provided guarantees to bank loans and other loans of joint ventures amounting to RMB10,372,535,000 as at 30 June 2019 (31 December 2018: RMB4,984,799,000). The Group closely monitors the repayment progress of the relevant loans by those joint ventures. At the end of the reporting period, the directors do not consider it is probable that claims will be made against the Group under these guarantees. The Group also provided guarantee to trust manager of a joint venture for expected minimum return as stipulated in the corporation agreements. The directors consider that the likelihood of default in payment and the financial guarantees measured at fair value are minimal.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

25 FINANCIAL GUARANTEE (continued)

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

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

In April 2019, Jianye Property Management repaid all remaining balance of the Asset-backed Securities. The liquidity support fee of RMB533,000 was recognised for the six months ended 30 June 2019 (2018: RMB915,000).

26 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, other material related party transactions entered by the Group during the six months ended 30 June 2019 are as follows:

	Note	Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Project management service income from joint ventures or associates		8,200	9,299
Interest income from joint ventures	(a)	40,074	40
Interest expenses to non-controlling interests	(b)	(44,513)	(5,250)
Receiving service from entities controlled by the ultimate controlling shareholder	(c)	(214,122)	(20,359)
Rental income from entities jointly controlled by a close family member of the ultimate controlling shareholder	(d)	2,799	–
Hotel and other miscellaneous income from entities controlled by the ultimate controlling shareholder		1,437	–
Directors' and chief executive's emoluments		(19,267)	(11,471)

Notes:

- The amounts represent interest income in relation to advances to joint ventures.
- The amounts represent interest expenses in relation to loans from non-controlling interests.
- Central China New Life, an entity controlled by Mr. Wu Po Sum, the ultimate controlling shareholder of the Company together with its subsidiaries including Jianye Property Management, provides various types of services for the Group, mainly including property management service, real estate agency service, consultation and management service, intelligent technology service, membership maintenance and management service and other miscellaneous services.
- In March 2019, a close family member of Mr. Wu Po Sum acquired 50% of the equity interest in Shanghai Meihua from its former equity interest owner. Shanghai Meihua, together with its subsidiaries leases properties from the Group.
- On 30 January 2019, the extraordinary general meeting held by the Group approved the entering into of the equity transfer agreement with Joy Bright Investments Limited, the equity interest of which was 100% held by Mr. Wu Po Sum, dated 14 December 2018 to acquire 100% equity interest in Pacific Prestige Holdings Limited at the consideration of RMB765,000,000.
- On 3 May 2019, the Group entered into an equity interest transfer agreement with Southern Lake Investments Limited whose equity interest was 100% held by Mr. Wu Po Sum, pursuant to which the Group agreed to acquire 10% equity interests in Henan Jianye Zhengjing Property Co., Ltd. at the consideration of RMB85,000,000. Upon completion of the equity transfer Henan Jianye Zhengjing Property Co., Ltd. was 100% owned by the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

27 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (a) On 2 July 2019, the Group entered into an equity transfer agreement with Ping An Trust Co., Ltd. ("Ping An Trust"), pursuant to which the Group has agreed to acquire 40% equity interests in Kaifeng Central China Real Estate Company Limited ("Kaifeng CCRE") from Ping An Trust at a consideration of RMB606,458,333. Upon the completion of the equity transfer, Kaifeng CCRE will change from a joint venture of the Group to a wholly-owned subsidiary of the Group.
- (b) On 29 June 2019, Joy Bright Investments Limited ("Joy Bright"), a company wholly owned by Mr. Wu Po Sum and the Group's immediate controlling party, entered into a sales and purchase agreement with CapitaLand LF (Cayman) Holdings Co., Ltd. ("CapitaLand") to acquire 24.09% equity interest in the Company held by CapitaLand. The transaction has been completed in July 2019. After the completion of the transaction, Joy Bright holds 74.84% equity interest in the Company while CapitaLand has no remaining equity interest in the Company and ceased to be a related party of the Group.
- (c) After the end of the reporting period, the board of directors of the Company declared an interim dividend. Further details are disclosed in note 22(a).

28 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.



Review report to the board of directors of Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 56 to 99 which comprises the consolidated statement of financial position of Central China Real Estate Limited (the "Company") as of 30 June 2019 and the related consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

20 August 2019