# Gemdale Properties and Investment Corporation Limited
# 金地商置集團有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 535)**

## ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

## FINANCIAL HIGHLIGHTS

| | **Six months ended 30 June** | | |
|---|---|---|---|
| | **2017** | 2016 | Change |
| | **RMB'000** | RMB'000 | % |
| | **(Unaudited)** | (Unaudited) | |
| Revenue | **1,092,063** | 2,710,931 | − 60 |
| Gross profit | **396,633** | 686,355 | − 42 |
| Other income and gains | **355,675** | 190,120 | + 87 |
| Share of results of joint ventures and associates | **316,632** | 105,568 | + 200 |
| Profit after tax | **429,182** | 415,597 | + 3 |
| Profit attributable to owners of the Company | **425,360** | 373,350 | + 14 |
| Earnings per share attributable to owners of the Company: | | | |
| - Basic (RMB) | **0.0269** | 0.0236 | + 14 |
| - Diluted (RMB) | **0.0268** | 0.0236 | + 14 |
| Net cash from/(used in) operating activities | **2,936,952** | (1,509,826) | N/A |
| | **30 June** | 31 December | |
| | **2017** | 2016 | Change |
| | **RMB'000** | RMB'000 | % |
| | **(Unaudited)** | (Audited) | |
| Deposits, bank and cash balances | **2,765,239** | 2,892,968 | − 4 |
| Total assets | **34,830,990** | 32,167,328 | + 8 |
| Net assets | **12,084,205** | 11,637,397 | + 4 |

## 2017 INTERIM RESULTS (UNAUDITED)

The board of directors (the "Directors") of Gemdale Properties and Investment Corporation Limited (the "Company") announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 together with the relevant comparative figures.

* *For identification purpose only*

## Condensed Consolidated Statement of Profit or Loss

*For the six months ended 30 June 2017*

| | Notes | Six months ended 30 June<br>**2017**<br>**RMB'000**<br>**(Unaudited)** | <br>2016<br>RMB'000<br>(Unaudited) |
|---|---|---|---|
| Revenue | *3* | **1,092,063** | 2,710,931 |
| Cost of sales | | **(695,430)** | (2,024,576) |
| Gross profit | | **396,633** | 686,355 |
| Direct operating expenses | | **(389,009)** | (202,807) |
| Other income and gains | *3* | **355,675** | 190,120 |
| Administrative expenses | | **(30,629)** | (41,988) |
| Finance costs | *4* | **(142,773)** | (99,604) |
| Share of profits and losses of: | | | |
| Joint ventures | | **313,532** | 105,568 |
| Associates | | **3,100** | - |
| Profit before tax | *5* | **506,529** | 637,644 |
| Tax | *6* | **(77,347)** | (222,047) |
| Profit for the period | | **429,182** | 415,597 |
| Attributable to: | | | |
| Owners of the Company | | **425,360** | 373,350 |
| Non-controlling interests | | **3,822** | 42,247 |
| | | **429,182** | 415,597 |
| Earnings per share attributable to owners of the Company: | | | |
| - Basic (RMB) | *7* | **0.0269** | 0.0236 |
| - Diluted (RMB) | *7* | **0.0268** | 0.0236 |

## Condensed Consolidated Statement of Comprehensive Income

*For the six months ended 30 June 2017*

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Profit for the period | **429,182** | 415,597 |
| Other comprehensive income/ (loss) | | |
| - Other comprehensive income/ (loss) to be reclassified to profit or loss in subsequent periods: | | |
| Exchange fluctuation reserves: | | |
| Exchange differences on translation of foreign operations | **273,257** | (155,457) |
| Share of exchange differences on translation of foreign operations of joint ventures | **(37,688)** | 3,225 |
| Release upon deregistration of subsidiaries | **-** | (4,786) |
| Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods | **235,569** | (157,018) |
| - Other comprehensive (loss) /income not to be reclassified to profit or loss in subsequent periods: | | |
| Exchange fluctuation reserves: | | |
| Exchange differences on translation of foreign operations | **(210,551)** | 117,036 |
| Other comprehensive income/(loss) for the period, net of tax | **25,018** | (39,982) |
| Total comprehensive income for the period | **454,200** | 375,615 |
| Attributable to: | | |
| Owners of the Company | **455,699** | 334,573 |
| Non-controlling interests | **(1,499)** | 41,042 |
| | **454,200** | 375,615 |

## Condensed Consolidated Statement of Financial Position

*30 June 2017*

| | Note | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **68,261** | 70,165 |
| Investment properties | | **5,415,385** | 5,100,679 |
| Intangible assets | | **52,189** | 38,950 |
| Prepayments, deposits and other receivables | | **1,471,257** | 1,837,588 |
| Investments in joint ventures | | **3,265,169** | 2,831,381 |
| Investments in associates | | **1,467,184** | 1,426,190 |
| Loans to joint ventures | | **61,250** | 25,000 |
| Available-for-sale financial investment | | **7,657** | 8,091 |
| Deferred tax assets | | **424,316** | 386,655 |
| **Total non-current assets** | | **12,232,668** | 11,724,699 |
| **CURRENT ASSETS** | | | |
| Properties held for sale | | **1,359,945** | 1,778,062 |
| Properties under development | | **9,376,086** | 10,209,008 |
| Prepayments for acquisitions of land use rights | | **966,807** | 110,000 |
| Available-for-sale financial investment | | **1,600,000** | 1,300,000 |
| Trade receivables | *8* | **14,599** | 11,500 |
| Prepayments, deposits and other receivables | | **2,694,320** | 1,388,087 |
| Loans to joint ventures | | **984,277** | 1,185,892 |
| Loans to related companies | | **470,000** | 1,150,000 |
| Due from the ultimate holding company | | **-** | 27 |
| Due from fellow subsidiaries | | **3,863** | 2,668 |
| Due from joint ventures | | **274,396** | 15,653 |
| Due from associates | | **570,200** | 4,919 |
| Due from non-controlling shareholders | | **152,321** | 48,510 |
| Due from a related company | | **-** | 1,580 |
| Prepaid tax | | **306,148** | 85,645 |
| Restricted cash | | **1,060,121** | 258,110 |
| Deposits, bank and cash balances | | **2,765,239** | 2,892,968 |
| **Total current assets** | | **22,598,322** | 20,442,629 |

## **Condensed Consolidated Statement of Financial Position** (continued)

*30 June 2017*

| | *Note* | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade payables | *9* | **1,100,050** | 1,783,744 |
| Advanced receipts, accruals and other payables | | **10,126,738** | 4,349,631 |
| Interest-bearing bank and other borrowings | | **1,127,996** | 615,363 |
| Loans from the ultimate holding company | | **4,186,502** | 7,272,123 |
| Loans from a fellow subsidiary | | **1,893,897** | 2,108,573 |
| Loans from non-controlling shareholders | | **20,208** | 53,010 |
| Loans from joint ventures | | **154,000** | 60,000 |
| Due to the ultimate holding company | | **15,144** | 73,328 |
| Due to fellow subsidiaries | | **163,870** | 57,476 |
| Due to joint ventures | | **1,485,856** | 1,181,231 |
| Due to associates | | **12,242** | 2,242 |
| Due to non-controlling shareholders | | **72,736** | 75,400 |
| Due to a related company | | **1,239** | 1,046 |
| Tax payable | | **1,381,071** | 2,056,150 |
| **Total current liabilities** | | **21,741,549** | 19,689,317 |
| **NET CURRENT ASSETS** | | **856,773** | 753,312 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **13,089,441** | 12,478,011 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | | **278,772** | 114,989 |
| Deferred tax liabilities | | **726,464** | 725,625 |
| **Total non-current liabilities** | | **1,005,236** | 840,614 |
| **NET ASSETS** | | **12,084,205** | 11,637,397 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | | **1,432,612** | 1,432,193 |
| Reserves | | **8,362,795** | 8,219,426 |
| | | **9,795,407** | 9,651,619 |
| **Non-controlling interests** | | **2,288,798** | 1,985,778 |
| **TOTAL EQUITY** | | **12,084,205** | 11,637,397 |

*Notes:*

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

***Basis of preparation***

The unaudited interim condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited interim condensed consolidated financial information does not include all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2016.

***Significant accounting policies***

The accounting policies and methods of computation used in the preparation of this unaudited interim condensed consolidated financial information are consistent with those in the annual financial statements for the year ended 31 December 2016, except as described below. In the current period, the Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards (“HKFRS”, which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for the Group’s financial years beginning on or after 1 January 2017.

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 included in Annual Improvements 2014-2016 Cycle | *Disclosure of Interest in Other Entities* |

The adoption of the above revised HKFRSs has had no significant financial effect on this interim financial information and there have been no significant changes to the accounting policies applied in this interim financial information.

## 2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in property development, investment and management of residential, commercial and business park projects. The Group’s operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide.

Operating segments are reported in the manner consistent with the way in which information is reported internally to the Group’s chief operating decision maker for the purpose of assessing the segment performance and allocating resources between segments.

An analysis of the Group’s revenue, profit/(loss), assets and liabilities by reportable segments for the period under review is as follows:

| | Property development RMB'000 | Property investment and management RMB'000 | Corporate RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **For the six months ended 30 June 2017 (Unaudited)** | | | | |
| **Segment revenue** | **913,211** | **178,852** | **-** | **1,092,063** |
| **Segment results** | **558,122** | **96,795** | **(20,162)** | **634,755** |
| ***Reconciliation*** | | | | |
| **Bank interest income** | | | | **14,547** |
| **Finance costs** | | | | **(142,773)** |
| **Profit before tax** | | | | **506,529** |
| **Other segment information:** | | | | |
| **Share of profits and losses of joint ventures** | **(320,021)** | **6,489** | **-** | **(313,532)** |
| **Share of profits and losses of associates** | **(3,100)** | **-** | **-** | **(3,100)** |
| **Depreciation** | **4,677** | **6,667** | **159** | **11,503** |
| **Gain on deemed disposal of a subsidiary** | **(31,796)** | **-** | **-** | **(31,796)** |
| **Impairment of receivables, net** | **44,047** | **474** | **-** | **44,521** |
| **Amortisation of intangible assets** | **-** | **4,114** | **-** | **4,114** |
| **Impairment of goodwill** | **-** | **4,889** | **-** | **4,889** |
| **Capital expenditure*** | **7,467** | **338,758** | **-** | **346,225** |
| **As at 30 June 2017 (Unaudited)** | | | | |
| **Segment assets** | **27,192,241** | **6,764,892** | **105,705** | **34,062,838** |
| ***Reconciliation*** | | | | |
| **Other unallocated assets** | | | | **768,152** |
| **Total assets** | | | | **34,830,990** |
| **Segment liabilities** | **16,418,945** | **935,667** | **11,735** | **17,366,347** |
| ***Reconciliation*** | | | | |
| **Other unallocated liabilities** | | | | **5,380,438** |
| **Total liabilities** | | | | **22,746,785** |
| **Other segment information:** | | | | |
| **Investments in joint ventures** | **3,111,545** | **153,624** | **-** | **3,265,169** |
| **Investments in associates** | **1,467,184** | **-** | **-** | **1,467,184** |

| | Property development RMB'000 | Property investment and management RMB'000 | Corporate RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| For the six months ended 30 June 2016 (Unaudited) | | | | |
| Segment revenue | 2,599,853 | 111,078 | - | 2,710,931 |
| Segment results | 684,447 | 76,045 | (30,914) | 729,578 |
| *Reconciliation* | | | | |
| Bank interest income | | | | 7,670 |
| Finance costs | | | | (99,604) |
| Profit before tax | | | | 637,644 |
| Other segment information: | | | | |
| Share of profits and losses of joint ventures | (105,568) | - | - | (105,568) |
| Depreciation | 2,713 | 2,337 | 404 | 5,454 |
| (Gain)/loss on disposal and deemed disposal of subsidiaries | (453) | 42 | - | (411) |
| Impairment/(reversal of impairment) of receivables, net | 27,205 | (188) | (1) | 27,016 |
| Release of exchange fluctuation reserves upon deregistration of subsidiaries | - | - | (4,786) | (4,786) |
| Capital expenditure* | 20,337 | 38,390 | 11 | 58,738 |
| As at 31 December 2016 (Audited) | | | | |
| Segment assets | 25,430,253 | 6,223,100 | 17,860 | 31,671,213 |
| *Reconciliation* | | | | |
| Other unallocated assets | | | | 496,115 |
| Total assets | | | | 32,167,328 |
| Segment liabilities | 11,155,540 | 3,652,496 | 20,929 | 14,828,965 |
| *Reconciliation* | | | | |
| Other unallocated liabilities | | | | 5,700,966 |
| Total liabilities | | | | 20,529,931 |
| Other segment information: | | | | |
| Investments in joint ventures | 2,672,246 | 159,135 | - | 2,831,381 |
| Investments in an associate | 1,426,190 | - | - | 1,426,190 |

* *Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisitions of subsidiaries.*

## 3. REVENUE, OTHER INCOME AND GAINS

Revenue represents sales of properties, gross rental income, property management fee income received and receivable from the principal activities, utility income and entrusted management fee income received from fellow subsidiaries during the period.

An analysis of revenue, other income and gains recognised during the period is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Revenue** | | |
| Sale of properties | **913,211** | 2,599,853 |
| Gross rental income from: | | |
| - fellow subsidiaries | **3,513** | 3,972 |
| - third parties | **101,468** | 66,766 |
| Property management fee income from: | | |
| - fellow subsidiaries | **566** | - |
| - third parties | **55,014** | 22,653 |
| Utility income | **5,927** | 5,259 |
| Entrusted management fee income from a fellow subsidiary | **12,364** | 12,428 |
| | **1,092,063** | 2,710,931 |
| **Other income and gains** | | |
| Bank interest income | **14,547** | 7,670 |
| Interest income on loans to related companies | **15,067** | 17,202 |
| Interest income on loans to joint ventures | **29,187** | 57,341 |
| Interest income on loans to associates | **15,323** | - |
| Interest income from available-for-sale financial investments | **11** | 8,727 |
| Interest income on loans receivable | **142,583** | 81,694 |
| Release of exchange fluctuation reserves upon deregistration of subsidiaries | **-** | 4,786 |
| Consulting service income from: | | |
| - joint ventures | **17,228** | 195 |
| - third parties | **54,389** | 1,841 |
| Net gain on disposal/deemed disposal of subsidiaries *(Note 12)* | **31,796** | 411 |
| Others | **35,544** | 10,253 |
| | **355,675** | 190,120 |

## 4. FINANCE COSTS

An analysis of finance costs is as follows:

| | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|
| Interest on borrowings: | | |
| - bank borrowings | **11,346** | 3,356 |
| - loans from the ultimate holding company | **163,713** | 73,864 |
| - loans from the immediate holding company | **-** | 7,169 |
| - loans from a fellow subsidiary | **40,920** | 35,711 |
| - loans from non-controlling shareholders | **1,138** | 192 |
| - loans from a joint venture | **11** | - |
| - other borrowing and other payable | **17,662** | - |
| | **234,790** | 120,292 |
| Other finance costs | **572** | 1,230 |
| Total finance costs incurred | **235,362** | 121,522 |
| Less: Interest capitalised in | | |
| - investment properties | **(9,486)** | (3,578) |
| - properties under development | **(83,103)** | (18,340) |
| | **142,773** | 99,604 |

## 5. PROFIT BEFORE TAX

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

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Cost of properties sold | **695,430** | 2,024,576 |
| Depreciation | **11,733** | 5,557 |
| Less: Amounts capitalised to property development projects | **(230)** | (103) |
| | **11,503** | 5,454 |
| Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties | **31,584** | 20,415 |
| Impairment of other receivables and loans receivable, net | **44,358** | 26,846 |
| Impairment of trade receivables, net | **163** | 170 |
| Amortisation of intangible assets | **4,114** | - |
| Amortisation of land use rights | **76,343** | 64,656 |
| Less: Amounts capitalised to property development projects | **(76,343)** | (64,656) |
| | **-** | - |
| Minimum lease payments under operating leases | **13,490** | 9,700 |
| Employees benefits expenses (including directors' emoluments): | | |
| Wages and salaries | **107,000** | 41,635 |
| Share-based compensation expenses | **-** | 10,670 |
| Pension schemes contributions | **15,931** | 6,818 |
| Total employee benefit expense | **122,931** | 59,123 |
| Auditor's remuneration | **1,533** | 967 |
| Foreign exchange losses , net | **1,618** | 452 |
| Net gain on disposal/deemed disposal of subsidiaries *(Note 12)* | **(31,796)** | (411) |
| Release of exchange fluctuation reserves upon deregistration of subsidiaries *(Note 3)* | **-** | (4,786) |
| Impairment of goodwill | **4,889** | - |

## 6. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (2016: Nil). Taxation on Mainland China profits was calculated on the estimated assessable profits for the period at the rates of tax prevailing in the jurisdiction in which the Group operates.

The provision for land appreciation tax ("LAT") has been estimated according to the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

The amount of tax charged to the interim condensed consolidated statement of profit or loss represented:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Income tax in Hong Kong | **-** | - |
| Corporate income tax in Mainland China | | |
| - Charge for the period | **105,670** | 135,092 |
| - Under provision in prior periods | **399** | 404 |
| LAT in Mainland China | **12,530** | 83,635 |
| Deferred | **(41,252)** | 2,916 |
| | **77,347** | 222,047 |

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

### (a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company and the weighted average number of ordinary shares of 15,795,644,070 (2016: 15,793,467,827) in issue during the period.

### (b) Diluted earnings per share

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

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

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Earnings** | | |
| Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation | **425,360** | 373,350 |
| | **425,360** | 373,350 |

| | No. of shares | |
|---|---|---|
| | Six months ended 30 June | |
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | **15,795,644,070** | 15,793,467,827 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | **76,962,809** | - |
| | **15,872,606,879** | 15,793,467,827 |

The Company's share options had no dilutive effect for the period ended 30 June 2016 because the exercise prices of the Company's share options were higher than the average market price of the Company's shares for the prior period.

## 8. TRADE RECEIVABLES

| | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Trade receivables | **15,367** | 12,105 |
| Impairment | **(768)** | (605) |
| | **14,599** | 11,500 |

Trade receivables represent rental and property management fee receivables. Rental and property management fee receivables are billed in advance and are payable by tenants/residents upon receipts of billings within an average credit term of one month.

Under normal circumstances, the Group does not grant credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are regularly reviewed by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a certain number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing and unsecured.

An aged analysis of the trade receivables as at the reporting date, based on the invoice date and net of provisions, is as follows:

| | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Within 1 month | **12,837** | 8,503 |
| 1 to 3 months | **507** | 282 |
| Over 3 months | **1,255** | 2,715 |
| | **14,599** | 11,500 |

## 9. TRADE PAYABLES

| | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Trade payables | **1,100,050** | 1,783,744 |

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

| | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Within 1 month | **787,479** | 1,433,849 |
| 1 to 3 months | **78,297** | 255,809 |
| Over 3 months | **234,274** | 94,086 |
| | **1,100,050** | 1,783,744 |

Trade payables are non-interest-bearing and are normally settled within an average term of one month.

## 10. BUSINESS COMBINATION

During the period, the Group acquired a company in Mainland China for expansion of the property management business. Details of the acquisition are as follows:

A wholly-owned subsidiary of the Company entered into a sale and purchase agreement and a supplementary sale and purchase agreement in August 2016 and in December 2016 respectively with two independent third parties to acquire 90% interest in the shares of 上海芸綺物業管理有限公司 (Shanghai Yunqi Property Management Limited*) ("Yunqi") at an aggregate cash consideration of RMB11,857,000. The acquisition was completed in January 2017. Yunqi is engaged in property management in property management in Mainland China.

The fair values of the identifiable assets and liabilities of Yunqi as at the date of acquisition is as follows:

| | **RMB'000 (Unaudited)** |
|---|---|
| Property, plant and equipment | **147** |
| Property management contracts | **17,353** |
| Trade receivables | **1,396** |
| Prepayments and other receivables | **3,711** |
| Bank balances | **7,869** |
| Trade payables | **(1,437)** |
| Other payables | **(16,959)** |
| Deferred tax liabilities | **(4,338)** |
| Total identifiable net assets at fair value | **7,742** |
| Non-controlling interests | **(774)** |
| | **6,968** |
| Goodwill on acquisition | **4,889** |
| | **11,857** |
| Satisfied by: | |
| Cash | **1,472** |
| Other payable | **10,385** |
| | **11,857** |

The fair value and gross contractual amount of trade receivables of Yunqi as at the date of acquisition amounted to RMB1,396,000. The fair value and gross contractual amount of other receivables of Yunqi as at the date of acquisition amounted to RMB3,693,000. No receivables were expected to be uncollectible.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

| | **RMB'000 (Unaudited)** |
|---|---|
| Cash consideration | **(1,472)** |
| Bank balances acquired | **7,869** |
| Net inflow of cash and cash equivalents included in cash flows from investing activities | **6,397** |

** For identification purpose only*

## 11. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 6 February 2017, a wholly-owned subsidiary of the Company acquired 100% equity interest in 上海志韜汽車零部件有限公司 (Shanghai Zhitao Motor Components Company Limited*) ("Zhitao"), from two independent third parties, at an aggregate cash consideration of RMB194,454,000. Zhitao is engaged in property development in Mainland China.

On 21 January 2016, a wholly-owned subsidiary of the Company acquired 85% equity interest in 上海信能度爾信息科技有限公司 (Shanghai Xinneng Duer Information Technology Company Limited*) ("Xinneng"), from two independent third parties, at an aggregate cash consideration of RMB166,600,000. Xinneng and its subsidiary (together "Xinneng Group") are engaged in property development in Mainland China.

The above transactions were accounted for as purchase of assets and liabilities rather than as business combination because the acquired subsidiaries have not carried out any significant business transactions prior to the dates of acquisitions. The net outflow of cash and cash equivalents from the acquisitions has been reflected in the consolidated statement of cash flows as part of the cash flow movement of the individual assets and liabilities acquired.

The net assets acquired in the acquisitions are as follows:

| | **Six months emend 30 Jun** | |
|---|---|---|
| | **2017** | 2016 |
| | **Zhitao** | Xinneng Group |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Property, plant and equipment | **-** | 1 |
| Investment property | **189,663** | - |
| Properties under development | **-** | 191,940 |
| Prepayment and deposits | **-** | 745 |
| Bank balances | **6,008** | 2,704 |
| Due from a shareholder | **-** | 7,000 |
| Other payables | **(1,217)** | (6,390) |
| Net assets | **194,454** | 196,000 |
| Non-controlling interests | **-** | (29,400) |
| | **194,454** | 166,600 |
| Satisfied by: | | |
| Cash | **176,898** | 166,314 |
| Other payables | **17,556** | 286 |
| | **194,454** | 166,600 |

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

| | **Six months emend 30 Jun** | |
|---|---|---|
| | **2017** | 2016 |
| | **Zhitao** | Xinneng Group |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Cash Consideration | **(176,898)** | (166,314) |
| Bank balances acquired | **6,008** | 2,704 |
| Net outflow of cash and cash equivalents | **(170,890)** | (163,610) |

** For identification purpose only*

## 12. DISPOSAL AND DEEMED DISPOSAL OF SUBSIDIARIES

**Shanghai Xinwei Real Estate Development Co. Ltd.***

During the current period, the Group entered into a co-operative agreement with two independent third parties, pursuant to which all parties agreed to participate in capital injection in a subsidiary of the Company, 上海鑫威房地產開發有限公司 (Shanghai Xinwei Real Estate Development Co. Ltd.*) ("Xinwei"). The group holds 60% equity interest in Xinwei and has lost control over Xinwei in the current period after the completion of the capital injection. The transaction was accounted for as a deemed disposal of a subsidiary and the 60% equity interest of Xinwei was accounted for as an investment in an associate.

**Shanghai Xinqing Investment Co. Ltd.***

During the prior period, the Group disposed of its entire equity interest in 上海鑫磬投資有限公司 (Shanghai Xinqing Investment Co. Ltd.*) ("Xinqing") to an independent third party, at a consideration of RMB500,000. Xinqing holds 70% equity interest of a project company, which is engaged in property development in Mainland China. The remaining 30% equity interest of that project company is held by another wholly-owned subsidiary of the Company and it was accounted for as an investment in a joint venture after the disposal of the equity interest in Xinqing.

**Shenzhen City Xinwei Shangda Investment Co. Ltd***

The Group also entered into a cooperative agreement with an independent third party in the prior period, pursuant to which both parties agreed to exercise joint control over a wholly-owned subsidiary of the Company, 深圳市新威尚達投資有限公司 (Shenzhen City Xinwei Shangda Investment Co. Ltd.*) ("Shangda"). The transaction was accounted for as a deemed disposal of a subsidiary and the Group had lost control over Shangda in the prior period.

* *For identification purpose only*

Details of the net assets disposed of are as follows:

| | Six months ended 30 Jun | | |
|---|---|---|---|
| | **2017** | 2016 | |
| | **Xinwei** | Xinqing | Shangda |
| | **RMB'000** | RMB'000 | RMB'000 |
| | **(Unaudited)** | (Unaudited) | (Unaudited) |
| Property, plant and equipment | **-** | 19 | - |
| Deferred tax assets | **1,090** | 214 | - |
| Prepayment for acquisition of a land use right | **-** | - | 1,005,000 |
| Properties under development | **1,784,511** | 891,516 | - |
| Due from the ultimate holding company | **-** | 400 | - |
| Due from a shareholder | **10,000** | 6,000 | - |
| Prepayment, deposits and other receivables | **22,980** | 852 | 30 |
| Prepaid tax | **20,292** | - | - |
| Restricted cash | **-** | 19,766 | - |
| Bank balances | **90,972** | 860 | 54 |
| Trade payables | **(775)** | - | - |
| Advanced receipts, accruals and other payables | **(1,924,722)** | (497) | (502,500) |
| Loans from the ultimate holding company | **-** | (53,704) | - |
| Loans from fellow subsidiaries | **-** | (852,167) | - |
| Due to the ultimate holding company | **-** | - | (502,500) |
| Due to fellow subsidiaries | **-** | (7,404) | - |
| | **4,348** | 5,855 | 84 |
| Fair value of investments retained upon disposal/ deemed disposal to investments in joint ventures/ investment in an associate | **(56,144)** | (5,808) | (42) |
| Gain/(loss) on disposal/deemed disposal of subsidiaries | **31,796** | 453 | (42) |
| Capital contribution to the associate/total consideration | **(20,000)** | 500 | - |
| Satisfied by: | | | |
| Cash | **(20,000)** | 500 | - |

An analysis of the net outflow of cash and cash equivalents in respect of the disposal and deemed disposal of subsidiaries is as follows:

| | Six month ended 30 Jun | | |
|---|---|---|---|
| | **2017** | 2016 | |
| | **Xinwei** | Xinqing | Shangda |
| | **RMB'000** | RMB'000 | RMB'000 |
| | **(Unaudited)** | (Unaudited) | (Unaudited) |
| Capital contribution to the associate/cash consideration | **(20,000)** | 500 | - |
| Bank balances disposed of | **(90,972)** | (860) | (54) |
| Net outflow of cash and cash equivalents in respect of disposal/deemed disposal of subsidiaries | **(110,972)** | (360) | (54) |

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

## FINANCIAL REVIEW

The accounting policies and methods of computation used in the preparation of the financial statements for the six months ended 30 June 2017 are consistent with those used in the last financial year ended 31 December 2016, except that the Group has applied, for the first time, the revised Hong Kong Financial Reporting Standards ("HKFRS", which include all HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants which are effective for the Group's financial years beginning on or after 1 January 2017.

## RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The revenue of the Group for the six months ended 30 June 2017 decreased by 60% to RMB1,092.1 million from RMB2,710.9 million for the corresponding six months ended 30 June 2016. The decrease was primarily due to lower revenue recognised from sales of properties.

Other income and gains increased to RMB355.7 million for the current period from RMB190.1 million for the corresponding six months ended 30 June 2016. The increase was mainly due to higher interest income of RMB60.9 million from loans receivables and higher consulting services income of RMB69.6 million from joint ventures and third parties during the current period. In addition, the Group disposed of a subsidiary during the current period with a gain of RMB31.8 million.

The Group's direct operating expenses for the six months ended 30 June 2017 increased to RMB389.0 million from RMB202.8 million for the corresponding period ended 30 June 2016. During the second half of 2016 and the current period, more PRC property development projects launched pre-sales, and a number of property development and property management subsidiaries were set up/acquired, leading to higher operating expenses incurred.

The Group's administrative expenses for the six months ended 30 June 2017 decreased to RMB30.6 million from RMB42.0 million for the corresponding period ended 30 June 2016, mainly due to the decrease in share-based compensation expenses.

The finance costs went up to RMB142.8 million for the current period from RMB99.6 million for the six months ended 30 June 2016, representing an increase of RMB43.2 million. For business expansion, a number of PRC joint ventures for property development were set up during the second half of 2016 and the current period, leading to an increase in interest expenses of RMB34.8 million (net of interest expenses capitalised) on loans from the ultimate holding company. In addition, bank borrowings interest increased by RMB8.0 million due to the fact that the Group arranged several bank borrowings for general working capital during the period under review.

Share of results of joint ventures reported a profit of RMB313.5 million for the six months ended 30 June 2017 as a result of higher sales revenue recognised by of a property development joint venture in Beijing, the PRC, against a profit of RMB105.6 million for the corresponding period ended 30 June 2016.

During the period, the associate acquired in the second half of 2016 contributed a profit of RMB3.1 million to the Group.

Overall, the profit attributable to owners of the Company increased to RMB425.4 million for the six months ended 30 June 2017 from RMB373.4 million for the corresponding period ended 30 June 2016. It was mainly due to the increase in share of profits of joint ventures during the current period. The increase in the profits from joint ventures was partially offset by the increase in direct operating expenses and finance costs.

The Group recorded basic earnings per share of RMB0.0269 for the six months ended 30 June 2017, against basic earnings per share of RMB0.0236 for the corresponding period ended 30 June 2016, representing an increase of 14%. The diluted earnings per share for the current period was RMB0.0268. While the outstanding share options held an anti-dilutive effect on the basic earnings per share for the period 30 June 2016, accordingly, the diluted earnings per share for the period ended 30 June 2016 was same as the basic earnings per share.

## BUSINESS SEGMENTS

### Property development

For the six months ended 30 June 2017, the revenue of property development segment decreased sharply to RMB913.2 million, representing 84% of the total revenue, compared to RMB2,599.9 million, representing 96% of the total revenue for the corresponding period ended 30 June 2016. The drop in the revenue for the current period was mainly due to the decrease in sales recognition of Dalian Huiquan, Xi’an Yi Hua Nian and Shanghai Shanshui Four Seasons. The profit in the property development segment during the current period decreased to RMB558.1 million, against a profit of RMB684.4 million for the corresponding period. The decrease in the segment results was mainly due to decrease in profit from sales of properties which partially offset by share of profits of joint ventures during the current period.

### Property investment and management

The revenue recognised by the property investment and management segment for the six months ended 30 June 2017 increased to RMB178.9 million, representing 16% of the total revenue, compared to RMB111.1 million, representing 4% of the total revenue for the six months ended 30 June 2016. The increase in the revenue for the current period was mainly contributed by the property management fee income of RMB45.2 million from the new acquired property management subsidiaries. During the period under review, the property investment and management segment recorded a profit of RMB96.8 million, against RMB76.0 million for the corresponding period.

## SHAREHOLDERS' FUNDS

Profit attributable to owners of the Company for the six months ended 30 June 2017 of RMB425.4 million was largely offset by the final dividend paid for the year ended 31 December 2016 of RMB316.0 million. The Group's total shareholders' funds increased from RMB9,651.6 million as at 31 December 2016 to RMB9,795.4 million as at 30 June 2017. On a per-share basis, the consolidated net asset value attributable to owners of the Company as at 30 June 2017 increased by RMB0.009 to RMB0.620, from RMB0.611 as at 31 December 2016.

## FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

### Liquidity and capital resources

The Group's deposits, bank and cash balances decreased by RMB127.8 million or 4% to RMB2,765.2 million as at 30 June 2017 from RMB2,893.0 million as at 31 December 2016. The decrease was mainly due to cash applied to land acquisitions, development costs of PRC property projects, payment of final dividend and repayment of loans, netting off with the proceeds from properties sales and new bank loans.

### Borrowings

During the period under review, the Group has arranged two short-term bank loan facilities and one long-term bank loan facility totalling RMB844.8 million for general working capital purpose. Meanwhile, the Group fully repaid two 1-year term loan facilities, totalling approximately RMB145.5 million. As at 30 June 2017, total bank and other borrowings of the Group amounted to RMB1,406.8 million with interest rates ranging from 2.3% to 4.2% per annum.

The net debt (measured by total borrowings minus cash and bank deposits excluding restricted cash) decreased by RMB2,435.0 million to RMB4,896.1 million as at 30 June 2017 from RMB7,331.1 million as at 31 December 2016. The decrease of net debt was mainly due to decrease in loans from related parties. The Group's net debt ratio (defined as net debt over total equity, including non-controlling interests) decreased to 41% as at 30 June 2017, from 63% as at 31 December 2016.

The maturity profiles of the Group's outstanding borrowings as at 30 June 2017 and 31 December 2016 are summarised as below:

| | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| **Short-term and long-term bank and other borrowings:** | | |
| Within one year or on demand | **1,127,996** | 615,363 |
| In the second year | **169,391** | 2,078 |
| In the third to fifth years, inclusive | **109,381** | 112,911 |
| | **1,406,768** | 730,352 |
| **Loans from related parties:** | | |
| Within one year or on demand | **6,254,607** | 9,493,706 |
| Total borrowings wholly repayable within five years | **7,661,375** | 10,224,058 |

## FINANCIAL MANAGEMENT

### Foreign exchange risk

As at 30 June 2017, borrowings were denominated in US$, RMB and HK$. As most of the operating income of the Group's business is denominated in RMB, the Group is exposed to foreign currency risk. Moderate fluctuation of exchange rate of RMB against HK$ and US$ was expected, the foreign exchange risk exposure was considered acceptable. The Group will review and monitor its currency exposure from time to time and when appropriate to hedge its currency risk.

The currency denominations of the Group's outstanding borrowings as at 30 June 2017 and 31 December 2016 are summarised below:

| | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Hong Kong dollar | **2,681,191** | 2,573,201 |
| Renminbi | **4,360,710** | 7,395,133 |
| United States dollar | **619,474** | 255,724 |
| Total | **7,661,375** | 10,224,058 |

**Interest rate risk**

As at 30 June 2017, 74% (31 December 2016: 67%) of borrowings of the Group were subject to floating interest rates. The interest rate risk exposure was considered acceptable and no hedging was considered necessary. The Group will continue to monitor the suitability and cost efficiency of hedging instrument (including interest rates swaps) and consider a mix of fixed and floating rate borrowings in order to manage its interest rate risk.

**PLEDGE OF ASSETS**

As at 30 June 2017, an investment property of the Group with a carrying value of RMB181,715,000 (31 December 2016: RMB183,969,000) was pledged to secure an other borrowing granted to the Group.

**CONTINGENT LIABILITIES**

(a) As at 30 June 2017, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates. As at 30 June 2017, the Group's outstanding guarantees amounted to RMB 933,312,000 (31 December 2016: RMB639,580,000).

The Directors consider that the fair value of the guarantees is not significant and in case of defaulting payments, the net realisable value of the related properties will be sufficient to cover the outstanding mortgage principals, the accrued interest and penalty. Therefore, no provision has been made in the financial statements for the six months ended 30 June 2017 (2016: Nil) for these guarantees.

(b) At at 30 June 2017, a maximum guarantee of US$70,950,000 (equivalent to RMB480,644,000) (31 December 2016: US$70,950,000 (equivalent to RMB492,180,000)) was borne by the Group to a group of financial institutions for a facility granted to a joint venture of the Group in the United States of America. As at 30 June 2017, the facility of RMB480,644,000 (31 December 2016: RMB414,641,000) guaranteed by the Group to a joint venture was utilised.

## REVIEW OF OPERATIONS

### *LAND BANK*

The management of the Group believes that owning a sizable and quality land bank is one of the most important factors for a property developer to be successful. Timing for acquisition of land bank at competitive pricing is the core successful factor of the Group.

In first half of 2017, the Group acquired totally 5 parcels of land through public land auction and cooperative development with a projected gross floor area ("**GFA**") of approximately 1.24 million square meters, which are located in Zhengzhou, Shenyang, Xi'an and Kunshan, and can be developed into middle-to-high end residential properties to secure high return for the Group in the next few years.

As at 30 June 2017, the land bank of the Group covered 21 cities in the PRC and the US, with GFA of about 12.05 million square meters, of which about 20% were located in the first-tier cities, namely Beijing, Shanghai, Guangzhou and Shenzhen while the remaining 80% were located in the second-tier cities, including Dalian, Hangzhou, Huaian, Kunming, Kunshan, Nanjing, Ningbo, Shenyang, Suzhou, Taiyuan, Tianjin, Wuhan, Xi'an, Changsha and Zhengzhou.

### *SEGMENT INFORMATION*

#### *Properties sales and development*

By capitalising on the excellent layout adopted over prior years, various property projects of the Group located in developed cities such as Beijing, Ningbo, Shanghai, Tianjin, Hangzhou, Nanjing, Suzhou, Wuhan, Taiyuan, Kunshan, etc., all achieved outstanding sales performance, which drove the overall results of the Group. For the six months ended 30 June 2017, aggregated contracted sales of the Group reached about RMB22.61 billion, representing aggregated contracted sales area of approximately 1.193 million square meters. The average selling price during the period was approximately RMB19,000 per square meter.

As at 30 June 2017, the Group is developing 77 and 6 property projects in the PRC and the US respectively, of which most of these properties are developed for sale. With more available properties for sale and the Group's high quality residential/commercial projects continued to attract medium to high income level end-users, the sales performance was remarkable in first half of 2017.

Currently, the development of commercial projects includes Hangzhou, Suzhou, Nanjing and Huai'an commercial complex projects, the Shanghai commercial and business parks projects and Vision Shenzhen Business Park Phase 3 in Shenzhen Nanshan district while Vision Shenzhen Business Park Phase 3 would be developed as a mixed-use property with an estimated GFA of 0.21 million square meters containing high rise office building covering corporate headquarters, research and development office, high-end apartments, clubs and specialty commercial space. This project would become the flagship project of the Group in Shenzhen.

#### *Property Leasing*

As at 30 June 2017, Vision Shenzhen Business Park Phases 1 and 2, located in Shenzhen Nanshan District, were 100% occupied, both of their rental yield and management quality were a representative project in the core area of Nanshan District while Beijing Sohu.com Internet Plaza (a project 60% owned by the Group), located at Tsinghua Science Park in Zhongguancun, Haidian District, Beijing, was also 100% occupied.

For the six months ended 30 June 2017, benefiting from the significant increase in rental income from Vision Shenzhen Business Park Phases 1 and 2, the Group achieved outstanding performance in the growth of rental revenue and profit, and with the introduction of international well-known high-quality tenants such as Alibaba, DJI and Intel, the rental and property management fee income contributed by these projects to the Group amounted to approximately RMB99.71 million.

In addition, the Bridge 8 project in Shanghai, which was owned as to 85% interest by the Group, the project also generated rental income and property management fee amounting to RMB69.48 million for the six months ended 30 June 2017.

Following by the commencement of operations of Vision Shenzhen Business Park Phase 3, the commercial complex projects in Hangzhou, Nanjing and Huai'an, as well as the Shanghai commercial and business parks projects in future, it is expected that the rental income will further support the results of the Group.

## PROSPECTS

The Group would continue to develop and invest according to the changing macro-economic environment and demand-supply horizon. The Group would remain focus in expanding scale in terms of contracted sales and land bank accumulation in the first-tier and certain second-tier cities in the PRC with fast economic growth and large population inflow. It would acquire land through public auctions in open markets or seek potential merger and acquisition and cooperation opportunities with third parties.

The Group would also promote the development of city complex projects, high-end business parks and construction management on commercial projects which are light-asset in order to maintain a proper proportion of residential sales and investment properties to balance cash flows and operating profits.

## CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2017, except for the following deviations:

1. Under CG Code A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of shareholders. Due to other pre-arranged business commitments which must be attended by certain directors of the Company, Mr. Loh Lian Huat, Ms. Zhang Feiyun and Mr. Hu Chunyuan were not able to attend the annual general meeting of the Company on 29 May 2017.

2. Under CG Code E.1.2, the chairman of the board should attend the annual general meeting of the Company. Due to other pre-arranged business commitments which must be attended by Mr. Huang Juncan, the chairman of the board, he was not able to attend the annual general meeting of the Company on 29 May 2017.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as amended from time to time, (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Following specific enquiries made by the Company, all Directors had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2017. The Model Code also applies to other specified senior management of the Company.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had 2,313 (30 June 2016: 673) employees. Salaries of employees are maintained at competitive levels while bonuses may be granted on a discretionary basis with reference to the performance of the Group as well as the individual's performance. Other employee benefits include mandatory provident fund, insurance and medical cover, subsidised educational and training programmes as well as a share option scheme.

The emoluments of the Directors are determined with reference to Directors' duties, responsibilities and performance and the results of the Group.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2017.

## AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") currently comprises Mr. Hu Chunyuan (Chairman of the committee), Mr. Hui Chiu Chung and Mr. Chiang Sheung Yee, Anthony. All Audit Committee members are independent non-executive Directors.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial information as of and for the six months ended 30 June 2017.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that they have the overall responsibility for the Group's risk management and internal control systems to safeguard the Company's assets and shareholders' interests, and reviewing their effectiveness annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal control, and the resourcing of the finance and internal audit functions. The internal audit department of the holding company of the Company (the "**Internal Audit Department**") is delegated to assist the Board and/or the Audit Committee in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through the Internal Audit Department are kept regularly apprised of significant risks that may impact on the Group's performance. The internal audit function is independent of the operating businesses of the Group.

The Internal Audit Department would review the effectiveness and adequacy of the risk management and internal control procedures, and the findings will be provided to the Audit Committee to assist them in performing their annual reviews. The Audit Committee can make enquiries with the management from time to time to ensure that they are provided sufficient information to review the internal control procedures.

## BOARD OF DIRECTORS

As at the date hereof, the Board of Directors comprises four executive Directors, namely Mr. Ling Ke, Mr. Huang Juncan, Mr. Xu Jiajun and Mr. Wei Chuanjun; two non-executive Directors, namely Mr. Loh Lian Huat and Ms. Zhang Feiyun; and three independent non-executive Directors, namely Mr. Hui Chiu Chung, Mr. Chiang Sheung Yee, Anthony and Mr. Hu Chunyuan.

By Order of the Board
**Gemdale Properties and Investment Corporation Limited**
**Huang Juncan**
*Chairman and Executive Director*

Hong Kong, 25 August 2017