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 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2018	2017	Change
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)	
		(Restated)	
Revenue	**1,726,928**	1,234,646	+ 40
Gross profit	**704,599**	500,221	+ 41
Other income and gains	**248,129**	213,092	+ 16
Share of results of joint ventures and associates	**467,338**	316,632	+ 48
Profit after tax	**691,419**	429,182	+ 61
Profit attributable to owners of the Company	**598,796**	425,360	+ 41
Earnings per share attributable to owners of the Company:			
- Basic (RMB)	**0.0377**	0.0269	+ 40
- Diluted (RMB)	**0.0369**	0.0268	+ 38
	30 June	31 December	
	2018	2017	Change
	RMB'000	RMB'000	%
	(Unaudited)	(Audited)	
Deposits, bank and cash balances	**2,549,288**	5,395,765	− 53
Total assets	**47,496,929**	43,668,752	+ 9
Net assets	**12,406,449**	13,047,628	− 5

2018 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 2018 together with the relevant comparative figures.

***** *For identification purpose only*

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited) (Restated)
Revenue	*3*	**1,726,928**	1,234,646
Cost of sales		**(1,022,329)**	(734,425)
Gross profit		**704,599**	500,221
Direct operating expenses		**(410,259)**	(378,466)
Other income and gains	*3*	**248,129**	213,092
Administrative expenses		**(19,847)**	(30,629)
Finance costs	*4*	**(128,018)**	(114,321)
Share of profits and losses of:			
Joint ventures		**453,695**	313,532
Associates		**13,643**	3,100
Profit before tax	*5*	**861,942**	506,529
Tax	*6*	**(170,523)**	(77,347)
Profit for the period		**691,419**	429,182
Attributable to:			
Owners of the Company		**598,796**	425,360
Non-controlling interests		**92,623**	3,822
		691,419	429,182
Earnings per share attributable to owners of the Company:			
- Basic (RMB)	*7*	**0.0377**	0.0269
- Diluted (RMB)	*7*	**0.0369**	0.0268

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	**691,419**	429,182
Other comprehensive (loss) /income		
- Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserves:		
Exchange differences on translation of foreign operations	**(107,872)**	273,257
Share of exchange differences on translation of foreign operations of joint ventures	**20,729**	(37,688)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(87,143)**	235,569
- Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserves:		
Exchange differences on translation of foreign operations	**39,178**	(210,551)
Other comprehensive (loss)/income for the period, net of tax	**(47,965)**	25,018
Total comprehensive income for the period	**643,454**	454,200
Attributable to:		
Owners of the Company	**547,659**	455,699
Non-controlling interests	**95,795**	(1,499)
	643,454	454,200

Condensed Consolidated Statement of Financial Position

30 June 2018

	Note	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**77,038**	63,372
Investment properties		**6,486,345**	6,366,809
Intangible assets		**43,962**	48,076
Prepayments, deposits and other receivables		**2,416,369**	2,046,634
Investments in joint ventures		**5,867,856**	5,872,493
Investments in associates		**1,607,958**	632,736
Available-for-sale financial investments		-	60,045
Financial assets at fair value through other comprehensive income		**60,252**	-
Deferred tax assets		**581,479**	554,852
Total non-current assets		**17,141,259**	15,645,017
CURRENT ASSETS			
Properties held for sale		**1,292,638**	1,395,639
Properties under development		**14,583,671**	13,562,264
Prepayments for acquisitions of land use rights		**161,000**	241,765
Trade receivables	*8*	**18,943**	17,472
Prepayments, deposits and other receivables		**4,942,032**	4,139,497
Contract assets		**52,706**	-
Loans to joint ventures		**1,624,121**	948,397
Loans to related companies		**2,261,200**	370,000
Loans to non-controlling shareholders		**38,615**	41,377
Due from the ultimate holding company		**42**	-
Due from fellow subsidiaries		**7,256**	4,958
Due from joint ventures		**352,806**	127,702
Due from non-controlling shareholders		**393,595**	212,652
Due from related companies		**-**	564
Prepaid tax		**873,197**	410,128
Restricted cash		**1,204,560**	1,155,555
Deposits, bank and cash balances		**2,549,288**	5,395,765
Total current assets		**30,355,670**	28,023,735

Condensed Consolidated Statement of Financial Position (continued)

30 June 2018

	Note	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade payables	*9*	**1,073,283**	1,537,372
Advanced receipts, accruals and other payables		**1,410,625**	14,637,328
Contract liabilities		**17,236,101**	-
Interest-bearing bank and other borrowings		**1,262,256**	1,087,557
Loans from the ultimate holding company		**3,399,789**	5,240,113
Loans from fellow subsidiaries		**77,794**	-
Loans from joint ventures		**180,225**	154,000
Due to the ultimate holding company		**541,732**	2,723
Due to fellow subsidiaries		**165,697**	120,158
Due to joint ventures		**2,968,555**	1,856,269
Due to associates		**249,406**	10,000
Due to non-controlling shareholders		**94,362**	100,030
Due to a related company		**1,625**	2,760
Tax payable		**1,651,326**	1,849,866
Total current liabilities		**30,312,776**	26,598,176
NET CURRENT ASSETS		**42,894**	1,425,559
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,184,153**	17,070,576
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**723,942**	469,199
Loans from a fellow subsidiary		**3,113,352**	2,593,722
Deferred tax liabilities		**940,410**	960,027
Total non-current liabilities		**4,777,704**	4,022,948
NET ASSETS		**12,406,449**	13,047,628
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**1,439,145**	1,438,153
Reserves		**9,023,718**	9,476,672
		10,462,863	10,914,825
Non-controlling interests		**1,943,586**	2,132,803
TOTAL EQUITY		**12,406,449**	13,047,628

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) 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 2017.

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 2017, except as described below. In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, 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 2018.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above revised standards has had no significant financial effect on the interim financial information.

Change in accounting policies

HKFRS 9 *Financial instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which the Group applied prospectively, the Group has applied HKFRS 9 retrospectively, with the initial application date of 1 January 2018. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's debt instruments that meet the SPPI criterion and are hold within a business model both to collect cash flows and to sell.

- Financial assets at FVPL included debt instruments whose cash flow characteristics fail to SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

The main effects resulting from the application of HKFRS 9 are as follows:

	AFSFI RMB'000	FA at FVOCI RMB'000	Effect on FA at FVOCI reserves RMB'000
At 1 January 2018			
Opening balance – HKAS 39	60,045	-	-
Reclassify non-trading unlisted investments from available-for-sale financial investments ("AFSFI") to financial assets at fair value through other comprehensive income ("FA at FVOCI")	(60,045)	60,045	-
Adjustment under HKFRS 9		(269)	(269)
Opening balance – HKFRS 9	-	59,776	(269)

Unlisted equity investments with fair value of RMB59,776,000 were reclassified from AFSFI to FA at FVOCI on 1 January 2018.

(ii) Impairment of financial assets

HKFRS 9 requires an impairment on trades receivables, contract assets, deposits and other receivables, and balances with the ultimate holding company, fellow subsidiaries, joint ventures, associates, non-controlling shareholders and related companies that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present value of all cash shortfalls over the remaining life of all of its deposits and other receivables, and trades receivables, respectively. The Group performed a detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

HKFRS 15 "Revenue from Contracts with Customers" is effective for the financial year beginning or after 1 January 2018. The Group elected to apply the modified transitional provisions whereby the effects of adopting HKFRS 15 for uncompleted contracts with customers as at 31 December 2017 are adjusted at the opening balance of equity as at 1 January 2018 and prior period comparatives are not restated.

(i) Revenue recognition

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

Prior to the adoption of HKFRS 15, revenue from the sale of properties is recognized when the significant risks and rewards of the properties are passed to the purchasers when (i) an irrevocable sale and purchase contract has been entered into by both the buyer and the seller; (ii) the seller has received or obtained the right to receive all the consideration of the sale; (iii) the construction has been completed, and its quality has been inspected and accepted by the relevant government authorities; and (iv) the ready-for-delivery conditions under the sale and purchase contract have been fulfilled .

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

The Group has assessed that there is an enforceable right to payment from the customers for performance completed to date for few properties. Thus, majority of revenue from sale of properties will continue to be recognised at a point in time, when the purchasers obtain the physical possession of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(ii) Accounting for significant financing component for sales of properties

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's pre-sales of properties as receipts in advance under advanced receipts, accruals and other payables in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognise the effects of a significant financing component with a customer if the time period is one year or less. In addition, reclassifications have been made from advanced receipts, accruals and other payables to contract liabilities for the outstanding balance of sales proceeds from customers. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1 January 2018.

(iii) Accounting for sales commission

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

The adoption of HKFRS 15 has had the following impacts on the opening retained profits as at 1 January 2018.

The impact of adoption of HKFRS 15 has shown below:

(a) The impact on the Group's financial position as at 1 January 2018 by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 January 2018			
	Prepared under HKAS 18 RMB'000	Reclassification under HKFRS 15 RMB'000	Remeasurement under HKFRS 15 RMB'000	Prepared under HKFRS 15 RMB'000
Condensed consolidated statement of financial position (extract)				
Investments in joint ventures	5,872,493	-	(489,011)	5,383,482
Investments in associates	632,736	-	3,793	636,529
Deferred tax assets	554,852	-	2,679	557,531
Properties held for sale	1,395,639	-	535,768	1,931,407
Prepayments, deposits and other receivables	6,186,131	-	3,804	6,189,935
Contract assets	-	-	42,361	42,361
Prepaid tax	410,128	-	20,550	430,678
Advanced receipts, accruals and other payables	(14,637,328)	13,793,282	-	(844,046)
Contract liabilities	-	(13,793,282)	(693,296)	(14,486,578)
Tax payable	(1,849,866)	-	15,525	(1,834,341)
Retained earnings	(5,812,477)	-	547,608	(5,264,869)
Non-controlling interests	(2,132,803)	-	10,219	(2,122,584)

(b) Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	Six months ended 30 June 2018			
(Unaudited)	Property development RMB'000	Property investment and management RMB'000	Micro-finance RMB'000	Total RMB'000
Segment				
Type of goods or services				
Sales of properties	1,326,924	-	-	1,326,924
Management fee income	-	82,790	-	82,790
Total revenue from contracts with customers	1,326,924	82,790	-	1,409,714
Revenue from other sources				
Rental income	-	135,560	-	135,560
Interest income	-	-	181,654	181,654
Total revenue from other sources	-	135,560	181,654	317,214
Revenue disclosed in the segment information	1,326,924	218,350	181,654	1,726,928
Timing of revenue recognition				
Goods transferred at a point in time	1,326,924	-	-	1,326,924
Services transferred over time	-	82,790	-	82,790
Total revenue from contracts with customers	1,326,924	82,790	-	1,409,714

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in property development, property investment, property management and micro-financing business. 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.

Due to continuous growth of micro-financing business, management of the Group has reassessed the Group's segment reporting and decided that for financial reporting purposes, there is a new reportable operating segment as the resources allocation, performance assessment and decision making of the segment are assessed separately. The impacts of the abovementioned change in the Group's reportable operating segments for the period ended 30 June 2017 is considered retrospectively and the Group's operating segment information is restated as if microfinance had been reported as a separate segment in that period.

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**	**Micro-finance RMB'000**	**Corporate RMB'000**	**Total RMB'000**
For the six months ended 30 June 2018 (Unaudited)					
Segment revenue	**1,326,924**	**218,350**	**181,654**	**-**	**1,726,928**
Segment results	**851,326**	**39,408**	**98,405**	**(20,444)**	**968,695**
Reconciliation					
Bank interest income					**21,265**
Finance costs					**(128,018)**
Profit before tax					**861,942**
Other segment information:					
Share of profits and losses of joint ventures	**(447,377)**	**(6,318)**	**-**	**-**	**(453,695)**
Share of profits and losses of associates	**(13,643)**	**-**	**-**	**-**	**(13,643)**
Depreciation	**5,770**	**8,082**	**503**	**149**	**14,504**
(Gain)/loss on disposal and deemed disposal of subsidiaries	**(23,863)**	**22,912**	**-**	**-**	**(951)**
Impairment/(reversal of impairment) of receivables, net	**(98)**	**2,616**	**45,565**	**168**	**48,251**
Amortisation of intangible assets	**-**	**4,114**	**-**	**-**	**4,114**
Capital expenditure*	**10,539**	**504,527**	**94**	**23**	**515,183**
As at 30 June 2018 (Unaudited)					
Segment assets	**33,998,455**	**9,489,114**	**2,470,002**	**30,048**	**45,987,619**
Reconciliation					
Other unallocated assets					**1,509,310**
Total assets					**47,496,929**
Segment liabilities	**23,701,163**	**1,357,059**	**1,961,884**	**12,523**	**27,032,629**
Reconciliation					
Other unallocated liabilities					**8,057,851**
Total liabilities					**35,090,480**
Other segment information:					
Investments in joint ventures	**5,003,472**	**864,384**	**-**	**-**	**5,867,856**
Investments in associates	**1,607,958**	**-**	**-**	**-**	**1,607,958**

	Property development RMB'000	Property investment and management RMB'000	Micro-finance RMB'000	Corporate RMB'000	Total RMB'000
For the six months ended 30 June 2017 (Unaudited) (Restated)					
Segment revenue	913,211	178,852	142,583	-	1,234,646
Segment results	466,557	96,795	63,113	(20,162)	606,303
Reconciliation					
Bank interest income					14,547
Finance costs					(114,321)
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	4,339	6,667	338	159	11,503
Gain on deemed disposal of a subsidiary	(31,796)	-	-	-	(31,796)
(Reversal of impairment)/ impairment of receivables, net	(522)	474	44,569	-	44,521
Amortisation of intangible assets	-	4,114	-	-	4,114
Impairment of goodwill	-	4,889	-	-	4,889
Capital expenditure*	5,920	338,758	1,547	-	346,225
As at 31 Dec 2017 (Audited) (Restated)					
Segment assets	31,900,208	8,545,577	1,977,031	28,322	42,451,138
Reconciliation					
Other unallocated assets					1,217,614
Total assets					43,668,752
Segment liabilities	21,722,321	542,789	1,621,527	19,599	23,906,236
Reconciliation					
Other unallocated liabilities					6,714,888
Total liabilities					30,621,124
Other segment information:					
Investments in joint ventures	5,045,601	826,892	-	-	5,872,493
Investments in associates	632,736	-	-	-	632,736

* *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, interest income on loans receivable and entrusted management fee income received from a fellow subsidiary during the period.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Revenue		
Sale of properties	**1,326,924**	913,211
Gross rental income from:		
- fellow subsidiaries	**3,898**	3,513
- third parties	**131,662**	101,468
Property management fee income from:		
- fellow subsidiaries	**588**	566
- third parties	**62,679**	55,014
Utility income	**7,070**	5,927
Interest income on loans receivable	**181,654**	142,583
Entrusted management fee income from a fellow subsidiary	**12,453**	12,364
	1,726,928	1,234,646
Other income and gains		
Bank interest income	**21,265**	14,547
Interest income on loans to related companies	**23,816**	15,067
Interest income on loans to joint ventures	**31,114**	29,187
Interest income on loans to associates	**-**	15,323
Interest income on loans to non-controlling shareholders	**13**	-
Interest income on loans to third parties	**12,687**	-
Interest income from available-for-sale financial investments	**-**	11
Consulting service income from:		
- a fellow subsidiary	**205**	-
- joint ventures	**14,812**	17,228
- third parties	**57,049**	54,389
Fitting and decoration income from:		
- fellow subsidiaries	**28,580**	-
- joint ventures	**1,683**	-
- third parties	**9,449**	9,116
Net gain on disposal and deemed disposal of subsidiaries *(Note 12)*	**951**	31,796
Others	**46,505**	26,428
	248,129	213,092

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Interest on:		
- bank borrowings	**23,577**	11,346
- loans from the ultimate holding company	**52,092**	135,261
- loans from fellow subsidiaries	**72,292**	40,920
- loans from non-controlling shareholders	**-**	1,138
- loans from joint ventures	**1,844**	11
- other borrowings and other payable	**4,755**	17,662
	154,560	206,338
Other finance costs	**2,030**	572
Total finance costs incurred	**156,590**	206,910
Less: Interest capitalised in		
- investment properties	**(22,944)**	(9,486)
- properties under development	**(5,628)**	(83,103)
	128,018	114,321

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	**886,274**	695,430
Depreciation	**14,813**	11,733
Less: Amounts capitalised to property development projects	**(309)**	(230)
	14,504	11,503
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**20,360**	31,584
Impairment of other receivables and loans receivable, net	**48,174**	44,358
Impairment of trade receivables, net	**77**	163
Minimum lease payments under operating leases	**33,648**	13,490
Amortisation of intangible assets	**4,114**	4,114
Amortisation of land use rights	**114,051**	76,343
Less: Amounts capitalised to property development projects	**(114,051)**	(76,343)
	-	-
Employees benefits expenses (including directors' emoluments):		
Wages and salaries	**125,911**	107,000
Pension schemes contributions	**17,209**	15,931
Total employees benefits expenses	**143,120**	122,931
Auditor's remuneration	**1,581**	1,533
Foreign exchange (gains)/losses, net	**(3,010)**	1,618
Net gain on disposal and deemed disposal of subsidiaries *(Note 12)*	**(951)**	(31,796)
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 (2017: 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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Income tax in Hong Kong	**-**	-
Corporate income tax in Mainland China		
- Charge for the period	**153,452**	105,670
- Under provision in prior periods	**14,211**	399
LAT in Mainland China	**28,496**	12,530
Deferred	**(25,636)**	(41,252)
	170,523	77,347

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 15,867,020,677 (2017: 15,795,644,070) 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 calculation of basic and diluted earnings per share is based on:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**598,796**	425,360
	598,796	425,360

	No. of shares	
	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**15,867,020,677**	15,795,644,070
Effect of dilution – weighted average number of ordinary shares:		
Share options	**345,760,188**	76,962,809
	16,212,780,865	15,872,606,879

8. TRADE RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**19,940**	18,392
Impairment	**(997)**	(920)
	18,943	17,472

Trade receivables represent sales proceeds in respect of sold properties, and rental and property management fee receivables. Sales proceeds in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. 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 large 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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 1 month	**17,543**	15,867
1 to 3 months	**83**	158
Over 3 months	**1,317**	1,447
	18,943	17,472

9. TRADE PAYABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade payables	**1,073,283**	1,537,372

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 1 month	**520,023**	1,237,830
1 to 3 months	**328,141**	76,524
Over 3 months	**225,119**	223,018
	1,073,283	1,537,372

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

10. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 8 February 2018, a wholly-owned subsidiary of the Company acquired 100% equity interest in 上海安洋木業有限公司 (Shanghai Anyang Muye Company Limited*) ("Anyang"), from three independent third parties, at an aggregate cash consideration of RMB37,049,000. Anyang is engaged in property development in Mainland China.

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.

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 ended 30 June	
	2018	2017
	Anyang	Zhitao
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Investment properties	**251,129**	189,663
Deposits and other receivables	**67,136**	-
Bank balances	**7,196**	6,008
Interest-bearing bank borrowing	**(7,000)**	-
Other payables	**(208,947)**	(1,217)
Loans from shareholders	**(72,465)**	-
Net assets	**37,049**	194,454
Satisfied by:		
Cash	**12,049**	176,898
Other payables	**25,000**	17,556
	37,049	194,454

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

	Six months ended 30 June	
	2018	2017
	Anyang	Zhitao
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash consideration	**(12,049)**	(176,898)
Bank balances acquired	**7,196**	6,008
Net outflow of cash and cash equivalents	**(4,853)**	(170,890)

** For identification purpose only*

11. BUSINESS COMBINATION

In the prior 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 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 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)
Fair value recognised on acquisition	
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 receivable was expected to be uncollectible.

An analysis of the cash flows in respect of the acquisition of the 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*

12. DISPOSAL AND DEEMED DISPOSAL OF SUBSIDIARIES

Henan Jinheheng Real Estate Development Co., Ltd.*

During the period, the Group disposed of its entire equity interest in a non-wholly owned subsidiary, 河南金合亨房地產開發有限公司 (Henan Jinheheng Real Estate Development Co., Ltd.*) ("Jinheheng"), to an independent third party, for a cash consideration of RMB26,000,000. The disposal was completed in February 2018.

Apex River Group

The Group entered into a co-operative agreement with two independent third parties during the period. Pursuant to the agreement, one of the independent third parties agreed to participate in capital increase in a wholly-owned subsidiary of the Company, Apex River Limited ("Apex River"), and the other independent third party agreed to participate in the capital injection in a subsidiary of Apex River, 徐州威新房地產開發有限公司 (Xuzhou Weixin Real Estate Development Co. Ltd*) ("Xuzhou Weixin"). Apex River and Xuzhou Weixin (together "Apex River Group") are engaged in property development in Mainland China. All parties exercise joint control over Apex River Group after the transaction. The transaction was accounted for as a deemed disposal of subsidiaries and the Group has lost control over Apex River Group after the completion of registration of the changes with the relevant government authorities in April 2018.

Shanghai Zhitao Motor Components Company Limited*

The Group disposed of its entire equity interest in a wholly-owned subsidiary, 上海志韜汽車零部件有限公司 (Shanghai Zhitao Motor Components Company Limited*) ("Zhitao"), to a joint venture of the Group for a cash consideration of RMB213,348,000 during the period. The Group has lost control over Zhitao after the completion of disposal in June 2018. The equity interest in Zhitao acquired by the joint venture of the Group was accounted for as an investment in a joint venture of the Group.

Xi'an Shuokun Real Estate Development Co., Ltd.*

The Group disposed of its 51% equity interest in a non-wholly owned subsidiary, 西安朔坤房地產開發有限公司 (Xi'an Shuokun Real Estate Development Co., Ltd.*) ("Shuokun"), to an independent third party for a cash consideration of RMB538,280,000. The Group has lost control over Shuokun after the completion of disposal in June 2018. The remaining equity interest in Shuokun was accounted for as an investment in an associate.

Shanghai Xinwei Real Estate Development Co. Ltd.*

In the prior 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 lost control over Xinwei in the prior 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.

* *For identification purpose only*

Details of the net assets disposed of are as follows:

	Six months ended 30 June 2018 Jinheheng RMB'000 (Unaudited)	Apex River Group RMB'000 (Unaudited)	Zhitao RMB'000 (Unaudited)	Shuokun RMB'000 (Unaudited)	2017 Xinwei RMB'000 (Unaudited)
Investment property	-	-	369,229	-	-
Property, plant and equipment	-	31	27	82	-
Deferred tax assets	7	-	-	2,931	1,090
Properties under development	-	245,296	-	1,170,389	1,784,511
Due from a shareholder	-	-	-	-	10,000
Prepayments, deposits and other receivables	150,000	10,922	18,919	6,244	22,980
Prepaid tax	-	-	-	-	20,292
Bank balances	374	1,043	9,766	1,023	90,972
Trade payables	-	-	(6)	(12,936)	(775)
Advanced receipts, accruals and other payables	(80,280)	(263)	(1,263)	(1,262)	(1,924,722)
Loans from the ultimate holding company	-	-	-	(151,052)	-
Due to the immediate holding company	-	(258,102)	(116,267)	-	-
Due to a non-controlling shareholder	(25,183)	-	-	-	-
Deferred tax liabilities	-	-	(21,233)	-	-
Net assets	44,918	(1,073)	259,172	1,015,419	4,348
Non-controlling interests	(21,560)	-	-	(18,144)	-
	23,358	(1,073)	259,172	997,275	4,348
Fair value of investments retained upon disposal and deemed disposal to investments in associates	-	-	-	(479,412)	(56,144)
Stamp duties	-	-	-	269	-
Unrealised loss on disposal	-	-	(22,912)	-	-
Gain/(loss) on disposal and deemed disposal of subsidiaries	2,642	1,073	(22,912)	20,148	31,796
Total consideration/capital contribution to an associate	26,000	-	213,348	538,280	(20,000)
Satisfied by:					
Cash	26,000	-	63,903	538,280	(20,000)
Other receivables	-	-	149,445	-	-
	26,000	-	213,348	538,280	(20,000)

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

	Six months ended 30 June 2018 Jinheheng RMB'000 (Unaudited)	Apex River Group RMB'000 (Unaudited)	Zhitao RMB'000 (Unaudited)	Shuokun RMB'000 (Unaudited)	2017 Xinwei RMB'000 (Unaudited)
Cash consideration/capital contribution to an associate	26,000	-	63,903	538,280	(20,000)
Bank balances disposed of	(374)	(1,043)	(9,766)	(1,023)	(90,972)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal and deemed disposal of subsidiaries	25,626	(1,043)	54,137	537,257	(110,972)

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: 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 2018 are consistent with those used in the last financial year ended 31 December 2017, except that the Group has applied, for the first time, the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", 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 2018.

HKFRS 15 "Revenue from Contracts with Customers" is effective for the financial year beginning or after 1 January 2018. The Group elected to apply the modified transitional provisions whereby the effects of adopting HKFRS 15 for uncompleted contracts with customers as at 31 December 2017 are adjusted at the opening balance of equity as at 1 January 2018 and prior period comparatives are not restated.

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The revenue of the Group increased from RMB1,234.6 million for the corresponding six months ended 30 June 2017 to RMB1,726.9 million for the six months ended 30 June 2018. After excluding the effects of adopting the HKFRS 15 of RMB407.6 million, the revenue was increased by RMB84.7 million in the current period. The increase was primarily due to higher rental and property management fee income of RMB38.3 million, and increased interest income from micro-financing business RMB39.1 million.

Other income and gains increased from RMB213.1 million for the corresponding six months ended 30 June 2017 to RMB248.1 million for the current period. The increase was mainly due to higher income of RMB30.6 million from fitting out works.

The Group's direct operating expenses increased from RMB378.5 million for the corresponding period ended 30 June 2017 to RMB410.3 million for the six months ended 30 June 2018. Certain property investment and property management subsidiaries which set up in the second half of 2017 led to higher operating expenses incurred.

The Group's administrative expenses decreased from RMB30.6 million for the corresponding period ended 30 June 2017 to RMB19.8 million for the six months ended 30 June 2018. Goodwill written off of RMB4.9 million arising from acquisition of a property management subsidiary was recorded in the previous period.

The finance costs went up to RMB128.0 million for the six months ended 30 June 2018 from RMB114.3 million for the six months ended 30 June 2017, representing an increase of RMB13.7 million. Given the rising interest rate in the lending market and new bank loans arranged for general working capital for the Group in the current period, the interests on bank borrowings was increased by RMB12.2 million.

Share of results of joint ventures and associates of the Group reported an aggregate profit of RMB467.3 million for the six months ended 30 June 2018, against RMB316.6 million for the corresponding period ended 30 June 2017. After excluding the effects of adopting HKFRS 15 of RMB85.6 million in the current period, there was an increase of RMB65.1 million resulting from increased sales revenue recognition from property development joint ventures in Suzhou and Tianjin, the PRC.

Overall, the profit attributable to owners of the Company for the six months ended 30 June 2018 was RMB598.8 million, against RMB425.4 million for the corresponding period ended 30 June 2017 with an increase of RMB173.4 million. The increase was mainly due to increased sales recognition and higher profit margin.

The Group recorded basic earnings per share of RMB0.0377 for the six months ended 30 June 2018, against basic earnings per share of RMB0.0269 for the corresponding period ended 30 June 2017, representing an increase of 40%. The diluted earnings per share for the current period and the previous period were RMB0.0369 and RMB0.0268 respectively.

BUSINESS SEGMENTS

Property development

For the six months ended 30 June 2018, the revenue of property development segment was RMB1,326.9 million, representing 77% of the total revenue, compared to RMB913.2 million, representing 74% of the total revenue for the corresponding period ended 30 June 2017. After excluding the effects of adopting HKFRS 15 of RMB407.6 million, the segment revenue for the current period was RMB919.3 million. The revenue for the current period was mainly come from Xi'an Yi Hua Nian, Hangzhou Jindu North Road, Shanghai Shanshui Four Seasons and Shenyang Yijing. The profit in the property development segment during the period under review increased to RMB851.3 million or RMB702.5 million (after excluding the effect of adopting HKFRS 15), against RMB466.6 million for the corresponding period. The increase in the segment results was mainly due to higher profit margin of property sales and increased sales revenue recognition from 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 2018 increased to RMB218.3 million, representing 13% of the total revenue, compared to RMB178.9 million, representing 14% of the total revenue for the six months ended 30 June 2017. The increase in the revenue for the current period was mainly contributed by the rental and property management fee income of RMB35.4 million from the new setup subsidiaries in the second half of 2017. During the period under review, the property investment and management segment recorded a profit of RMB39.4 million, against RMB96.8 million for the corresponding period. A one-off consultancy services income of RMB51.3 million was included in the previous period.

Microfinance

During the period under review, the revenue earned by the microfinance segment for six months ended 30 June 2018 increased from RMB142.6 million, representing 12% of the total revenue for six months ended 30 June 2017, to RMB181.7 million, representing 10% of the total revenue. Money lending volume of the micro-financing business continues to increase with higher interest income from loans receivables. The microfinance segment recorded a profit of RMB98.4 million during the current period, compared with the segment profit of RMB63.1 million for the corresponding period due to higher revenue as well as increased consultancy fee income of RMB14.3 million.

SHAREHOLDERS' FUNDS

The Group's total shareholders' funds decreased from RMB10,914.8 million as at 31 December 2017 to RMB10,462.9 million as at 30 June 2018. The decrease was mainly due to the final dividend paid for the year ended 31 December 2017 of RMB396.8 million and the adopting of HKFRS 15.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Liquidity and capital resources

The Group’s deposits, bank and cash balances decreased by RMB2,846.5 million or 53% to RMB2,549.3 million as at 30 June 2018 from RMB5,395.8 million as at 31 December 2017. The decrease was mainly due to cash applied to land acquisitions, development costs of PRC property projects, payments of final dividend, advances to related companies and repayment of loans from group companies, netting off against the proceeds from properties sales and new bank loans.

Borrowings

During the period under review, the Group has arranged one short-term bank loan facility and one long-term bank loan facility totalling RMB744.0 million for general working capital purpose. Meanwhile, the Group fully repaid a 1-year term loan facility of RMB329.5 million. As at 30 June 2018, total bank and other borrowings of the Group amounted to RMB1,986.2 million with interest rates ranging from 3.0% to 4.3% per annum.

The net debt (measured by total borrowings minus cash and bank deposits and restricted cash) increased by RMB2,010.2 million to RMB5,003.5 million as at 30 June 2018 from RMB2,993.3 million as at 31 December 2017. The increase of net debt was mainly due to cash applied to development cost of PRC project, dividend payment and advances to related companies. The Group’s net debt ratio (defined as net debt over total equity, including non-controlling interests) increased to 40% as at 30 June 2018, from 23% as at 31 December 2017.

The maturity profiles of the Group's outstanding borrowings as at 30 June 2018 and 31 December 2017 are summarised as below:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Short-term and long-term bank and other borrowings:		
Within one year or on demand	**1,262,256**	1,087,557
In the second year	**416,516**	163,434
In the third to fifth years, inclusive	**116,532**	115,632
Over five years	**190,894**	190,133
	1,986,198	1,556,756
Loans from related parties:		
Within one year or on demand	**3,657,808**	5,394,113
In second year	**3,113,352**	2,593,722
	6,771,160	7,987,835
Total borrowings	**8,757,358**	9,544,591

FINANCIAL MANAGEMENT

Foreign exchange risk

As at 30 June 2018, 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 2018 and 31 December 2017 are summarised below:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Hong Kong dollar	**4,662,698**	3,352,612
Renminbi	**3,580,015**	5,394,113
United States dollar	**514,645**	797,866
Total	**8,757,358**	9,544,591

Interest rate risk

As at 30 June 2018, 63% (31 December 2017: 72%) 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 2018, an investment property and a property held for sale of the Group with a carrying value of RMB202,597,000 (31 December 2017: RMB196,745,000) and RMB308,519,000 (31 December 2017: RMB303,918,000) respectively were pledged to secure other borrowings granted to the Group.

CONTINGENT LIABILITIES

(a) As at 30 June 2018, 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 2018, the Group's outstanding guarantees amounted to RMB 2,820,705,000 (31 December 2017: RMB3,148,594,000).

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 2018 (31 December 2017: Nil) for these guarantees.

(b) At the end of the reporting period, the Group provided a maximum guarantee of US$70,950,000 (equivalent to RMB469,448,000) (31 December 2017: US$70,950,000 (equivalent to RMB463,601,000) 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 2018, the facility of RMB469,448,000 (31 December 2017: RMB463,601,000) 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 the first half of 2018, the Group acquired interests in a total of 8 new projects in the PRC, with total planned GFA of approximately 941,000 square meters. Total consideration for the land acquisition in the first half of 2018 amounted to approximately RMB9,572 million. Based on the Group's attributable GFA acquired and its attributable acquisition considerations, the Group's average land acquisition cost in the first half of 2018 was approximately RMB10,200 per square meter.

As at the date of this announcement, the land bank of the Group covered more than 20 cities in the PRC of about 13.42 million square meters, of which about 21.3% were located in the four first-tier cities, namely Beijing, Shanghai, Guangzhou and Shenzhen.

SEGMENT INFORMATION

Properties sales and development

For the six months ended 30 June 2018, the aggregated contracted sales of the Group reached RMB15.97 billion with an aggregated contracted sales area of approximately 736,500 square meters. The average selling price during the period was approximately RMB21,700 per square meter.

Property leasing

As at 30 June 2018, Vision Shenzhen Business Park Phases 1 and 2, located in Nanshan District, Shenzhen and provides rental area of about 127,000 square meters, was 100% occupied and their rental yield and management quality were a representative project in the core area of Nanshan District. Besides, both of the Beijing Sohu.com Internet Plaza (a project 60% owned by the Group), located at Tsinghua Science Park in Zhongguancun, Haidian District, Beijing and the Bridge 8 project in Shanghai (a project 85% owned by the Group) were also 100% occupied.

During the period, benefiting from the significant increase in the number of the commercial property commencing operation, the Group achieved a growth of rental/management fees revenue of more than 22% to RMB218.3 million for the six months ended 30 June 2018.

Currently, the commercial projects under development includes Suzhou, Nanjing and Huai'an commercial complex projects, the Shanghai commercial project, Vision Shenzhen Business Park Phase 3 in Shenzhen Nanshan district as well as the five new business parks in Shanghai. Upon completion, our commercial property portfolio would generate more than RMB1 billion annual rental income/management fees to 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 with fast economic growth and large population inflow. The Group would also seek potential equity merger and acquisition and cooperation opportunities at the same time. While for commercial properties, the Group would aggressively expand our business in the development of high-end business parks and construction management commercial projects which are light-asset and could enhance investment returns.

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 2018, 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 16 May 2018.

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 16 May 2018.

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 2018. The Model Code also applies to other specified senior management of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had approximately 2,700 (30 June 2017: approximately 2,300) 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 2018.

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 2018.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that they have the overall responsibility for overseeing 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 together with the legal department of the Group (the "Internal Audit Departments") 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 Departments 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 Departments 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, 22 August 2018