AGILE
雅居樂

AGILE GROUP HOLDINGS LIMITED

(*Incorporated in the Cayman Islands with limited liability*)
(**Stock Code: 3383**)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

HIGHLIGHTS

Financial Highlights

	For the six months ended 30 June		
	2018	2017	Change
Revenue *(RMB million)*	**24,206**	22,315	+8.5%
Gross profit *(RMB million)*	**12,018**	8,324	+44.4%
Profit for the period *(RMB million)*	**4,280**	2,306	+85.6%
Profit attributable to shareholders of the Company *(RMB million)*	**3,759**	1,859	+102.2%
Basic earnings per share *(RMB)*	**0.968**	0.479	+102.1%
Interim Dividend per share *(HK cents)*	**50.0**	22.0	+127.3%

Operational Highlights

- During the Review Period, accumulated pre-sales value of the Group, together with its joint ventures and associates, was RMB46,550 million. The performance was in line with expectation. The accumulated GFA pre-sold was 3.551 million sq.m., and the corresponding average selling price was RMB13,107 per sq.m.. During the Review Period, the Group, together with its joint ventures and associates, had in total 83 projects available for sale, including 11 newly launched projects.

- During the Review Period, the Group's revenue was RMB24,206 million, representing an increase of 8.5% when compared with the corresponding period of last year. The Group's revenue from recognised sales of property development reached RMB22,552 million, representing an increase of 5.7% when compared with the corresponding period of last year.

- During the Review Period, the overall gross profit margin and net profit margin of the Group were 49.6% and 17.7% respectively, representing an increase of 12.3 percentage points and 7.4 percentage points respectively when compared with the corresponding period of last year.

- During the Review Period, the Group's revenues from property management and hotel operations increased by 67.5% and 8.2% respectively when compared with the corresponding period of last year, providing stable income for the Group.

- During the Review Period, the Group was dedicated to expanding its nationwide presence through strategically acquiring 30 new land parcels successively in multiple city clusters by means of tender, auction, listing-for-sale and acquisition, with an estimated total planned GFA of 5.57 million sq.m., of which the Group's total attributable planned GFA was 4.63 million sq.m.. The consideration payable was RMB20,300 million. As at 30 June 2018, the Group had a land bank with a total planned GFA of 35.40 million sq.m. in 69 cities and districts (Among these, 16 cities are newly explored markets).

- The spin-off and separate listing of A-Living on the Main Board of Hong Kong Stock Exchange was completed during the Review Period.

- During the Review Period, the Group successfully issued an aggregate of USD600 million senior perpetual capital securities, obtained a 4-year term loan comprising HK$8,834 million (with a greenshoe option of HK$2,500 million) and USD200 million and entered into RMB4,600 million Commercial Mortgage Backed Securities effectively optimising its debt structure. During the Review Period, Moody's Investors Service, Inc. and S&P Global Ratings have raised the corporate credit ratings of the Group to "Ba2" and "BB" respectively, both with a "Stable" outlook.

- As at 30 June 2018, the total cash and bank balances of the Group were RMB29,508 million.

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to report the interim results of Agile Group Holdings Limited ("Agile" or the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 ("Review Period").

Results and dividends

For the Review Period, the revenue of the Group was RMB24,206 million, representing an increase of 8.5% when compared with the corresponding period of last year. The Group's gross profit and profit for the period were RMB12,018 million and RMB4,280 million respectively, representing an increase of 44.4% and 85.6% when compared with the corresponding period of last year. Overall gross profit margin and net profit margin were 49.6% and 17.7% respectively, representing an increase of 12.3 percentage points and 7.4 percentage points when compared with the corresponding period of last year. Profit attributable to shareholders of the Company was RMB3,759 million, representing a significant increase of 102.2% when compared with the corresponding period of last year.

The board of directors of the Company (the "Board") has declared an interim dividend of HK50.0 cents per ordinary share for the six months ended 30 June 2018 (six months ended 30 June 2017: HK22.0 cents).

Business review

Since the Central Government emphasised on the positioning of "housing is for living in but not for speculation", local governments have introduced a number of policies in succession to regulate the property market on the principle of "Differentiated Control and City-specific Policies". In the first half of 2018, the majority of cities still maintained consistent and stable policies, which enabled the steady growth of the property market of Mainland China. In this stable and orderly market environment, the Group continued to adjust its marketing strategies flexibly and launched projects in a timely manner at reasonable prices. In addition, the Group was committed to implementing the business model of "focusing on property development, supported by a diversified range of businesses", thereby obtaining encouraging results in a number of segments.

Steady growth of property business and outstanding performance in property management business

In respect of property development business, the accumulated pre-sales value of the Group including joint ventures and associates amounted to RMB46,550 million. The accumulated GFA pre-sold and average selling price were 3.551 million sq. m. and RMB13,107 per sq. m. respectively.

The spin-off and separate listing of A-Living Services Co., Ltd. ("A-Living", a subsidiary of the Group) on the Main Board of Hong Kong Stock Exchange was successfully completed on 9 February 2018. During the Review Period, the revenue of A-Living was RMB1,406 million, representing an increase of 103.1% when compared with the corresponding period of last year. A-Living recorded strong financial performance, with its net profit and profit attributable to shareholders growing significantly by 174.0% and 196.3% respectively when compared with the corresponding period of last year.

Strategic replenishment of land bank to drive sustainable development of property business
Being fully aware that land bank is an important cornerstone for the sustainable development of a property developer, the Group has been replenishing its land bank by way of tender, auction, listing-for-sale and equity acquisition. During the Review Period, the Group continued to adopt an active yet prudent land acquisition strategy with a focus on city clusters, and acquired 30 new projects in cities including those in the Pearl River Delta, Yangtze River Delta, Beijing-Tianjin-Hebei, Chengdu-Chongqing and the Central Plain clusters. Among these, Meizhou, Shantou and Yunfu in Southern China Region, Fuzhou, Hefei, Huzhou, Jiaxing, Lianyungang, Wuhu and Xuzhou in Eastern China Region, Hanzhong in Western China Region, Jingzhou, Shangqiu and Xuchang in Central China Region and Handan and Jinzhong in Northern China Region are newly explored markets. The total planned GFA of the newly acquired land was approximately 5.57 million sq. m., in which the Group's total attributable planned GFA was approximately 4.63 million sq. m.. The consideration payable by the Group was approximately RMB20,300 million.

As at 30 June 2018, the Group had an aggregate land bank with a total planned GFA of 35.40 million sq. m. in 69 cities and districts. Of these, 10.81 million sq. m. were located in the "Guangdong-Hong Kong-Macao Greater Bay Area" which is strongly promoted by the Central Government. This land bank accounts for 30.5% of the overall land bank, indicating tremendous potential for future development.

Building new business segments and successful implementation of diversification strategy
During the Review Period, the Group made all efforts to expand its property development, property management, environmental protection and construction businesses on the back of the business model of "focusing on property development, supported by a diversified range of businesses". New business segments including real estate construction management and commercial were also established, marking further implementation of the Group's diversification development.

In respect of property management business, A-Living continued to implement the dual-branded development strategy with the support of its two strategic shareholders, namely the Group and Greenland Holdings Group Company Limited ("Greenland Holdings"). As at 30 June 2018, the accumulated contracted GFA granted to A-Living by Greenland Holdings according to the mutual agreement amounted to 18.8 million sq. m.. On 9 April 2018, A-Living also entered into an equity transfer agreement with Nanjing Zizhu Property Management Co., Ltd. ("Nanjing Zizhu"), one of the top five leading property management companies in Jiangsu Province, to acquire 51% equity interest in Nanjing Zizhu, with a view to accelerating its market expansion and further reinforcing its market position in Eastern China Region. During the Review Period, A-Living extended its presence to 27 provinces, municipalities and autonomous regions in China through strategies such as market expansion, investment, mergers and acquisitions ("M&A"). The GFA under management reached 109 million sq. m., and the number of management projects exceeded 420.

In respect of environmental protection business, the Group was committed to driving the business of hazardous waste treatment during the Review Period and obtained excellent operating results in every project. The Group also actively optimised its regional presence and successfully expanded into the industry of domestic waste-to-energy. The number of projects under the environmental protection business, including 28 hazardous waste treatment projects, 2 domestic waste treatment projects and 3 water plant projects, reached 33, of which 13 projects have commenced operation. The business has established presence in 23 cities. In the meantime, the maximum processing capacity of all hazardous waste treatment projects under the environmental protection business exceeded 2 million tonnes per year. The total capacity of its safety landfill site was over 12 million cubic metres, while the maximum processing capacity of the newly developed domestic waste-to-energy projects reached approximately 1,800 tonnes per day.

In respect of education business, the education team is committed to providing ancillary facilities of pre-school education, primary and secondary education, tertiary education, training education and international education, adding value to the property projects while creating synergies with the property development business.

In respect of construction business, the construction team completed business integration during the Review Period. The integrated construction business has been diversified, with the general construction contracting, landscaping and home decoration as its "principal business"; the design consulting and materials trading as its "ancillary business", and the turnkey furnishing and construction maintenance as its "innovative business". Having obtained important qualification certificates for First-class General Construction Contracting, First-class Renovation Project and Grade A Architectural Design, the construction business established a "construction standardisation" system, thereby laying a solid foundation for future development.

The newly established real estate construction management business is an asset-light business, which primarily provides managed services to owners and customers with the support of resources across the whole industry chain. The business focuses on projects located in Tier-3 and Tier-4 cities with high prices, low liabilities and clear shareholding structures. At present, the real estate construction management business has 2 projects under construction and 3 project framework agreements in place, with its development progressing as anticipated.

The newly established commercial business has integrated the former business of hotel operations and property investment, and introduced a diversified range of commercial projects covering community retail, cultural and tourism retail, shopping centre and the long-term rental apartment brand –"Agile Apartment", with a view to enhancing its asset value. During the Review Period, the commercial team also continued to improve its internal management, and carried out works to upgrade and optimise hotel and commercial projects. As a result, a satisfactory overall performance was recorded.

Diversified financing channels to support overall business development

In order to provide strong support to its overall business development, the Group continued to accelerate its sales turnover, strengthen capital and budget management, and optimise cost and expenditure control. The Group also sought to strike a balance between financial management and business development through diversified financing channels. During the Review Period, the Group issued USD500 million senior perpetual capital securities and USD100 million senior perpetual capital securities on the offshore front, and entered into a syndicated loan agreement with a number of banks in relation to the loans of HK$8,834 million (with a greenshoe option of HK$2,500 million) and USD200 million with a term of 4 years. A PRC subsidiary of the Group engaged in property development entered into a Commercial Mortgage Backed Securities with an assets management company on the onshore front, with an aggregated nominal value of RMB4,600 million and a term of 3 years, of which RMB500 million was the subordinated securities purchased by the PRC subsidiary as an original equity holder.

During the Review Period, Moody's Investors Service, Inc. and S&P Global Ratings also raised their credit ratings on the Group to "Ba2" and "BB", both with a "Stable" outlook.

Multi-channel mutual communication and improved transparency

The Group always values corporate transparency and upholds the concept of "mutual communication for a win-win situation". Subject to the requirements of the Listing Rules and relevant laws, the Group maintains close and effective mutual communication and builds good relationships with commercial banks, investment banks, rating agencies, investors and analysts, thereby improving its corporate transparency on an on-going basis.

During the Review Period, the Group communicated and met with around 1,000 investors and analysts by organising results announcement presentations, conducting 10 roadshows, attending 17 investor conferences or seminars held by investment banks or securities companies at home and abroad and arranging 40 project site visits.

Driving sustainable community development and performing corporate social responsibilities

In respect of driving the sustainable development of communities, the Group upholds the belief of “benefiting from society, giving back to society” at all times and makes all efforts to facilitate the sound growth of the communities where it operates. The Group not only promotes Chinese culture, but also actively supports and participates in charity and community activities related to environmental protection, medical care, education, culture and sports. In addition, the Group acted as the principal sponsor of “30-Hour Famine” in Hong Kong and “Macau Famine” in Macau organised by the World Vision Hong Kong for the ninth consecutive year, striving to contribute to society. During the Review Period, charitable donations of the Group amounted to RMB14 million.

Future prospects

Looking ahead, the economic foundation of China remains solid in the second half of 2018 as the state continues to drive the economic and financial reform further and promotes the development of urbanisation, with a strategic focus on policies related to the “Greater Bay Area”. The property market of Mainland China is also expected to grow at a steady pace. Against this background, the Group will further implement the business model of “focusing on property development, supported by a diversified range of businesses” and make all efforts to carry out its “Three-year Plan”, with an aim to drive the development of each of its business segments to the fullest extent.

In respect of property development business, the Group will capitalise on market opportunities to achieve continuous development and launch projects in a timely manner to meet the strategic goal of “increasing profit, expanding scale and reinforcing brand”. The Group will also endeavour to meet its full-year pre-sales target by improving the quality of its products, increasing operational efficiency and improving its staff training system.

In respect of property management business, the Group will continue to increase market penetration, expand into new markets, further increase the GFA under management and boost revenue from operations through full-range market expansion, investment, M&A and joint venture cooperation.

In respect of environmental protection business, the Group will strive to speed up the acquisition of well-established and quality projects with stable operating revenue, further enhance its project capacity and facilitate project development, so as to drive its revenue and profit growth.

In respect of education business, the Group will actively drive the construction of new schools, with a view to enhancing value of property projects.

In respect of construction business, the Group will continue to drive the growth of general construction contracting business and further enhance the quality of design and services. While delivering support to the property development business, the team will accelerate business diversification, expand the business scale and establish a benchmark for the industry.

In respect of real estate construction management business, the Group will seize market opportunities through strategic expansion into Tier-1 and Tier-2 cities, with an aim to create more profit growth points.

In respect of commercial business, the Group will further enhance its internal management capabilities, strengthen the control of costs and expenses, accelerate the revenue growth of new businesses, and make all efforts to drive the business diversification.

The Group is fully confident in the future development of Mainland China and the Company. In face of the fast-changing economic and market environment, the Group will remain vigilant in peacetime as always. The Group will continue to enhance the establishment of systems, drive standardised management of the Company and enhance risk control. The Group will improve the establishment and management of its talent system to cater for the needs of the diversified development of the Company. Meanwhile, the Group will enhance brand management, improve the quality of its products and services, with a view to creating greater value for customers, shareholders, employees and society while building Agile into a century-long enterprise.

Acknowledgement
On behalf of the Board, I would like to extend our heartfelt gratitude towards our shareholders, customers and stakeholders for their enormous support, as well as our staff members for their dedicated efforts, with which we managed to facilitate the diversified development of Agile.

CHEN Zhuo Lin
Chairman and President
Hong Kong, 29 August 2018

RESULTS

Unaudited interim results for the six months ended 30 June 2018:

INTERIM CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
	Note	**2018** **Unaudited** ***(RMB'000)***	2017 Unaudited *(RMB'000)*
Revenue	*3*	**24,205,780**	22,314,770
Cost of sales		**(12,187,897)**	(13,990,852)
Gross profit		**12,017,883**	8,323,918
Selling and marketing costs		**(1,030,848)**	(822,518)
Administrative expenses		**(1,046,619)**	(738,711)
Other gains/(losses), net	*4*	**314,344**	(49,011)
Other income	*5*	**372,917**	238,959
Other expenses		**(54,024)**	(89,331)
Operating profit		**10,573,653**	6,863,306
Finance costs, net	*6*	**(853,269)**	(298,696)
Share of post-tax gains/(losses) of associates		**48,418**	(23,205)
Share of post-tax losses of joint ventures		**(99,163)**	(73,357)
Profit before income tax		**9,669,639**	6,468,048
Income tax expenses	*7*	**(5,389,298)**	(4,161,956)
Profit for the period		**4,280,341**	2,306,092
Profit attributable to:			
Shareholders of the Company		**3,758,948**	1,858,688
Holders of Perpetual Capital Securities		**287,316**	241,116
Non-controlling interests		**234,077**	206,288
		4,280,341	2,306,092

Earnings per share attributable to the shareholders of the Company for the period
(expressed in Renminbi per share)

- Basic	*8*	**0.968**	0.479
- Diluted	*8*	**0.968**	0.479

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	(RMB'000)	*(RMB'000)*
Profit for the period	**4,280,341**	2,306,092
Other comprehensive income for the period		
Items that may be reclassified to profit or loss		
- Currency translation differences	**491**	(5,857)
Other comprehensive income for the period, net of tax	**491**	(5,857)
Total comprehensive income for the period	**4,280,832**	2,300,235
Total comprehensive income attributable to:		
Shareholders of the Company	**3,758,661**	1,853,448
Holders of the Perpetual Capital Securities	**287,316**	241,116
Non-controlling interests	**234,855**	205,671
	4,280,832	2,300,235

INTERIM CONSOLIDATED BALANCE SHEET

	Note	**As at 30 June 2018**	As at 31 December 2017
		Unaudited *(RMB'000)*	Audited *(RMB'000)*
ASSETS			
Non-current assets			
Property, plant and equipment		**7,969,202**	7,573,037
Land use rights		**2,087,531**	2,073,655
Investment properties	*10*	**5,755,346**	5,886,604
Intangible assets		**263,957**	155,278
Goodwill		**1,545,748**	1,303,095
Interests in associates		**624,639**	567,221
Interests in joint ventures		**7,278,884**	6,438,514
Financial assets at fair value through profit or loss		**117,500**	-
Properties under development		**19,442,970**	17,826,344
Prepayments for acquisition of equity interests		**320,854**	1,078,421
Receivables from related parties	*11*	**13,418,487**	6,547,559
Available-for-sale financial assets		**-**	277,500
Deferred income tax assets		**919,362**	986,760
		59,744,480	50,713,988
Current assets			
Financial assets at fair value through profit or loss		**3,925,358**	1,204,478
Contract assets		**415,986**	-
Properties under development		**61,947,370**	46,990,187
Completed properties held for sale		**8,476,959**	9,915,913
Prepayments for acquisition of land use rights		**7,404,759**	5,762,937
Trade and other receivables	*11*	**21,779,850**	16,396,483
Prepaid income taxes		**3,697,703**	2,253,557
Restricted cash		**11,334,702**	11,078,175
Cash and cash equivalents		**18,172,878**	19,041,948
		137,155,565	112,643,678
Total assets		**196,900,045**	163,357,666

INTERIM CONSOLIDATED BALANCE SHEET (Continued)

	Note	**As at 30 June 2018**	As at 31 December 2017
		Unaudited	Audited
		(RMB'000)	*(RMB'000)*
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital and premium		**3,421,883**	3,421,883
Shares held for Share Award Scheme		**(156,588)**	(156,588)
Other reserves		**2,489,098**	785,400
Retained earnings		**33,641,574**	32,284,542
		39,395,967	36,335,237
Perpetual Capital Securities		**8,285,708**	5,529,424
Non-controlling interests		**4,563,321**	2,311,569
Total equity		**52,244,996**	44,176,230
LIABILITIES			
Non-current liabilities			
Borrowings		**45,452,348**	34,529,004
Derivative financial instruments		**-**	4,403
Deferred income tax liabilities		**1,189,447**	1,174,595
		46,641,795	35,708,002
Current liabilities			
Borrowings		**29,855,683**	27,146,235
Contract liabilities		**28,867,050**	-
Advanced proceeds received from customers		**-**	19,460,971
Trade and other payables	*12*	**25,275,281**	23,263,952
Derivative financial instruments		**115,073**	240,845
Current income tax liabilities		**13,900,167**	13,361,431
		98,013,254	83,473,434
Total liabilities		**144,655,049**	119,181,436
Total equity and liabilities		**196,900,045**	163,357,666

Notes :

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017 and any public announcement made by the company during the six months ended 30 June 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants.

2 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 1 (Amendment)	First Time Adoption of HKFRS 1
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKFRS 40 (Amendment)	Investments in Investment property
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The adoption of the new and amended standards does not have significant impact on the condensed consolidated interim financial information except for HKFRS 9 and HKFRS 15. Please refer to note 2(c) below.

2 Accounting policies (continued)

(b) New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 Janauray 2018 and have not been early adopted by the Group

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK (IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28 Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and position of the Group is expected when they become effective except for HKFRS 16.

(c) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(i) Impact on the financial statements

The Directors of the Group consider that the changes in the Group's accounting policies do not have any material impacts on prior year financial statements.

(ii) HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2(c)(iv) below.

The effects of the adoption of HKFRS 9 are as follows:

2 Accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 9 Financial Instruments – Impact of adoption (continued)

<u>Classification and measurement</u>

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effect resulting from this reclassification is as follows:

Financial assets – 1 January 2018	Notes	Fair value through profit and loss ("FVPL")
Closing balance at 31 December 2017 - HKAS 39		1,204,478
Reclassify investments from available-for-sale financial assets to FVPL	(a)	277,500
Opening balance at 1 January 2018 - HKFRS 9		1,481,978

Note:

(a) Reclassification from available-for-sale financial assets to FVPL

The amounts represent the equity interests in certain non-listed companies in the PRC. They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

(iii) Impairment of financial assets

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for sales of property development and from the provision of management services and other services
- contract assets relating to property development
- other financial assets at amortised cost

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group was required to revise its impairment methodology under HKFRS 9. The Directors of the Group consider that there is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

2 Accounting policies (continued)

(c) Changes in accounting policies (continued)

(iv) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (continued)

Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

2 Accounting policies (continued)

(c) Changes in accounting policies (continued)

(iv) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (continued)

Investments and other financial assets (continued)

Debt instruments (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

For trade and other receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2 Accounting policies (continued)

(c) Changes in accounting policies (continued)

(v) HKFRS 15 Revenue from Contracts with Customers – Accounting for property development activities

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies.

Impact on financial statements

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 the 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.

For the six months ended 30 June 2018 , the Group has assessed and considered that there is an enforceable right to payment from the customers for performance completed to date for certain properties, but the Group considered that the adoption of HKFRS 15 did not have a material impact on the timing of revenue recognition.

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component , if significant. For the six months ended 30 June 2018, the Group has assessed and considered that the financing component effect is insignificant.

Presentation of assets and liabilities related to contracts with customers

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued or properties are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Under HKFRS 15, the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, such as sales commissions, are capitalised as contract assets.

Under HKFRS 15, contract liabilities for progress billing recognised in relation to property development activities were previously presented as advanced proceeds received from customers.

3 Segment information

The executive directors of the Company, which are the chief operating decision-maker of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategy decision.

The Group is organised into five business segments: property development, property management, hotel operations, property investment and others. Associates and joint ventures of the Group are principally engaged in property development and are included in the property development segment. As the executive directors of the Company consider most of the Group's consolidated revenue and results are attributable from the market in the PRC, most of the non-current assets are located in the PRC, and less than 10% of the Group's consolidated assets are located outside the PRC, geographical segment information is not considered necessary.

The executive directors of the Company assess the performance of the operating segments based on a measure of segment results, being profit before income tax before deducting finance costs.

Segment results for the six months ended 30 June 2018 and 2017 are as follows:

Six months ended 30 June 2018

	Property development *(RMB'000)*	Property management *(RMB'000)*	Hotel operations *(RMB'000)*	Property investment *(RMB'000)*	Others *(RMB'000)*	Group *(RMB'000)*
Gross segment sales	22,552,110	1,405,693	361,946	93,232	280,687	24,693,668
Inter-segment sales	-	(487,888)	-	-	-	(487,888)
Sales to external customers	22,552,110	917,805	361,946	93,232	280,687	24,205,780
Timing of revenue recognition						
- At a point in time	22,104,223	-	-	-	-	22,104,223
- Over time	447,887	917,805	361,946	93,232	280,687	2,101,557
Fair value gains on investment properties (note 10)	-	-	-	21,663	-	21,663
Operating profit/(loss)	10,049,825	425,157	(76,423)	59,025	116,069	10,573,653
Share of post-tax gains of associates	48,418	-	-	-	-	48,418
Share of post-tax losses of joint ventures	(99,163)	-	-	-	-	(99,163)
Segment result	9,999,080	425,157	(76,423)	59,025	116,069	10,522,908
Finance cost, net (note 6)						(853,269)
Profit before income tax						9,669,639
Income tax expenses (note 7)						(5,389,298)
Profit for the period						4,280,341
Depreciation	45,227	4,751	150,204	-	16,093	216,275
Amortisation of land use rights and intangible assets	9,213	9,549	24,332	-	1,143	44,237
Write-down of completed properties held for sale and properties under development	176,102	-	-	-	-	176,102

3 Segment information (continued)

Six months ended 30 June 2017

	Property development (RMB'000)	Property management (RMB'000)	Hotel operations (RMB'000)	Property investment (RMB'000)	Group (RMB'000)
Gross segment sales	21,332,452	692,193	334,485	99,759	22,458,889
Inter-segment sales	-	(144,119)	-	-	(144,119)
Sales to external customers	21,332,452	548,074	334,485	99,759	22,314,770
Timing of revenue recognition					
- At a point in time	21,332,452	-	-	-	21,332,452
- Over time	-	548,074	334,485	99,759	982,318
Fair value gains on investment properties (note 10)	-	-	-	27,990	27,990
Operating profit/(loss)	6,730,247	160,494	(66,432)	38,997	6,863,306
Share of post-tax losses of associates	(23,205)	-	-	-	(23,205)
Share of post-tax losses of joint ventures	(73,357)	-	-	-	(73,357)
Segment result	6,633,685	160,494	(66,432)	38,997	6,766,744
Finance costs, net (note 6)					(298,696)
Profit before income tax					6,468,048
Income tax expenses (note 7)					(4,161,956)
Profit for the period					2,306,092
Depreciation	45,367	4,153	183,667	-	233,187
Amortisation of land use rights and intangible assets	8,861	712	34,409	-	43,982

Segment assets and liabilities and capital expenditure as at 30 June 2018 are as follow:

	Property development (RMB'000)	Property management (RMB'000)	Hotel operations (RMB'000)	Property investment (RMB'000)	Others (RMB'000)	Elimination (RMB'000)	Group (RMB'000)
Segment assets	166,852,701	6,427,742	8,778,461	5,755,346	2,418,315	(1,992,443)	188,240,122
Unallocated assets							8,659,923
Total assets							196,900,045
Segment assets include:							
Interests in associates	624,639	-	-	-	-	-	624,639
Interests in joint ventures	7,278,884	-	-	-	-	-	7,278,884
Segment liabilities	49,845,584	1,235,386	4,072,698	18,036	963,070	(1,992,443)	54,142,331
Unallocated liabilities							90,512,718
Total liabilities							144,655,049
Capital expenditure	261,949	17,436	3,525	-	144,818	-	427,728

3 Segment information (continued)

Segment assets and liabilities and capital expenditure as at 31 December 2017 are as follow:

	Property development *(RMB'000)*	Property management *(RMB'000)*	Hotel operations *(RMB'000)*	Property investment *(RMB'000)*	Others *(RMB'000)*	Elimination *(RMB'000)*	Group *(RMB'000)*
Segment assets	**142,059,581**	2,498,963	8,813,269	5,886,604	1,457,382	(1,802,928)	158,912,871
Unallocated assets							4,444,795
Total assets							163,357,666
Segment assets include:							
Interests in associates	567,221	-	-	-	-	-	567,221
Interests in joint ventures	6,438,514	-	-	-	-	-	6,438,514
Segment liabilities	38,968,256	952,375	4,174,525	33,502	399,193	(1,802,928)	42,724,923
Unallocated liabilities							76,456,513
Total liabilities							119,181,436
Capital expenditure	74,857	29,564	145,301	19,432	274,978	-	544,132

There are no differences from the latest annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

Inter-segment transfers or transactions are entered into at terms and conditions agreed upon by respective parties.

Eliminations comprise inter-segment trade and non-trade balances.

Pricing policy for inter-segment transactions is determined by reference to market price.

Segment assets consist primarily of property, plant and equipment, land use rights, properties under development, completed properties held for sale, investment properties, receivables, contract assets and cash balances. Unallocated assets comprise deferred income tax assets, prepaid income taxes and financial assets at fair value through profit or loss. Segment liabilities comprise operating liablities. Unallocated liabilities comprise taxation, borrowings and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment, land use rights for self-owned properties, investment properties and intangible assets.

4 Other gains/ (losses), net

	Six months ended 30 June	
	2018	**2017**
	(RMB'000)	*(RMB'000)*
Fair value (losses)/gains on financial assets at fair value through profit or loss	**(36,047)**	5,919
Gain on disposal of financial assets at FVPL	**14,966**	-
Dividend income of financial assets at FVPL	**124,441**	-
Fair value gains on investment properties	**21,663**	27,990
Gain on disposal of property, plant and equipment	**13,366**	32,090
Exchange gains/(losses), net (note(a))	**147,569**	(70,284)
Miscellaneous	**28,386**	(44,726)
	314,344	(49,011)

Note:

(a) Amounts mainly represent the losses or gains of translation of financial assets and liabilities, which are denominated in foreign currency into RMB at the prevailing period-end exchange rate. It does not include the exchange gains or losses related to borrowings which are included in the finance costs, net (note 6).

5 Other income

	Six months ended 30 June	
	2018	**2017**
	(RMB'000)	*(RMB'000)*
Interest income	**282,084**	146,086
Forfeited deposits from customers	**9,422**	16,338
Miscellaneous	**81,411**	76,535
	372,917	238,959

6 Finance costs, net

	Six months ended 30 June	
	2018	2017
	(RMB'000)	*(RMB'000)*
Interest expense:		
- Bank borrowings, syndicated loans and other borrowings	**1,476,214**	792,953
- Senior notes	**184,456**	461,383
- PRC corporate bonds and ABS	**437,117**	262,684
Less: interest capitalised	**(1,734,833)**	(994,807)
Exchange losses / (gains) from borrowings	**441,124**	(461,022)
Less: exchange losses capitalised	**(134,962)**	-
Losses in fair value of derivative financial instruments	**184,153**	237,505
	853,269	298,696

7 Income tax expenses

	Six months ended 30 June	
	2018	2017
	(RMB'000)	*(RMB'000)*
Current income tax		
- PRC corporate income tax	**2,052,292**	1,273,867
- PRC land appreciation tax	**3,142,903**	2,493,349
- PRC withholding income tax	**141,276**	426,561
- Hong Kong profits tax	**2,469**	-
Deferred income tax		
- PRC corporate income tax	**61,521**	(31,821)
- Hong Kong profits tax	**(11,163)**	-
	5,389,298	4,161,956

PRC corporate income tax

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

The corporate income tax rate applicable to the Group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the PRC (the " CIT Law") effective on 1 January 2008.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights and expenditures directly related to property development activities.

PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

Hong Kong profits tax

Except for the fair value gains and the disposal gain of financial assets at fair value through profit or loss which subject to the profits tax rate of 16.5%, no other provision for Hong Kong profits tax has been made in the consolidated financial statements. The remaining profit of the group entities in Hong Kong is mainly derived from dividend income and interest income of bank deposits, which are not subject to Hong Kong profits tax.

8 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period less shares held for Share Award Scheme.

	Six months ended 30 June	
	2018	2017
Profit attributable to shareholders of the Company *(RMB'000)*	**3,758,948**	1,858,688
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme *(thousands)*	**3,882,578**	3,882,578
Basic earnings per share *(RMB per share)*	**0.968**	0.479

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2018 and 30 June 2017, there was no diluted potential ordinary share, diluted earnings per share equalled to basic earnings per share.

9 Dividend

A final dividend in respect of 2017 of HK$0.68 per ordinary share, approximately HK$2,663,592,000 (equivalent to RMB2,160,547,000) was declared at the Annual General Meeting of the Company on 14 May 2018, of which HK$23,440,000 (equivalent to RMB 19,634,000) was declared for shares held by Share Award Scheme. The final dividend has been distributed out of the Company's retained earnings.

An interim dividend in respect of the six months ended 30 June 2018 of HK$0.50 per ordinary share, approximately HK$1,958,524,000 (equivalent to RMB1,697,844,000) was declared by the Board of Directors of the Company (2017 : RMB740,881,000).

10 Investment properties

	Six months ended 30 June	
	2018	2017
	(RMB'000)	*(RMB'000)*
Opening net book amount	**5,886,604**	6,326,943
Additions	**-**	10,039
Disposals	**-**	(39,135)
Transfer to property, plant and equipment	**(152,921)**	(102,064)
Fair value gains on investment properties	**21,663**	27,990
Closing net book amount	**5,755,346**	6,223,773

Notes:

As at 30 June 2018, investment properties of RMB4,452,166,000 (31 December 2017: RMB4,593,324,000) and certain rights of receiving rental income were pledged as collateral for the Group's bank borrowings.

11 Trade and other receivables

	30 June 2018 *(RMB'000)*	31 December 2017 *(RMB'000)*
Trade receivables (note(a))	**7,004,851**	6,664,759
Less: allowance for impairment of trade receivables	**(34,826)**	(7,443)
Total trade receivables	**6,970,025**	6,657,316
Other receivables due from:		
- Joint ventures	**10,771,962**	5,416,625
- Associates	**4,444,371**	2,625,524
- Other related party	**190,000**	190,000
- Third parties	**9,213,270**	5,799,250
Prepaid valued-added taxes and other taxes	**1,871,853**	657,806
Deposits for acquisition of land use rights	**1,227,165**	1,224,012
Prepayments	**512,231**	374,765
Total other receivables	**28,230,852**	16,287,982
Less: allowance for impairment of other receivables	**(2,540)**	(1,256)
Total other receivables - Net book value	**28,228,312**	16,286,726
Less: other receivables due from the associate and joint ventures - non-current portion	**(13,418,487)**	(6,547,559)
Other receivables - current portion	**14,809,825**	9,739,167

As at 30 June 2018, the fair value of trade and other receivables approximated their carrying amounts.

Note:

(a) Trade receivables mainly arose from sales of properties. Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade receivables based on invoice date is as follows:

	30 June 2018 *(RMB'000)*	31 December 2017 *(RMB'000)*
Up to 3 months	**5,088,235**	4,268,721
3 months to 1 year	**1,589,059**	2,231,705
Over 1 year	**327,557**	164,333
	7,004,851	6,664,759

12 Trade and other payables

	30 June 2018 *(RMB'000)*	31 December 2017 *(RMB'000)*
Trade payables (note(a))	**14,051,914**	13,778,090
Other payables due to:		
- Related parties	**2,594,084**	3,386,339
- Third parties	**4,671,733**	2,282,098
Staff welfare benefit payable	**203,534**	583,285
Accruals	**1,877,219**	1,567,254
Other taxes payable	**1,876,797**	1,666,886
	25,275,281	23,263,952

Note:

(a) The ageing analysis of trade payables of the Group based on invoice date as at 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018 *(RMB'000)*	31 December 2017 *(RMB'000)*
Up to 3 months	**9,980,611**	11,550,349
3 months to 6 months	**2,257,877**	1,731,714
6 months to 1 year	**1,366,270**	391,199
Over 1 year	**447,156**	104,828
	14,051,914	13,778,090

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

During the Review Period, the Group's revenue was RMB24,206 million, representing an increase of 8.5% when compared with RMB22,315 million in the corresponding period of 2017. The operating profit was RMB10,574 million, representing an increase of 54.1% when compared with RMB6,863 million in the corresponding period of 2017. Profit attributable to shareholders of the Company was RMB3,759 million, representing an increase of 102.2% when compared with RMB1,859 million in the corresponding period of 2017.

Land bank

The Group continued to adopt proactive yet prudent land replenishment strategy in response to the market conditions. As at 30 June 2018, the Group had a land bank with a total planned GFA of 35.40 million sq.m. in 69 cities and districts located in Southern China Region, Eastern China Region, Western China Region, Central China Region, Hainan and Yunnan Region, Northeast China Region, Northern China Region, Hong Kong and Overseas. The average land cost was RMB2,744 per sq.m., which was competitive.

During the Review Period, the Group was dedicated to expanding its nationwide presence through strategically acquiring 30 new land parcels successively in multiple city clusters by means of tender, auction, listing-for-sale and acquisition, with an estimated total planned GFA of 5.57 million sq.m., of which the Group's total attributable planned GFA was 4.63 million sq.m.. The consideration payable was RMB20,300 million.

The following table sets forth the details of the newly acquired land parcels:

Land Parcel Name	City/District	Attributable Interest (%)	Total Planned GFA (sq.m.)
Southern China Region			
Site A in Xincheng Town	Yunfu	50	360,539
Site B in Xincheng Town	Yunfu	50	132,222
Site in Shishan Town	Foshan/Nanhai	100	88,342
Site in Sanfeng Village	Meizhou	50	116,412
Site in Chaoyang District	Shantou	100	351,869
Site in Taicheng New District South	Jiangmen/Taishan	100	146,026
Site in Gaoming District	Foshan/Gaoming	50	243,407

The following table sets forth the details of the newly acquired land parcels: (continued)

Land Parcel Name	City/District	Attributable Interest (%)	Total Planned GFA (sq.m.)
Eastern China Region			
Site in Mawei District	Fuzhou	100	56,254
Site in Nanhu District	Jiaxing	100	120,048
Site in Fenghuang Development Zone	Huzhou	100	134,862
Site in Chongchuan District	Nantong	100	41,500
Site in Binhu District	Wuxi	100	43,180
Site in Tongshan District	Xuzhou	34	177,038
Site in Gaoxin District	Lianyungang	33	113,185
Site in Luyang District	Hefei	49	174,164
Site in Yijiang District	Wuhu	60	190,930
Site in Zhangqiu District	Jinan	33	38,170
Site in Changqing District	Jinan	100	180,687
Western China Region			
Site in Hantai District	Hanzhong	100	1,243,837
Site in Xinping Town	Chengdu	100	139,999
Site in Wujin Street	Chengdu	100	165,023
Central China Region			
Site in Yuanda Road 2	Changsha	100	69,596
Site in Wude Road	Jingzhou	100	147,395
Site in Longhu Town	Zhengzhou	100	156,566
Site in Dongcheng District	Xuchang	100	244,920
Site in Weidu District	Xuchang	100	41,274
Site in Suiyang District	Shangqiu	49	163,674
Site in Riyue Lake New District	Shangqiu	100	157,816
Northern China Region			
Site in Yuci District	Jinzhong	33	163,112
Site in Haijiao Garden	Tianjin	100	128,532
Site in Congtai District	Handan	100	36,480

Property development and sales

During the Review Period, the revenue from recognised sales of property development of the Group was RMB22,552 million, representing an increase of 5.7% when compared with RMB21,332 million in the corresponding period of 2017. The total recognised GFA sold was 1.82 million sq.m., representing a decrease of 9.2% when compared with the corresponding period of 2017. The recognised average selling price increased by 16.4% to RMB12,396 per sq.m. in the first half of 2018 from RMB10,651 per sq.m. in the first half of 2017.

Property management

During the Review Period, revenue from property management of the Group was RMB918 million, representing an increase of 67.5% when compared with RMB548 million in the corresponding period of 2017. Operating profit from property management business was RMB425 million, representing an increase of 164.9% when compared with RMB160 million in the corresponding period of 2017. The growth was mainly attributable to an increase in the total contracted GFA under management to 109.1 million sq.m. (in the corresponding period of 2017: 71.44 million sq.m.). The average unit price of management fee increased from RMB2.97 per sq.m. to RMB3.02 per sq.m.

Hotel operations

During the Review Period, revenue from hotel operations of the Group was RMB362 million, representing an increase of 8.2% when comparable with RMB334 million in the corresponding period of 2017. It was primarily attributable to the revenue generated from Shanghai Marriott Hotel City Centre, Raffles Hainan, Sheraton Bailuhu Resort Huizhou and Howard Johnson Agile Plaza Chengdu.

Property investment

During the Review Period, revenue from property investment of the Group was RMB93 million, representing a decrease of 6.5% when compared with RMB100 million in the corresponding period of 2017. The decrease was mainly due to certain properties were transferred from investment properties to property, plant and equipment.

Cost of sales

During the Review Period, cost of sales of the Group was RMB12,188 million, representing a decrease of 12.9% when compared with RMB13,991 million in the corresponding period of 2017. The decrease was mainly due to the decrease in the total recognized GFA sold of 9.2% to 1.82 million sq.m when compared with the corresponding period of 2017, which in turn led to the decrease in the cost of property sales.

Gross profit

During the Review Period, gross profit of the Group was RMB12,018 million, representing an increase of 44.4% when compared with RMB8,324 million in the corresponding period of 2017. During the Review Period, gross profit margin of the Group was 49.6%, representing an increase of 12.3 percentage points when compared with 37.3% in the corresponding period of 2017. The increase in gross profit margin was mainly attributable to the higher recognised average selling price of propertites and increased weightings by projects with higher profitability.

Other gains/(losses), net

During the Review period, the other gains, net of the Group was RMB314 million. compared with other losses, net of RMB0.49 million in the corresponding period of 2017. The other gains, net mentioned above mainly included the net exchange gains of RMB148 million incurred by translation of foreign currency denominated financial assets and liabilities (except borrowings) into RMB at the prevailing period-end exchange rate and the dividend income of financial assets of RMB124 million.

Other income

During the Review Period, other income of the Group was RMB373 million, representing an increase of 56.1% when compared with RMB239 million in the corresponding period of 2017, which was mainly due to the increase of interest income from bank deposits.

Selling and marketing costs

During the Review Period, selling and marketing costs of the Group recorded was RMB1,031 million, representing an increase of 25.3% when compared with RMB823 million in the corresponding period of 2017, which was in line with the increase of property sales of the Group.

Administrative expenses

During the Review Period, administrative expenses of the Group was RMB1,047 million, representing an increase of 41.7% when compare with RMB739 million in the corresponding period of 2017, which was mainly attributable to the increase in the number of employees as a result of business expansion of the Group.

Other expenses

During the Review Period, other expenses of the Group was RMB54 million, representing a decrease of RMB35 million when compared with RMB89 million in the corresponding period of 2017, which was mainly attributable to the decrease of charitable donations of the Group.

Finance costs, net

The Group's finance costs mainly consists of interest expenses on bank borrowings, syndicated loans, other borrowings, senior notes, PRC corporate bonds and ABS less capitalised interests, gains recorded or losses incurred by foreign currency denominated borrowings and changes in fair value of derivative financial instruments. Interest on borrowings relating to project development is capitalised to the extent it is directly attributable to a particular project and used to finance the development of that project.

During the Review Period, the Group recorded net finance costs of RMB853 million, representing an increase of 185.7% when compared with RMB299 million in the corresponding period of 2017, which was mainly due to the devaluation of Renminbi, causing the exchange losses of RMB441 million on translation of the Group's borrowings denominated in foreign currencies, when compared with the exchange gains of RMB461 million in the corresponding period of 2017.

Besides, interest expenses net of the portion being capitalised in properties development amounted to RMB363 million, representing a decrease of 30.5% when compared with RMB522 million in the corresponding period of 2017. The decrease was mainly due to the increase of capitalisation of interest expenses related to construction properties, which is consistent with the increase of the projects under construction.

Share of post-tax gains/(losses) of associates

During the Review Period, the share of post-tax gains of associates was RMB48 million when compared with share of post-tax losses of RMB23 million in the corresponding period of 2017.

Share of post-tax losses of joint ventures

During the Review Period, the Group recorded share of post-tax losses of joint ventures was RMB99 million, representing an increase of 35.2% when compared with the corresponding period of 2017.

Profit attributable to shareholders

During the Review Period, profit attributable to shareholders of the Group was RMB3,759 million, representing an increase of 102.2% when compared with RMB1,859 million in the corresponding period of 2017, the increase was mainly attribute to the increase of revenue from property development and sales, the average selling price and the gross profit margin.

Liquidity, financial and capital resources

Cash position and fund available

As at 30 June 2018, the total cash and bank balances of the Group were RMB29,508 million (31 December 2017: RMB30,120 million), comprising cash and cash equivalents of RMB18,173 million (31 December 2017: RMB19,042 million) and restricted cash of RMB11,335 million (31 December 2017: RMB11,078 million).

Some of the Group's project companies are required to place a certain amount of pre-sale proceeds in designated bank accounts as guarantee deposits for construction of the relevant properties.

As at 30 June 2018, the Group's undrawn borrowing facilities were RMB6,467 million (31 December 2017: RMB8,605 million).

Borrowings

As at 30 June 2018, the Group's total borrowings amounted to RMB75,308 million, of which bank borrowings and other borrowings, senior notes, PRC corporate bonds and asset-backed securities ("ABS") amounted to RMB55,031 million, RMB4,580 million and RMB15,697 million respectively.

Repayment schedule	**As at 30 June 2018 (RMB million)**	As at 31 December 2017 (RMB million)
Bank borrowings and other borrowings		
Within 1 year	**25,260**	22,956
Over 1 year and within 2 years	**7,357**	6,962
Over 2 years and within 5 years	**16,929**	8,835
Over 5 years	**5,485**	5,600
Subtotal	**55,031**	44,353
Senior notes		
Over 1 year and within 2 years	**3,278**	-
Over 2 years and within 5 years	**1,302**	4,515
Subtotal	**4,580**	4,515
PRC corporate bonds and ABS		
Within 1 year	**4,596**	4,190
Over 1 year and within 2 years	**4,783**	6,369
Over 2 years and within 5 years	**6,318**	2,248
Subtotal	**15,697**	12,807
Total	**75,308**	61,675

As at 30 June 2018, the Group's bank borrowings (including syndicated loans) of RMB34,964 million (31 December 2017: RMB23,926 million) and other borrowings of RMB6,994 million (31 December 2017: RMB7,057 million) were secured by its bank deposits, land use rights, self-used properties, completed properties held for sale, properties under development, investment properties, the shares of subsidiaries and equity interest. The senior notes were guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares. The net assets of these subsidiaries were RMB1,713 million as at 30 June 2018 (31 December 2017: RMB1,867 million).

The gearing ratio is the ratio of net borrowings (total borrowings less total cash and cash equivalents and restricted cash) to total equity. As at 30 June 2018, the gearing ratio was 87.7% (31 December 2017: 71.4%).

Currency risk

The Group conducts its business primarily in Renminbi. Certain bank deposits and bank loans were denominated in Hong Kong dollars, United States dollars and Malaysian Ringgit, and the Group's certain senior notes and bank borrowings were mainly denominated in United States dollars and Hong Kong dollars. Since early 2016, the Group has adopted a hedging policy and entered into capped forward contracts to mitigate certain of its foreign currency exposure in United States dollars and Hong Kong dollars denominated indebtedness and achieve better management over foreign exchange risk. The objective of the arrangement is to minimise the volatility of the RMB cost of highly probable forecast repayments of debts. Other than those disclosed, the Group does not have any material exposures to foreign exchange fluctuations.

Cost of borrowings

During the Review Period, the total cost of borrowings of the Group was RMB2,098 million, representing an increase of RMB581 million when compared with RMB1,517 million in corresponding period of 2017. The increase was mainly attributable to higher average balance of borrowings during the Review Period. Taking into consideration of exchange differences arising from foreign currencies borrowings, the Group's effective borrowing rate for the period was 6.75% (In 2017: 6.35%).

Financial guarantee

The Group has cooperated with certain financial institutions to arrange mortgage loan facility for its purchasers of property and provided guarantees to secure obligations of such purchasers for repayments. As at 30 June 2018, the outstanding guarantees amounted to RMB45,328 million (31 December 2017: RMB38,571 million). Such guarantees will be discharged upon earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year after the purchasers taking possession of the relevant property; and (ii) the satisfaction of relevant mortgage loans by the purchasers.

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 any accrued interests and penalties owed by the defaulted purchasers to the banks, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee starts from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as the management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of default in payments.

The Company and the other three PRC real estate developers have provided certain guarantees in respect of loan facilities granted to Li He of amounting to RMB1,980 million (31 December 2017: RMB2,480 million), the Group's share of the guarantee amounted to RMB456 million (31 December 2017: RMB496 million). Several subsidiaries of the Group and joint venture parties have provided certain guarantees in proportion to their shareholdings in certain joint ventures in respect of loan facilities amounting to RMB10,863 million (31 December 2017: RMB5,473 million). The Group's share of the guarantees amounted to RMB5,807 million (31 December 2017: RMB1,566 million).

Commitments

As at 30 June 2018, the commitments of the Group in connection with the property development activities were RMB26,890 million (31 December 2017: RMB23,773 million). The Group has also committed to pay outstanding land premium resulting from land acquisitions in the amount of RMB11,357 million (31 December 2017: RMB6,430 million).

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the period, nor was there any plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

Employees and remuneration policy

As at 30 June 2018, the Group had a total of 20,701 employees, among which 318 were senior management and 1,464 were middle management. By geographical locations, there were 20,593 employees in mainland China and 108 employees in Hong Kong and Malaysia. For the six months ended 30 June 2018, the total remuneration costs, including directors' remuneration, were RMB1,413 million (in the corresponding period of 2017: RMB745 million).

The Group remunerates its employees is reference to the market levels, individual performance and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to the employees' needs.

Outlook

Looking ahead, the Group will further implement the business model of "focusing on property development, supported by a diversified range of businesses" and make all efforts to carry out its "Three-year Plan" in the second half of 2018, with an aim to drive the development of each of its business segments to the fullest extent.

In respect of property development business, the Group will capitalise on market opportunities to achieve continuous development and launch projects in a timely manner. The Group will also endeavour to meet its full-year pre-sales target by improving the quality of its products, increasing operational efficiency and improving its staff training system.

In respect of property management business, the Group will further increase the GFA under management and boost revenue from operations through full-range market expansion, investment, M&A and joint venture cooperation.

In respect of environmental protection business, the Group will be committed to speed up the acquisition of well-established and quality projects with stable operating revenue, further enhance its project capacity and facilitate project development, so as to drive its revenue and profit growth.

In respect of education business, the Group will actively drive the construction of new schools, with a view to enhancing value of property projects.

In respect of construction business, the Group will continue to drive the growth of general construction contracting business and further enhance the quality of design and services. While delivering support to the property development business, the Group will accelerate business diversification.

In respect of real estate construction management business, the Group will strategically expand into Tier-1 and Tier-2 cities, with an aim to creating more profit growth points.

In respect of commercial business, the Group will further enhance its internal management capabilities, strengthen the control of costs and expenses, speed up the revenue growth of new businesses and make all efforts to drive the business diversification.

The Group is fully confident in the future development of Mainland China and the Company. In face of the fast-changing economic and market environment, the Group will remain vigilant in peacetime as always. The Group will continue to drive the diversified development of the Company, with a view to creating greater value for customers, shareholders, employees and society.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK50.0 cents (2017: HK22.0 cents) per ordinary share payable in cash to shareholders of the Company. Interim dividend will be payable on or about Thursday, 27 September 2018 to the shareholders whose names appear on the register of members of the Company on Wednesday, 19 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Monday, 17 September 2018 to Wednesday, 19 September 2018 (both days inclusive), during such period no transfer of shares will be effected. To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 September 2018.

REVIEW OF ACCOUNTS

The Company's audit committee has reviewed the interim results of the Group for the six months ended 30 June 2018.

The interim results of the Group for the six months ended 30 June 2018 has not been audited but has been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code for securities transactions by directors ("Securities Dealing Code for Directors"), which is on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("Listing Rules"). In response to enquiries made, all Directors confirmed that they have complied with the Securities Dealing Code for Directors during the six months ended 30 June 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2018, the Company has complied with all code provisions of the Corporate Governance Code and Corporate Governance Report ("Corporate Governance Code") contained in Appendix 14 to the Listing Rules except for the deviation as specified with considered reasons below.

The code provision A.2.1 of the Corporate Governance Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, Chen Zhuo Lin's in-depth knowledge of the operations of the Group and of the industry, his extensive business network and connections in the sector and the scope of operations of the Group, the Board believes that Chen Zhuo Lin, in his dual capacity as the Chairman of the Board and President, will provide strong and consistent leadership for the development of the Group. The Board also believes that this structure is in the best interest of the Company and will not impair the balance of power and authority of the Board and such arrangement will be subject to review from time to time.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 3 May 2018, Guangzhou Panyu Agile Realty Development Co., Ltd. (廣州番禺雅居樂房地產開發有限公司) (an indirect wholly-owned subsidiary of the Company incorporated in China) repurchased all its outstanding domestic non-public corporate bonds in an aggregate principal amount of RMB1,200 million due 2020 with a coupon rate of 5.8% at the repurchase price of RMB100 each being the face value of such domestic corporate bonds.

Save as disclosed above, during the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE COMPANY, THE STOCK EXCHANGE AND SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

This announcement is published on the respective websites of the Company (www.agile.com.cn), the Stock Exchange (www.hkex.com.hk) and Singapore Exchange Securities Trading Limited (www.sgx.com). The interim report of the Company for the six months ended 30 June 2018 containing all the information required under the Listing Rules will be dispatched to the Company's shareholders and will be posted on the above websites in due course.

By Order of the Board
Agile Group Holdings Limited
CHEN Zhuo Lin
Chairman and President

Hong Kong, 29 August 2018

As at the date of this announcement, the Board comprises twelve members, being Mr. Chen Zhuo Lin (Chairman and President), Mr. Chan Cheuk Yin** (Vice Chairperson), Madam Luk Sin Fong, Fion** (Vice Chairperson), Mr. Chan Cheuk Hung*, Mr. Huang Fengchao*, Mr. Chen Zhongqi*, Mr. Chan Cheuk Hei**, Mr. Chan Cheuk Nam**, Dr. Cheng Hon Kwan#, Mr. Kwong Che Keung, Gordon#, Mr. Hui Chiu Chung, Stephen# and Mr. Wong Shiu Hoi, Peter#.*

* *Executive Directors*
** *Non-executive Directors*
\# *Independent Non-executive Directors*