# 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 2019

## HIGHLIGHTS

**Financial Highlights**

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2019** | 2018 | Change |
| Revenue *(RMB million)* | **27,114** | 24,206 | **+12.0**% |
| Gross profit *(RMB million)* | **8,220** | 12,018 | **-31.6**% |
| Profit for the period *(RMB million)* | **5,894** | 4,280 | **+37.7**% |
| Profit attributable to shareholders of the Company *(RMB million)* | **5,077** | 3,759 | **+35.1**% |
| Basic earnings per share *(RMB)* | **1.308** | 0.968 | **+35.1**% |
| Interim Dividend per share *(HK cents)* | **60.0** | 50.0 | **+20.0**% |

**Operational Highlights**

- During the Review Period, aggregated pre-sale value for the property projects of the Group as well as its joint ventures and associates and those carrying "Agile" brand name managed by the Group amounted to RMB58,200 million. The performance was in line with the Group's expectation. The corresponding GFA pre-sold was 4.059 million sq.m., and the average selling price was RMB14,340 per sq.m.. During the Review Period, the Group had a total of 108 projects available for sale, including 22 newly launched projects.

- During the Review Period, the Group's revenue was RMB27,114 million, representing an increase of 12.0% when compared with the corresponding period of last year. The Group's revenue from recognised sales of property development reached RMB24,685 million, representing an increase of 9.5% when compared with the corresponding period of last year. Revenues from property development business and diversified businesses accounted for 91.0% and 9.0% respectively. The proportion of diversified businesses' revenue increased by 2.1 percentage points when compared with the corresponding period of last year, reflecting the sustained effectiveness of the Group's business model of "focusing on property development, supported by a diversified range of businesses".

- During the Review Period, the overall gross profit margin and net profit margin of the Group were 30.3% and 21.7% respectively, representing a decrease of 19.3 percentage points and an increase of 4.0 percentage points respectively when compared with the corresponding period of last year.

- During the Review Period, the Group's revenues from property management, property investment and environmental protection business increased by 63.9%, 4.9% and 68.9% respectively when compared with the corresponding period of last year.

- During the Review Period, the Group actively expanded its nationwide presence through strategically acquiring 28 new projects successively in multiple city clusters and overseas by means of tender, auction, listing-for-sale and acquisition. The total planned GFA of the newly acquired projects was 6.92 million sq.m., of which the Group's total attributable planned GFA was 5.81 million sq.m.. The consideration payable was RMB23,200 million. As at 30 June 2019, the Group had a land bank with a total planned GFA of 39.27 million sq.m. in 72 cities (Among these, 6 cities are newly explored markets).

- During the Review Period, revenue of A-Living was RMB2,241million, representing an increase of 59.4% when compared with the corresponding period of last year. The gross profit margin and net profit margin were 37.0% and 25.4% respectively. Profit attributable to shareholders was RMB541 million, representing an increase of 62.9% when compared with the corresponding period of last year, demonstrating strong financial performance.

- As at 30 June 2019, the total cash and bank balances of the Group were RMB41,588 million.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the interim results for Agile Group Holdings Limited ("Agile" or the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 (the "Review Period").

**Results and Dividends**

For the Review Period, revenue of the Group stood at RMB27,114 million, a rise of 12.0% over the corresponding period in 2018. Gross profit amounted to RMB8,220 million, a decrease of 31.6% over the first half of 2018. The Group's overall gross profit margin was 30.3%, a fall of 19.3 percentage points over the corresponding period in 2018. Net profit increased 37.7% to RMB5,894 million, while the Group's net profit margin also rose by 4.0 percentage points to 21.7% over the first half of 2018. Profit attributable to shareholders increased 35.1% to RMB5,077 million over the corresponding period in 2018.

For the six months ended 30 June 2019, revenue from recognised sales of property development rose 9.5% to RMB24,685 million over the corresponding period in 2018. Revenues from property development business and diversified businesses accounted for 91.0% and 9.0% respectively. The Group's proportion of its diversified businesses' revenue increased by 2.1 percentage points over the first half of 2018. This rise reflects the sustained effectiveness of the Group's operating model of "focusing on property development, supported by a diversified range of businesses".

The Company's board of directors (the "Board") has declared an interim dividend of HK60.0 cents per share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK50.0 cents).

**Business Review**

The Review Period was marked by a global slowing of economic growth and ongoing complexity in both national and international markets. That said, China managed to record steady economic growth as the country's Central Government continued its efforts to promote economic reforms and drive quality development. While adhering to market guidelines such as "housing is for living in but not for speculation" and "City-specific policies", the Group continued to seize opportunities in China's stable property market and implement its operating model of "focusing on property development, supported by a diversified range of businesses".

**Unwavering Focus on Real Estate and Generation of Steady Sales Revenues**

During the Review Period, aggregated pre-sale value for the property projects of the Group as well as its joint ventures and associates and those carrying "Agile" brand name managed by the Group amounted to RMB58,200 million. This figure represents 52% of the Group's annual pre-sales target for 2019. Accumulated GFA pre-sold stood at 4.059 million sq.m. at an average selling price of RMB14,340 per sq.m.. This performance was consistent with the Group's expectations.

In responding to market conditions, the Group continued to implement its geographic diversification strategy. During the Review Period, the Group achieved satisfactory pre-sales results in the Southern China, Eastern China, Hainan and Yunnan and Northern China regions. The value of saleable resources is expected to exceed RMB200.00 billion for the full year of 2019. With 134 projects available for sale in different regions nationwide, pre-sales activities will continue to generate stable long-term revenue streams for the Group. In making every effort to develop industry-city integration projects, such as featured town projects in Tianjin, Weihai, Xiangyang, Yangzhou and Zhengzhou, while expanding urban renewal projects across Southern China region, the Group further consolidated its diverse property project portfolio.

**Building Agile's Business by Prudently Replenishing its Land Bank and Exploring New Markets**

During the Review Period, the Group further enhanced its business presence by acquiring 28 new quality projects in several city clusters and overseas. The total planned GFA of these newly acquired projects was 6.92 million sq.m. at an average cost of around RMB4,200 per sq.m.. The total planned GFA of the Group's aggregate land bank as at 30 June 2019 was 39.27 million sq.m.. The land parcels were located in 72 cities including newly explored markets such as Beihai, Kunming, Qingyuan, Shijiazhuang, Xiangyang and Phnom Penh, Cambodia.

The Group also held 9.15 million sq.m. of land bank, which accounted for 23.3% of its total land bank, in the Guangdong-Hong Kong-Macao Greater Bay Area (the "Bay Area"). Following China's Central Government's announcement of implementation opinions and action plans related to the development of the Bay Area, the Group remains ideally positioned to benefit from enormous future development potential.

**Sustained Diversification Paves the Way for Agile's "Century-long Enterprise" Status**

In respect of diversified businesses, the Group invested approximately RMB9,000 million in the development of over 30 new non-real estate projects during the Review Period. The Group's property management, environmental protection, construction, real estate construction management and commercial businesses continued to create synergies. During the Review Period, revenues from the Group's property management, property investment and environmental protection businesses rose by 63.9%, 4.9% and 68.9% respectively when compared with the corresponding period of last year.

In the area of property management, A-Living Services Co., Ltd. (雅居樂雅生活服務股份有限公司) ("A-Living") posted rapid growth during the Review Period. Its RMB2,241 million in revenue represented an increase of 59.4% when compared with the corresponding period of last year. The gross profit and net profit for A-Living stood at RMB829 million and RMB568 million respectively. These figures represented respective increases of 62.6% and 69.3% when compared with the corresponding period of last year. The gross profit margin and net profit margin of 37.0% and 25.4% represented respective increases of 0.7 percentage point and 1.5 percentage points when compared with the corresponding period of last year. Profit attributable to shareholders surged 62.9% to RMB541 million over the corresponding period in 2018. Basic earnings per share of RMB0.41 reflected A-Living's strong financial performance. In continuing to implement a dual-branded development strategy emphasising both "Agile Property Management" and "Greenland Property Services" and actively drive growth through third-party developers as well as mergers and acquisitions, A-Living was able to further accelerate its business scale expansion. During the Review Period, A-Living successfully established a foothold in China's Shandong Peninsula, Northeast region and Northwest region by acquiring Qingdao Huaren Property Co., Ltd. and Harbin Jingyang Property Management Co., Ltd and completing the acquisition of Lanzhou Chengguan Property Services Group Co., Ltd.. By purchasing Guangzhou Yuehua Property Co., Ltd., A-Living was also able to establish a new "Public Services" business segment and successfully tap into the property services market for public infrastructure. The Review Period also saw A-Living set up four key service segments in the areas of property management services, asset management services, public services and community commercial services. By leveraging proactive expansion through third-party developers, A-Living was not only able to successfully enter the Central China and Northern China markets, but also secure several high-profile projects in Southwest and Northwest China. As at 30 June 2019, A-Living's GFA under management and contracted GFA respectively totalled 211.2 million sq.m. and 324.6 million sq.m.. These totals include contracted GFA from Agile and Greenland Holdings amounting to 73.2 million sq.m. and 34.1 million sq.m. respectively, representing an increase of 4.0% and 55.0% respectively when compared with those as at 31 December 2018. The contracted GFA for projects from third-party developers including contributions from mergers and acquisitions was 217.3 million sq.m., representing an increase of 58.1% when compared with that of 31 December 2018.

In the area of environmental protection, the Review Period saw the Group further optimise its nationwide hazardous waste treatment network while driving the development of its landfill, water treatment and domestic waste-to-energy projects. As at 30 June 2019, the environmental protection business had 52 projects, including 38 hazardous waste treatment projects, 7 domestic waste-to-energy projects, 4 integrated industrial park projects and 3 water treatment projects. During the Review Period, revenue and operating profit generated by the environmental protection business stood at RMB474 million and RMB225 million respectively, representing an increase of 68.9% and 93.6% respectively when compared with the corresponding period of last year. The business generated ever increasing income for the Group.

Successfully leveraging business optimisation and integration strategies, the Group's construction business has established itself across key segments including EPC ("Engineering, Procurement, Construction"), landscaping and home decoration. During the Review Period, the Group's construction professionals continued to promote steady development of each key segment and actively explored third-party markets. With a geographic presence spanning 78 cities in 23 provinces and municipalities, this business has successfully undertaken over 300 projects, providing construction-related services to over 30 leading corporate customers in China's real estate industry.

Established in 2018, the real estate construction management business generated profits in the same year. During the Review Period, the real estate construction management professionals continued to deliver steady growth. In addition to running projects spanning the six Chinese provinces and municipalities of Anhui, Chongqing, Guangdong, Jiangsu, Jiangxi and Zhejiang, the new division has also initiated moves into several other key city clusters. In addition to the Bay Area, these hubs include the Yangtze River Delta and Chengdu-Chongqing Economic Zone. This business continued to make satisfactory progress in its expansion and development activities on all fronts. While construction works for several of its projects commenced successively, finished units from projects in Jieyang, Guangdong Provinces and Qingtian, Zhejiang Provinces were offered for sale. The sales performance was in line with the Group's expectations.

In 2018, the Group set up a new commercial business which integrated its existing hotels and investment properties with several other commercial projects. During the Review Period, rental income for this business's community retail projects grew. Notable successes included Guangzhou Agile Center and Agile International Plaza Shanghai which achieved an occupancy rate of 100%.

**Optimised Debt Structure Drives Overall Business Development**

The Group's steady development over the years would never have been possible without solid financial foundations. The Group has made efforts to enhance overall sales turnover levels and capital and budget management. In addition, the Group has reinforced and optimised its debt structure by capitalising on multi-channel financing. During the Review Period, the Group issued USD500 million 6.7% senior notes due 2022 and USD700 million senior perpetual capital securities. The Group was also granted a 24-month term loan facility of MOP1,854 million. As at 30 June 2019, the Group's total cash and bank deposits amounted to RMB 41,588 million.

**Maintaining Good Corporate Governance and Meeting Group Corporate Social Responsibilities**

The Group upholds the concept of "mutual communication for a win-win situation". Subject to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relevant laws, the Group maintains effective mutual communications and nurtures sound working relationships with commercial and investment banks, rating agencies, investors and analysts, thereby improving its corporate transparency on an on-going basis.

The Group makes active efforts to fulfil its corporate social responsibilities. Adhering to the brand philosophy of "Lifestyle of a Lifetime", the Group is determined to build ties and foster empathy with each and every one of these communities. In delivering on these promises, great importance is placed on monitoring supplier management, with a view to ensuring the provision of the best possible product and service quality. The Group also does all it can to safeguard the environment and care for its staff's wellbeing. Specific good corporate citizenship efforts include promoting sustainable development in communities by supporting and participating in charity and community activities across areas such as environmental protection, medical care, education, culture and sports.

**Prospects and Strategy**

Looking ahead, the global economy is expected to remain uncertain and the regulatory policies for China's property market will remain focused on stabilising land and housing prices and market expectations throughout the second half of 2019. Agile will continue to adapt to and move forward in line with evolving market dynamics. Determined to strengthen its property development business, the Group will also spare no effort in driving the development of diversified businesses.

By capitalising on market opportunities to develop premium real estate projects, the Group's property development business will further strengthen the Group's solid market position. A-Living will continue to expand its business scope and GFA under management. On the environmental protection front, our team will strive to ensure that merger and acquisition activities and projects under development will continue to increase the Group's income. At the same time, Agile's construction professionals are striving to set new industry benchmarks by integrating existing resources and further enhancing product quality. Determined to enhance their own internal management capabilities, the Group's real estate construction management team will do everything possible to develop quality projects. The commercial business will be dedicated to improving the rate of return on each of its projects.

The Group remains confident about the successful future development of its various business segments. In moving forward, the Group firmly believes that it can continue to deliver steady growth, further strengthen its market position, and successfully develop Agile into a "Century-long Enterprise". In order to achieve these goals, the Group will further enhance its internal management capabilities, optimise its operational management model, improve its training system, reinforce its brand image and continuously upgrade its product and service quality.

**Acknowledgement**

On behalf of the Board, I would like to extend our heartfelt gratitude to our shareholders, customers and stakeholders for their unwavering support; and also to our staff members for their unstinting hard work in sustaining the Group's healthy growth.

CHEN Zhuo Lin
*Chairman and President*
Hong Kong, 21 August 2019

## RESULTS

Unaudited interim results for the six months ended 30 June 2019:

## INTERIM CONSOLIDATED INCOME STATEMENT

| | | Six months ended 30 June | |
|---|---|---|---|
| | *Note* | **2019 Unaudited *(RMB'000)*** | 2018 Unaudited *(RMB'000)* |
| Revenue | *3* | **27,114,425** | 24,205,780 |
| Cost of sales | | **(18,894,381)** | (12,187,897) |
| **Gross profit** | | **8,220,044** | 12,017,883 |
| Selling and marketing costs | | **(958,789)** | (1,030,848) |
| Administrative expenses | | **(1,390,459)** | (1,017,952) |
| Net impairment losses on financial and contract assets | | **(58,835)** | (28,667) |
| Other gains, net | *4* | **4,721,982** | 314,344 |
| Other income | *5* | **577,400** | 372,917 |
| Other expenses | | **(134,737)** | (54,024) |
| **Operating profit** | | **10,976,606** | 10,573,653 |
| Finance costs, net | *6* | **(925,642)** | (853,269) |
| Share of post-tax (losses)/profits of associates | | **(10,212)** | 48,418 |
| Share of post-tax profits/(losses) of joint ventures | | **160,500** | (99,163) |
| **Profit before income tax** | | **10,201,252** | 9,669,639 |
| Income tax expenses | *7* | **(4,307,561)** | (5,389,298) |
| **Profit for the period** | | **5,893,691** | 4,280,341 |
| **Profit attributable to:** | | | |
| Shareholders of the Company | | **5,076,668** | 3,758,948 |
| Holders of Perpetual Capital Securities | | **417,296** | 287,316 |
| Non-controlling interests | | **399,727** | 234,077 |
| | | **5,893,691** | 4,280,341 |
| **Earnings per share from continuing operations attributable to the shareholders of the Company for the period** (expressed in Renminbi per share) | | | |
| - Basic | *8* | **1.308** | 0.968 |
| - Diluted | *8* | **1.308** | 0.968 |

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **Unaudited** | Unaudited |
| | ***(RMB'000)*** | *(RMB'000)* |
| **Profit for the period** | **5,893,691** | 4,280,341 |
| **Other comprehensive income for the period** | | |
| *Items that may be reclassified to profit or loss* | | |
| - Currency translation differences | **1,820** | 491 |
| *Items that will not be reclassified subsequently to profit or loss* | | |
| - Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax | **(25,588)** | - |
| Other comprehensive income for the period, net of tax | **(23,768)** | 491 |
| **Total comprehensive income for the period** | **5,869,923** | 4,280,832 |
| **Total comprehensive income attributable to:** | | |
| Shareholders of the Company | **5,052,237** | 3,758,661 |
| Holders of the Perpetual Capital Securities | **417,296** | 287,316 |
| Non-controlling interests | **400,390** | 234,855 |
| | **5,869,923** | 4,280,832 |

# INTERIM CONSOLIDATED BALANCE SHEET

| | Note | As at 30 June 2019 Unaudited *(RMB'000)* | As at 31 December 2018 Audited *(RMB'000)* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **10,135,686** | 8,753,527 |
| Investment properties | *10* | **8,434,750** | 8,804,220 |
| Land use rights | | **2,213,978** | 2,039,236 |
| Right-of-use assets | | **723,132** | - |
| Goodwill | | **3,093,210** | 1,841,613 |
| Other intangible assets | | **507,492** | 258,990 |
| Interests in associates | | **1,091,212** | 951,393 |
| Interests in joint ventures | | **11,013,740** | 9,136,960 |
| Properties under development | | **20,182,627** | 16,936,396 |
| Prepayments for acquisition of equity interests | | **802,314** | 870,856 |
| Receivables from related parties | *11* | **6,970,515** | 12,510,503 |
| Financial assets at fair value through other comprehensive income | | **149,542** | - |
| Deferred income tax assets | | **994,299** | 1,433,982 |
| | | **66,312,497** | 63,537,676 |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | | **2,607,169** | 3,232,031 |
| Properties under development | | **83,744,956** | 73,631,444 |
| Completed properties held for sale | | **6,432,953** | 8,446,700 |
| Prepayments for acquisition of land use rights | | **14,328,964** | 5,187,072 |
| Contract assets | | **462,795** | 448,715 |
| Trade and other receivables | *11* | **29,153,979** | 27,735,425 |
| Prepaid income taxes | | **5,919,806** | 3,165,117 |
| Restricted cash | | **8,383,819** | 9,285,376 |
| Cash and cash equivalents | | **33,204,267** | 35,776,231 |
| Derivative financial instruments | | **11,036** | - |
| | | **184,249,744** | 166,908,111 |
| **Total assets** | | **250,562,241** | 230,445,787 |

## INTERIM CONSOLIDATED BALANCE SHEET (Continued)

| | Note | As at 30 June 2019 | As at 31 December 2018 |
|---|---|---|---|
| | | **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 | | **2,975,164** | 2,604,982 |
| Retained earnings | | **38,363,826** | 35,368,931 |
| | | **44,604,285** | 41,239,208 |
| **Perpetual Capital Securities** | | **13,147,447** | 8,334,875 |
| **Non-controlling interests** | | **6,209,687** | 5,406,850 |
| **Total equity** | | **63,961,419** | 54,980,933 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **57,455,085** | 53,196,485 |
| Derivative financial instruments | | **27,272** | 6,144 |
| Financial liabilities at fair value through profit or loss | | **62,179** | - |
| Deferred income tax liabilities | | **3,339,259** | 1,884,085 |
| Lease liabilities | | **439,490** | - |
| | | **61,323,285** | 55,086,714 |
| **Current liabilities** | | | |
| Contract liabilities | | **32,231,094** | 25,489,558 |
| Borrowings | | **36,111,659** | 35,332,872 |
| Trade and other payables | *12* | **40,037,815** | 42,533,971 |
| Derivative financial instruments | | **-** | 7,192 |
| Lease liabilities | | **178,890** | - |
| Current income tax liabilities | | **16,718,079** | 17,014,547 |
| | | **125,277,537** | 120,378,140 |
| **Total liabilities** | | **186,600,822** | 175,464,854 |
| **Total equity and liabilities** | | **250,562,241** | 230,445,787 |

*Notes :*

## 1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018 and any public announcement made by the Company during the six months ended 30 June 2019.

## 2 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (note 7) and the adoption of new and amended standards as set out below.

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

The Group has applied the following standards and amendments for the first time for the reporting period commencing 1 January 2019:

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

The Group had to change its accounting policies and make certain modified retrospective adjustments as a result of adopting the HKFRS 16 Leases. The impact of the adoption of the leasing standard are disclosed in note 2(c) below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

### (b) New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| HKAS 1 and HKAS 8 (Amendment) | Definition of material | 1 January 2020 |
| HKFRS 3 (Amendment) | Definition of a Business | 1 January 2020 |
| HKFRS 17 | Insurance Contracts | 1 January 2021 |
| HKFRS 10 and HKAS 28 (Amendment) | 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.

## 2 Accounting policies (Continued)

### (c) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 2(c)(i) below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

*(i) Adjustments recognised on adoption of HKFRS 16*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.06%.

| | 1 January 2019 *(RMB'000)* |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 295,570 |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | 244,235 |
| (Less): short-term leases and low-value leases recognised on a straight-line basis as expense | (3,147) |
| (Less): contracts reassessed as service agreements | (46,714) |
| Lease liabilities recognised as at 1 January 2019 | 194,374 |
| Of which are: | |
| Current lease liabilities | 73,076 |
| Non-current lease liabilities | 121,298 |
| | 194,374 |

## 2 Accounting policies (Continued)

### (c) Changes in accounting policies (Continued)

*(i) Adjustments recognised on adoption of HKFRS 16 (Continued)*

Under the modified retrospective approach, the associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. And the recognised right-of-use assets relate to the following types of assets:

| | 30 June 2019 *(RMB'000)* | 1 January 2019 *(RMB'000)* |
|---|---|---|
| Property, plant and equipment | 703,530 | 174,046 |
| Land use right for ancillary facilities | 19,602 | 20,328 |
| Total right-of-use assets | 723,132 | 194,374 |

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

- Right-of-use assets – increase by RMB194,374,000
- Lease liabilities – increase by RMB194,374,000

There is no impact on the retained earnings on 1 January 2019.

There is no material impact on earnings per share for the six months ended 30 June 2019 as a result of the adoption of HKFRS 16.

Impact on segment disclosures

Segment assets and segment liabilities as at 30 June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The change in policy will increase segment assets and liabilities as at 30 June 2019 as following:

| | Segment assets *(RMB'000)* | Segment liabilities *(RMB'000)* |
|---|---|---|
| Property development | 669,945 | 563,538 |
| Property management | 23,628 | 24,785 |
| Hotel operations | 27,807 | 28,357 |
| Environmental protection | 1,218 | 1,097 |
| Property investment | 534 | 603 |
| | 723,132 | 618,380 |

## 2 Accounting policies (Continued)

### (c) Changes in accounting policies (Continued)

*(i) Adjustments recognised on adoption of HKFRS 16 (Continued)*

<u>Practical expedients applied</u>

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

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

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

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

The Group leases various offices and land use right for ancillary facilities. Rental contracts are typically made for fixed periods of 1 to 14 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, and leased assets were not be used as security for borrowing purposes.

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

## 2 Accounting policies (Continued)

### (c) Changes in accounting policies (Continued)

*(ii) The Group's leasing activities and how these are accounted for (Continued)*

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise staff dormitory and small items of office furniture.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

## 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 environmental protection. 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.

The Group has a large number of customers, none of whom contributed 5% or more of the Group's revenue.

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

## 3 Segment information (Continued)

Six months ended 30 June 2019 (Unaudited)

| | Property development (RMB'000) | Property management (RMB'000) | Hotel operations (RMB'000) | Property investment (RMB'000) | Environmental protection (RMB'000) | Elimination (RMB'000) | Group (RMB'000) |
|---|---|---|---|---|---|---|---|
| Gross segment sales | 24,685,054 | 2,241,228 | 352,862 | 97,810 | 474,078 | - | 27,851,032 |
| Inter-segment sales | - | (736,607) | - | - | - | - | (736,607) |
| Sales to external customers | 24,685,054 | 1,504,621 | 352,862 | 97,810 | 474,078 | - | 27,114,425 |
| Timing of revenue recognition | | | | | | | |
| - At a point in time | 24,336,757 | 6,157 | - | - | 12,945 | - | 24,355,859 |
| - Over time | 348,297 | 1,498,464 | 352,862 | 97,810 | 461,133 | - | 2,758,566 |
| Fair value gains on investment properties (note 10) | - | - | - | 1,870 | - | - | 1,870 |
| Operating profit/(loss) | 10,160,874 | 591,782 | (70,941) | 70,128 | 224,763 | - | 10,976,606 |
| Share of post-tax (losses)/profits of associates | (21,402) | 5,943 | - | - | 5,247 | - | (10,212) |
| Share of post-tax profits/(losses) of joint ventures | 160,627 | (127) | - | - | - | - | 160,500 |
| Segment result | 10,300,099 | 597,598 | (70,941) | 70,128 | 230,010 | - | 11,126,894 |
| Finance cost, net (note 6) | | | | | | | (925,642) |
| Profit before income tax | | | | | | | 10,201,252 |
| Income tax expenses (note 7) | | | | | | | (4,307,561) |
| Profit for the period | | | | | | | 5,893,691 |
| Depreciation | 81,834 | 8,244 | 151,363 | - | 18,798 | - | 260,239 |
| Amortisation of land use rights, right-of-use assets and intangible assets | 55,756 | 31,919 | 27,802 | 59 | 5,333 | - | 120,869 |
| Write-down of completed properties held for sale and properties under development | 523,728 | - | - | - | - | - | 523,728 |

## 3 Segment information (Continued)

Six months ended 30 June 2018 (Unaudited)

| | Property development (RMB'000) | Property management (RMB'000) | Hotel operations (RMB'000) | Property investment (RMB'000) | Environmental protection (RMB'000) | Elimination (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 profits 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 right 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)

Segment assets and liabilities and capital expenditure as at 30 June 2019 are as follow (Unaudited):

| | Property development (RMB'000) | Property management (RMB'000) | Hotel operations (RMB'000) | Property investment (RMB'000) | Environmental protection (RMB'000) | Elimination (RMB'000) | Group (RMB'000) |
|---|---|---|---|---|---|---|---|
| **Segment assets** | 206,428,346 | 8,704,437 | 8,145,769 | 8,435,284 | 10,507,582 | (1,341,029) | 240,880,389 |
| Unallocated assets | | | | | | | 9,681,852 |
| **Total assets** | | | | | | | 250,562,241 |
| Segment assets include: | | | | | | | |
| Interests in associates | 729,479 | 254,363 | - | - | 107,370 | - | 1,091,212 |
| Interests in joint ventures | 10,905,591 | 295 | - | - | 107,854 | - | 11,013,740 |
| **Segment liabilities** | 61,116,887 | 2,261,737 | 3,186,106 | 24,179 | 7,618,080 | (1,341,029) | 72,865,960 |
| Unallocated liabilities | | | | | | | 113,734,862 |
| **Total liabilities** | | | | | | | 186,600,822 |
| Capital expenditure | 573,386 | 371,247 | 43,992 | 53,703 | 1,391,592 | - | 2,433,920 |

Segment assets and liabilities and capital expenditure as at 31 December 2018 are as follow (Audited):

| | Property development (RMB'000) | Property management (RMB'000) | Hotel operations (RMB'000) | Property investment (RMB'000) | Environmental protection (RMB'000) | Elimination (RMB'000) | Group (RMB'000) |
|---|---|---|---|---|---|---|---|
| **Segment assets** | 192,769,689 | 7,280,920 | 8,432,727 | 8,804,220 | 6,955,524 | (1,628,423) | 222,614,657 |
| Unallocated assets | | | | | | | 7,831,130 |
| **Total assets** | | | | | | | 230,445,787 |
| Segment assets include: | | | | | | | |
| Interests in associates | 831,121 | - | - | - | 120,272 | - | 951,393 |
| Interests in joint ventures | 8,879,241 | 422 | - | - | 257,297 | - | 9,136,960 |
| **Segment liabilities** | 59,113,638 | 1,558,055 | 3,449,498 | 18,839 | 5,511,922 | (1,628,423) | 68,023,529 |
| Unallocated liabilities | | | | | | | 107,441,325 |
| **Total liabilities** | | | | | | | 175,464,854 |
| Capital expenditure | 356,805 | 100,326 | 108,331 | - | 1,339,968 | - | 1,905,430 |

### 3 Segment information (Continued)

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 prices.

Segment assets consist primarily of property, plant and equipment, land use rights, right-of-use assets, intangible assets, 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, financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVPL") and derivative financial instruments. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise taxation, borrowings, financial liabilities at fair value through profit or loss and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment, land use rights, right-of-use assets, investment properties and intangible assets.

### 4 Other gains, net

| | **Six months ended 30 June** | |
|---|---|---|
| | **2019** | 2018 |
| | **Unaudited** | Unaudited |
| | ***(RMB'000)*** | *(RMB'000)* |
| Gain from disposal of a subsidiary | **2,988,981** | - |
| Remeasurement gain resulting from a joint venture transferred to a subsidiary | **579,449** | - |
| Fair value gains/(losses) on financial assets at FVPL | **882,667** | (36,047) |
| Gains on disposal of financial assets at FVPL | **247,028** | 14,966 |
| Fair value gains on investment properties | **1,870** | 21,663 |
| (Losses)/gains on disposal of property, plant and equipment and investment properties | **(11,597)** | 13,366 |
| Exchange gains, net (note (a)) | **9,433** | 147,569 |
| Dividend income of financial assets at FVPL | **-** | 124,441 |
| Miscellaneous | **24,151** | 28,386 |
| | **4,721,982** | 314,344 |

*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 | |
|---|---|---|
| | **2019** | 2018 |
| | **Unaudited** | Unaudited |
| | ***(RMB'000)*** | *(RMB'000)* |
| Interest income | **484,377** | 282,084 |
| Forfeited deposits from customers | **8,847** | 9,422 |
| Miscellaneous | **84,176** | 81,411 |
| | **577,400** | 372,917 |

## 6 Finance costs, net

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **Unaudited** | Unaudited |
| | ***(RMB'000)*** | *(RMB'000)* |
| Interest expense: | | |
| - Bank borrowings, syndicated loans and other borrowings | **2,308,496** | 1,476,214 |
| - Senior notes | **592,132** | 184,456 |
| - PRC corporate bonds, ABS and CMBS | **434,712** | 437,117 |
| Less: interest capitalised | **(2,333,092)** | (1,734,833) |
| Exchange losses from borrowings | **197,744** | 441,124 |
| Less: exchange losses capitalised | **(100,250)** | (134,962) |
| (Gains)/losses in fair value of derivative financial instruments | **(174,100)** | 184,153 |
| | **925,642** | 853,269 |

## 7 Income tax expenses

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **Unaudited** | Unaudited |
| | ***(RMB'000)*** | *(RMB'000)* |
| Current income tax | | |
| - PRC corporate income tax | **1,952,522** | 2,052,292 |
| - PRC land appreciation tax | **1,322,293** | 3,142,903 |
| - PRC withholding income tax | **140,189** | 141,276 |
| - Hong Kong profits tax | **73,015** | 2,469 |
| Deferred income tax | | |
| - PRC corporate income tax | **834,419** | 61,521 |
| - Hong Kong profits tax | **(14,877)** | (11,163) |
| | **4,307,561** | 5,389,298 |

Income tax expenses recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2019 is 32%, same as 32% for the six months ended 30 June 2018.

## 7 Income tax expenses (continued)

*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.

In 2018, certain subsidiaries of the Group obtained the Certificate of High-Tech Corporation. According to the Corporation Income Tax Law of the PRC, corporations which obtain the Certificate of High-Tech Corporation are entitled to enjoy additional tax deduction for research and development costs and a preferential corporate income tax rate of 15%. The tax rate applicable to these companies during the period ended 30 June 2019 was 15% (six months ended 30 June 2018: 15%). A subsidiary of the Group has enjoyed a preferential policy in Zhuhai Hengqin (Free Trade Area) with an enterprise income tax rate of 15% during the period ended 30 June 2019. Certain subsidiaries of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% in certain years. Certain subsidiaries of the Group in the PRC provide environmental protection services and these companies enjoy the policy of "Three exemption and three half corporate income tax".

*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.

During the six months ended 30 June 2019, certain immediate holding companies of the PRC subsidiaries of the Group are qualified as Hong Kong resident enterprises and fulfil the requirements under the tax treaty arrangements between the PRC and Hong Kong. Therefore 5% withholding tax rate has been applied.

*Overseas income tax*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Group entities in the British Virgin Islands were incorporated either under the BVI Business Companies Act or were automatically re-registered under the same act on 1 January 2007 and, accordingly, are exempted from British Virgin Islands income tax.

*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 income 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **Unaudited** | Unaudited |
| Profit attributable to shareholders of the Company *(RMB'000)* | **5,076,668** | 3,758,948 |
| 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)* | **1.308** | 0.968 |

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 2019 and 30 June 2018, 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 2018 of HK$0.50 per ordinary share, approximately HK$1,958,524,000 (equivalent to RMB1,681,354,000) was declared at the Annual General Meeting of the Company on 10 May 2019, of which HK$17,235,000 (equivalent to RMB15,123,000) 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 2019 of HK$0.60 per ordinary share, approximately HK$2,350,229,000 (equivalent to RMB2,110,764,000) was declared by the Board of Directors of the Company (six months ended 30 June 2018 : RMB1,705,463,000).

## 10 Investment properties

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **Unaudited** | Unaudited |
| | ***(RMB'000)*** | *(RMB'000)* |
| Opening net book amount | **8,804,220** | 5,886,604 |
| Additions | **52,430** | - |
| Disposals | **(57,770)** | - |
| Transfer to property, plant and equipment | **(366,000)** | (152,921) |
| Fair value gains on investment properties | **1,870** | 21,663 |
| Closing net book amount | **8,434,750** | 5,755,346 |

*Notes:*

As at 30 June 2019, investment properties of RMB5,364,000,000 (31 December 2018: RMB5,854,120,000) and certain rights of receiving rental income were pledged as collateral for the Group's bank borrowings.

## 11 Trade and other receivables

| | **30 June 2019 Unaudited** ***(RMB'000)*** | 31 December 2018 Audited *(RMB'000)* |
|---|---|---|
| Trade receivables (note (a)) | **6,570,179** | 6,709,562 |
| Less: allowance for impairment of trade receivables | **(53,755)** | (32,069) |
| Total trade receivables | **6,516,424** | 6,677,493 |
| | | |
| Other receivables due from: | | |
| - Joint ventures | **9,905,201** | 13,516,462 |
| - Associates | **3,591,605** | 5,280,259 |
| - Other related parties | **199,624** | 195,484 |
| - Non-controlling interests | **790,587** | 1,272,542 |
| - Third parties | **9,890,753** | 10,911,505 |
| Prepaid valued-added taxes and other taxes | **1,288,219** | 887,133 |
| Deposits for acquisition of land use rights | **2,839,055** | 1,117,773 |
| Prepayments | **1,231,767** | 479,686 |
| Less: allowance for impairment of other receivables | **(128,741)** | (92,409) |
| Total other receivable | **29,608,070** | 33,568,435 |
| | | |
| Less: other receivables due from the associates and joint ventures - non-current portion | **(6,970,515)** | (12,510,503) |
| Other receivables - current portion | **22,637,555** | 21,057,932 |
| | | |
| **Trade and other receivables-current portion** | **29,153,979** | 27,735,425 |

As at 30 June 2019, the fair value of trade and other receivables approximated their carrying amounts.

*Note:*

(a) Trade receivables mainly arose from sales of properties and provision of property management services. Trade receivables are settled in accordance with the terms stipulated in the sale and purchase agreements or property management service agreement. As at 30 June 2019 and 31 December 2018, the ageing analysis of the trade receivables based on invoice date is as follows:

| | **30 June 2019 Unaudited** ***(RMB'000)*** | **31 December 2018** Audited *(RMB'000)* |
|---|---|---|
| Up to 3 months | **4,517,915** | 3,662,447 |
| 3 months to 1 year | **1,496,679** | 2,350,270 |
| Over 1 year | **555,585** | 696,845 |
| | **6,570,179** | 6,709,562 |

## 12 Trade and other payables

| | **30 June 2019 Unaudited *(RMB'000)*** | 31 December 2018 Audited *(RMB'000)* |
|---|---|---|
| Trade payables (note (a)) | **18,578,750** | 16,852,035 |
| Other payables due to: | | |
| - Related parties | **4,868,072** | 5,590,518 |
| - Non-controlling interests | **4,179,947** | 3,596,848 |
| - Third parties | **6,579,298** | 8,935,399 |
| Staff welfare benefit payable | **326,887** | 797,198 |
| Accruals | **1,662,155** | 1,465,095 |
| Advances from disposal of a subsidiary | **-** | 987,700 |
| Other taxes payable | **3,842,706** | 4,309,178 |
| | **40,037,815** | 42,533,971 |

*Note:*

(a) The ageing analysis of trade payables of the Group based on invoice date as at 30 June 2019 and 31 December 2018 is as follows:

| | **30 June 2019 Unaudited *(RMB'000)*** | 31 December 2018 Audited *(RMB'000)* |
|---|---|---|
| Up to 3 months | **14,497,159** | 13,387,512 |
| 3 months to 6 months | **2,984,950** | 2,729,635 |
| 6 months to 1 year | **894,111** | 559,318 |
| Over 1 year | **202,530** | 175,570 |
| | **18,578,750** | 16,852,035 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overall performance

During the Review Period, the Group's revenue was RMB27,114 million, representing an increase of 12.0% when compared with RMB24,206 million in the corresponding period of 2018. The operating profit was RMB10,977 million, representing an increase of 3.8 % when compared with RMB10,574 million in the corresponding period of 2018. Profit attributable to shareholders of the Company was RMB5,077 million, representing an increase of 35.1 % when compared with RMB3,759 million in the corresponding period of 2018, which included a net after tax gain of RMB2,242 million from the disposal of 34% equity interest in a project company to an independent third party and resulted in loss of control, and remeasurement gains resulting from a joint venture transferred to a subsidiary, net of tax, amounted to RMB435 million. Basic earnings per share was RMB1.308 (corresponding period of 2018: RMB0.968).

## Land bank

The Group continued to adopt proactive yet prudent land replenishment strategy in response to the market conditions. As at 30 June 2019, the Group had a land bank with a total planned GFA of 39.27 million sq.m. in 72 cities 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 RMB3,255 per sq.m., which was competitive.

During the Review Period, the Group actively expanded its nationwide presence through strategically acquiring 28 new projects successively in multiple city clusters and overseas by means of tender, auction, listing-for-sale and acquisition, in which, Beihai, Kunming, Qingyuan, Shijiazhuang, Xiangyang and Phnom Penh, Cambodia were the Group's newly explored markets. The total planned GFA of the newly acquired projects was 6.92 million sq.m., of which the Group's total attributable planned GFA was 5.81 million sq.m.. The consideration payable was RMB23,200 million.

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

| Land Parcel Name | City | Attributable Interest (%) | Total Planned GFA (sq.m.) |
|---|---|---|---|
| **Southern China Region** | | | |
| Site in Huicheng District | Huizhou | 100 | 76,855 |
| Site in Tangquan District | Huizhou | 100 | 222,110 |
| Site in Taicheng District | Jiangmen | 100 | 96,284 |
| Site in Xinhui District | Jiangmen | 100 | 63,525 |
| Site in Dongcheng Avenue | Qingyuan | 100 | 111,995 |
| Site in Golden Bay | Beihai | 100 | 94,816 |
| **Eastern China Region** | | | |
| Site in Gaoxin District | Changshu | 49 | 132,701 |
| Site in Xinzhan District | Hefei | 100 | 136,094 |
| Site in Dianshan Lake Town | Kunshan | 100 | 108,523 |
| Site in Agile Champion Town | Weihai | 64.8 | 1,763,211 |
| Site in Yunlong District | Xuzhou | 50 | 172,115 |
| Site in International Waterfront New Town | Yangzhou | 100 | 255,714 |
| **Western China Region** | | | |
| Site in Wenjiang District | Chengdu | 100 | 245,068 |
| Site in Beipei District | Chongqing | 100 | 168,089 |
| Site in Jiulongpo District | Chongqing | 100 | 100,070 |
| **Central China Region** | | | |
| Site in Technology & Innovation Town | Xiangyang | 100 | 442,912 |
| Site in Zhengshang New District | Zhengzhou | 33 | 116,726 |
| Site in Agile Romantic Town | Zhengzhou | 72 | 282,671 |
| **Northern China Region** | | | |
| Site in Hexi District | Beijing | 100 | 80,252 |
| Site in Yuci District | Jinzhong | 49 | 452,292 |
| Site in Zhengding New District | Shijiazhuan | 100 | 99,394 |
| Site in Haijiao Garden District | Tianjin | 50 | 327,276 |
| Site in Agile Baodi Jinqiao International Town | Tianjin | 96 | 329,323 |
| **Northeast China Region** | | | |
| Site in Development District | Shenyang | 50 | 52,198 |
| **Yunnan Region** | | | |
| Site in Panlong District | Kunming | 50 | 262,126 |
| Site in Agile International Garden | Ruili | 100 | 522,477 |
| Site in Agile Quenya | Xishuangbanna | 100 | 151,680 |
| **Overseas** | | | |
| Site in Agile Sky Residence | Phnom Penh | 49 | 50,640 |

**Property development and sales**

During the Review Period, the revenue from recognised sales of property development of the Group was RMB24,685 million, representing an increase of 9.5% when compared with RMB22,552 million in the corresponding period of 2018. The total recognised GFA sold was 1.92 million sq.m., representing an increase of 5.7% when compared with the corresponding period of 2018. The recognised average selling price increased by 3.5% to RMB12,836 per sq.m. in the first half of 2019 from RMB12,396 per sq.m. in the first half of 2018.

**Property management**

During the Review Period, revenue from property management of the Group was RMB1,505 million, representing an increase of 63.9% when compared with RMB918 million in the corresponding period of 2018. Operating profit from property management business was RMB592 million, representing an increase of 39.2% when compared with RMB425 million in the corresponding period of 2018. As at 30 June 2019, the total GFA under management increased from approximately 109 million sq.m. as at 30 June 2018 to approximately 211 million sq.m..

**Hotel operations**

During the Review Period, revenue from hotel operations of the Group was RMB353 million, representing a decrease of 2.5% when comparable with RMB362 million in the corresponding period of 2018. 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.

**Environmental Protection**

During the Review Period, revenue from environmental protection of the Group was RMB 474 million, representing an increase of 68.9% when compared with RMB281 million in the corresponding period of 2018. The growth was mainly attributable to increased number of new hazardous waste treatment projects.

**Property investment**

During the Review Period, revenue from property investment of the Group was RMB98 million, representing an increase of 4.9% when compared with RMB93 million in the corresponding period of 2018. The increase was mainly due to the increase of rental income for the period.

**Cost of sales**

During the Review Period, cost of sales of the Group was RMB18,894 million, representing an increase of 55.0% when compared with RMB12,188 million in the corresponding period of 2018. The increase was mainly due to increase of land cost and construction cost. Meanwhile, the total recognised GFA sold increase by 5.7% to 1.92 million sq.m. when compared with the corresponding period of 2018, which in turn led to the increase in the cost of property sales.

## Gross profit

During the Review Period, gross profit of the Group was RMB8,220 million, representing a decrease of 31.6% when compared with RMB12,018 million in the corresponding period of 2018. During the Review Period, gross profit margin of the Group was 30.3%, representing a decrease of 19.3 percentage points when compared with 49.6% in the corresponding period of 2018. As several cities affected by "City-specific Policies", the proportional of revenue recognition of high-margin projects has dropped significantly, leading to the decrease of overall gross profit margin of the Group.

## Other gains, net

During the Review period, the other gains, net of the Group was RMB4,722 million representing an increase of 14 times when compared with RMB314 million in the corresponding period of 2018, which was mainly due to a gain of RMB2,989 million from the disposal of 34% equity interest in a project company to an independent third party and resulted in loss of control, remeasurement gains resulting from a joint venture transferred to a subsidiary of RMB579 million and fair value gains on financial assets at fair value through profit or loss of RMB883 million.

## Other income

During the Review Period, other income of the Group was RMB577 million, representing an increase of 54.8% when compared with RMB373 million in the corresponding period of 2018, 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 RMB959 million, representing a decrease of 7.0% when compared with RMB1,031 million in the corresponding period of 2018, which was mainly attributable to the significant decline in the sales of projects with higher commissions.

## Administrative expenses

During the Review Period, administrative expenses of the Group was RMB1,391 million, representing an increase of 36.6% when compare with RMB1,018 million in the corresponding period of 2018, 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 RMB135 million, representing an increase of 149.4% when compared with RMB54 million in the corresponding period of 2018, which was mainly attributable to the charitable donations of the Group increased to RMB55 million.

## 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, commercial mortgage backed securities ("CMBS") and asset backed securities ("ABS") less capitalised interests, gains recorded or losses incurred by foreign currency denominated borrowings less exchange losses capitalised 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, finance costs, net, of the Group was RMB926 million, representing an increase of 8.5% when compared with RMB853 million in the corresponding period of 2018, which was mainly due to non-capitalised interest expenses of RMB1,002 million.

## Share of post-tax (losses)/profits of associates

During the Review Period, the share of post-tax losses of associates was RMB10 million whereas share of post-tax profits of RMB48 million in the corresponding period of 2018.

## Share of post-tax profits/(losses) of joint ventures

During the Review Period, the Group recorded share of post-tax profits of joint ventures was RMB161 million, whereas share of post-tax losses of RMB99 million in the corresponding period of 2018.

## Profit attributable to shareholders

During the Review Period, profit attributable to shareholders of the Group was RMB5,077 million, representing an increase of 35.1% when compared with RMB3,759 million in the corresponding period of 2018.

## Liquidity, financial and capital resources

### Cash position and fund available

As at 30 June 2019, the total cash and bank balances of the Group were RMB41,588 million (31 December 2018: RMB45,062 million), comprising cash and cash equivalents of RMB33,204 million (31 December 2018: RMB35,776 million) and restricted cash of RMB8,384 million (31 December 2018: RMB9,285 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 2019, the Group's undrawn borrowing facilities were RMB6,193 million (31 December 2018: RMB2,733 million).

### Borrowings

As at 30 June 2019, the Group's total borrowings amounted to RMB93,567 million, of which bank borrowings and other borrowings, senior notes, and PRC corporate bonds, CMBS and ABS amounted to RMB64,867 million, RMB15,001 million and RMB13,699 million respectively.

| Repayment schedule | **As at 30 June 2019** ***(RMB million)*** | As at 31 December 2018 *(RMB million)* |
|---|---|---|
| **Bank borrowings and other borrowings** | | |
| Within 1 year | **30,547** | 30,542 |
| Over 1 year and within 2 years | **13,739** | 10,919 |
| Over 2 years and within 5 years | **14,178** | 15,743 |
| Over 5 years | **6,403** | 6,089 |
| **Subtotal** | **64,867** | 63,293 |
| **Senior notes** | | |
| Within 1 year | **3,415** | - |
| Over 1 year and within 2 years | **2,723** | 6,115 |
| Over 2 years and within 5 years | **8,863** | 5,436 |
| **Subtotal** | **15,001** | 11,551 |
| **PRC corporate bonds, CMBS and ABS** | | |
| Within 1 year | **2,150** | 4,791 |
| Over 1 year and within 2 years | **10,352** | 2,025 |
| Over 2 years and within 5 years | **1,197** | 6,869 |
| **Subtotal** | **13,699** | 13,685 |
| **Total** | **93,567** | 88,529 |

As at 30 June 2019, the Group's bank borrowings (including syndicated loans) of RMB40,052 million (31 December 2018: RMB37,704 million) and other borrowings of RMB11,752 million (31 December 2018: RMB11,495 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 RMB3,714 million as at 30 June 2019 (31 December 2018: RMB4,026 million).

The ABS and CMBS of RMB1,055 million (31 December 2018: RMB1,055 million) and RMB4,079 million (31 December 2018: RMB 4,073 million) were secured by its trade receivables and land use rights, self-used properties and investment properties.

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 2019, the gearing ratio was 81.3% (31 December 2018: 79.1%).

**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, Macao Pataca and Malaysian Ringgit, and the Group's certain senior notes was mainly denominated in United States 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 RMB3,335 million, representing an increase of 59.0% when compared with RMB2,098 million in corresponding period of 2018. The increase was mainly attributable to higher average balance of borrowings during the Review Period. Regardless of exchange differences arising from foreign currencies borrowings, the Group's effective borrowing rate for the period was 7.06% (In the corresponding period of 2018: 6.26%).

**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 2019, the outstanding guarantees amounted to RMB41,086 million (31 December 2018: RMB44,775 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.

Several subsidiaries of the Group and associate counter parties have provided certain guarantees in proportion of their shareholding in certain associate in respect of loan facilities amounting to RMB2,326 million (31 December 2018: RMB848 million). The Group's share of the guarantees amounted to RMB870 million (31 December 2018: RMB424 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 RMB13,807 million (31 December 2018: RMB13,779 million). The Group's share of the guarantees amounted to RMB5,209 million (31 December 2018: RMB6,245 million).

As at 30 June 2019, the Company has provided certain guarantees to certain independent third parties in respect of loan facilities amounting to RMB1,376 million (31 December 2018: nil).

**Commitments**

As at 30 June 2019, the commitments of the Group in connection with the property development activities were RMB31,134 million (31 December 2018: RMB29,659 million). The Group has also committed to pay outstanding land premium resulting from land acquisitions in the amount of RMB15,041 million (31 December 2018: RMB6,311 million). Additionally, the Group's capital commitments in respect of purchases of property, plant, equipment amounted to approximately RMB1,603 million (31 December 2018: RMB1,265 million).

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

During the six months ended 30 June 2019, the Group disposed 34% of equity interests in a wholly-owned subsidiary (the "Disposed Project") to an independent third party at a total consideration of RMB1,394,400,000, and thereafter, the Group lost control over the Disposed Project.

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 2019, the Group had a total of 24,523 employees, among which 212 were senior management and 466 were middle management. By geographical locations, there were 24,375 employees in mainland China and 148 employees in Hong Kong, Malaysia and Vietnam. For the six months ended 30 June 2019, the total remuneration costs, including directors' remuneration, were RMB2,159 million (in the corresponding period of 2018: RMB1,413 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

The Group's property development business will capitalise on market opportunities to develop premium real estate projects, thereby further strengthening the Group's solid market position. A-Living will continue to expand its business scope and GFA under management. The environmental protection business will ensure that its merger and acquisition projects and those under development contribute to the Group's income. The construction business will aim to become a benchmark for the industry by integrating existing resources and enhancing product quality. The real estate construction management business will enhance its internal management capabilities and make all efforts to develop quality projects. The commercial business will dedicate itself to improving the rate of return for all of its projects.

The Group is confident in the future development of its business segments. The Group firmly believes that by enhancing its internal management capabilities, optimising its operational management model, improving its training system, reinforcing its brand image, as well as continuously upgrading product and service quality, the Group will be able to deliver steady growth, further strengthen its market position, and develop Agile into a Century-long Enterprise.

## INTERIM DIVIDEND

The Board has declared an interim dividend of HK60.0 cents (2018: HK50.0 cents) per ordinary share payable in cash to shareholders of the Company. Interim dividend will be payable on or about Thursday, 19 September 2019 to the shareholders whose names appear on the register of members of the Company on Wednesday, 11 September 2019.

## CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Monday, 9 September 2019 to Wednesday, 11 September 2019 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 6 September 2019.

## REVIEW OF ACCOUNTS

The Company's audit committee has reviewed the interim results of the Group for the six months ended 30 June 2019.

The interim results of the Group for the six months ended 30 June 2019 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 (the "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") (the "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 2019.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2019, the Company has complied with all code provisions of the Corporate Governance Code and Corporate Governance Report (the "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 14 January 2019, Guangzhou Panyu Agile Realty Development Co., Ltd. (廣州番禺雅居樂房地產開發有限公司) ("Panyu Agile") (an indirect wholly-owned subsidiary of the Company incorporated in China) repurchased its outstanding domestic corporate bonds in an aggregate principal amount of RMB12,228,000 (the "Repurchased Bonds") out of RMB1,600,000,000 (the "Domestic Bonds") due 2021 with an initial coupon rate of 4.7% at the repurchase price of RMB100 each, being the face value of the Domestic Bonds. Panyu Agile resold the Repurchased Bonds during the period from 15 January 2019 to 16 February 2019. Following the completion of the said repurchase and resale, the outstanding Domestic Bonds remain at an aggregate principal amount of RMB1,600,000,000.

Save as disclosed above, during the six months ended 30 June 2019, 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 2019 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, 21 August 2019

*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*