OCT 華僑城亚洲

Overseas Chinese Town (Asia) Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03366

INTERIM REPORT 2019

Contents

Corporate Information

Registered Office	Clifton House PO Box 1350 GT, 75 Fort Street Grand Cayman, Cayman Islands
Head Office and Principal Place of Business	59/F., Bank of China Tower, 1 Garden Road, Hong Kong
Board of Directors	**Executive Directors** Mr. He Haibin *(Chairman)* Ms. Xie Mei *(CEO)* Mr. Lin Kaihua **Non-executive Director** Mr. Zhang Jing **Independent Non-executive Directors** Ms. Wong Wai Ling Professor Lam Sing Kwong Simon Mr. Chu Wing Yiu
Audit Committee/ Remuneration Committee	Ms. Wong Wai Ling *(Chairman)* Professor Lam Sing Kwong Simon Mr. Zhang Jing
Nomination Committee	Mr. He Haibin *(Chairman)* Ms. Wong Wai Ling Professor Lam Sing Kwong Simon
Qualified Accountant and Company Secretary	Mr. Fong Fuk Wai *(FCPA, FCCA)*

Corporate Information

Auditor	KPMG, Certified Public Accountants 8/F, Prince's Building, Central, Hong Kong
Legal Adviser as to Hong Kong Law	LC Lawyers LLP Suite 3106, 31/F One Taikoo Place 979 King's Road, Quarry Bay, Hong Kong
Principal Share Registrar and Transfer Office	Estera Trust (Cayman) Limited PO Box 1350, Clifton House 75 Fort Street, Grand Cayman Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-16, 17/F, Hopewell Centre 183 Queen's Road East, Hong Kong
Principal Bankers	Bank of China (Hong Kong) Limited China Construction Bank (Asia) Corporation Limited China Everbright Bank Co., Ltd. Hong Kong Branch Hang Seng Bank Limited Industrial Bank Co., Ltd. Hong Kong Branch Nanyang Commercial Bank, Limited
Stock Information	Listing Date: 2 November 2005 Stock Code: 03366 Stock Short Name: OCT (ASIA)
Company's Website	http://www.oct-asia.com

Management Discussion and Analysis

OPERATING RESULTS AND BUSINESS REVIEW

In the first half of 2019, China faced complex and arduous situations internationally in the midst of slowing global economic growth, intensifying geopolitical tensions, rising trade protectionism and significant contraction in total international trade volume. Against this backdrop, the PRC government carried out counter-cyclical adjustment through implementing a series of macro policies. As a result, the economy continued its overall stable and steady growing trend in the first half of the year. With accelerating and strengthening reform, optimization of the industry structure has been consistently upgraded. Faced with increasingly complex economic situations at home and abroad, the Group grasped opportunities in China's future development with a forward-looking perspective, and firmly implemented the development model of "integrated development + investment in urbanisation industrial ecosphere". The Group specifically focused on areas including culture, tourism, education, consumption, healthcare and urbanisation, actively expanded its investment project reserves and pushed forward in-depth strategic transformation.

For the six months ended 30 June 2019 (the "**Period under Review**"), the Group recorded a continuing operations revenue of approximately RMB310.84 million, representing a decrease of approximately 54.3% over the same period of 2018, which was mainly due to the decrease in revenue of Project Chengdu OCT and Shanghai Suhewan projects, resulting from regulation and control policies such as purchase and sale restrictions in located areas. Profit attributable to equity holders of the Company was approximately RMB34.36 million, representing a decrease of approximately 43.0% over the same period of 2018. This was mainly due to the decrease in investment income from the urbanisation industrial ecosphere business. The basic loss per share attributable to shareholders of the Company was approximately RMB0.108, representing an increase of approximately 17.4% over the same period of 2018, mainly due to the increase in loss attributable to ordinary shareholders of the Company.

Management Discussion and Analysis

Comprehensive Development Business

In the first half of 2019, under the guidance of the main principle "houses are for inhabitation, not for speculation and implementation of policies according to local conditions", the growth of overall sales of China's real estate industry slowed down significantly as compared with the same period of 2018. Policy adjustment and uncertainty of market environment led to the intensified urban divergence and tightened market liquidity. Along with market fluctuations, the real estate industry has become increasingly competitive. The Group upheld a positive and prudent attitude, and focused primarily on the Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area to seize its development opportunities by leveraging on brand and capital advantages of OCT, which has achieved steady development in the comprehensive development business in several key cities in the region.

During the Period under Review, the comprehensive development business of the Group recorded a revenue of approximately RMB303.27 million. Profit attributable to equity holders of the Company was approximately RMB25.70 million, representing a significant increase of approximately 1,414.3% over the same period of 2018, mainly due to the recognition of the share of profits of an associate, Yuzhou Properties Company Limited.

During the Period under Review, the Group and Hefei Guojia Industry Capital Management Co., Ltd.* ("Hefei Guojia") jointly won the bid for the land use rights of a residential and commercial land parcel situated at Chaohu, Hefei at a total consideration of approximately RMB1.13 billion. The parties established a project company, in which the Group holds 51% equity interest, to jointly develop and build the Chaohu Bantang Hot Spring Town project. The project has a total site area of approximately 413,900 sq.m. and is planned to be developed as an international high-quality hot spring destination with a total gross floor area of approximately 460,400 sq.m., which includes water park, commercial streets, hotels and residential properties.

Management Discussion and Analysis

During the Period under Review, the Group acquired 21% equity interest in Zhongshan Yuhong Real Estate Development Limited ("Zhongshan Yuhong"). The Zhongshan Yuhong project is located in the Zhongshan Torch Development Zone* (中山市火炬開發區), which is intended to be developed as high-rise residential properties and townhouses with a planned gross floor area of approximately 271,500 sq.m. The land parcel of the project occupies a superior geographical location with good ancillary facilities and superior school district advantage, and is expected to benefit from the projects of Guangdong-Hong Kong-Macao Greater Bay Area and the Shenzhen-Zhongshan Bridge.

During the Period under Review, the Group and Hefei Huaxing Konggang Investment Co., Ltd.* (合肥華興空港投資有限公司) jointly established Hefei OCT Industrial Development Co., Ltd.* (合肥華僑城實業發展有限公司), of which 51% of equity interest is held by the Group for the plan to participate in a large-scale urbanisation project in Hefei City.

The Shanghai Suhewan Project is situated at the junction of Suzhou River and Huangpu River banks, adjoining the Bund and facing Lujiazui across the river and within the core district of the Inner Ring, Shanghai. It occupies a superior geographical location and possesses highly scarce landscape resources. The project comprises three parcels of land, namely 1 Jiefang, 41 Jiefang and 42 Jiefang, with a total site area of approximately 430,000 sq.m. The building of Shanghai General Chamber of Commerce hosted numerous product launches for high-end brands which attracted widespread attention and further highlighted the brand image and business value of the project.

Management Discussion and Analysis

The Chengdu OCT Project is a large comprehensive development project located at both sides of Shaxi Line of Outer Sanhuan Road, Jinniu District, Chengdu City, Sichuan Province. The project comprises a premium residential community, urban entertainment and commercial complex and a Happy Valley theme park, with a total gross floor area of approximately 2,250,000 sq.m. During the Period under Review, the project focused on the sales of high-rise residential properties and car parking spaces.

Located at the core business district of Zhonglou at the centre of Xi'an City, the OCT Chang'an Metropolis Project is a commercial landmark along the Chang'an Road. The project has a total gross floor area of approximately 104,700 sq.m., comprising high-end office properties such as Building No. 2 and Building No. 3 as well as part of the car parking spaces, with rent level ranking at the forefront among Xi'an City office buildings. Building No. 3, a major project of the Group, is a rare Grade A office building, and its letting rate has been steadily rising. The tenants of OCT Chang'an Metropolis currently include many of the top 500 enterprises in the world.

The Chongqing OCT Land Project, which is located at Lijia Block, New North Zone, Chongqing City, occupies a superior geographical location and possesses rich landscape resources, overlooking the panorama of Jialing River with a Happy Valley theme park and large greenbelt in the neighborhood. The project has a total gross floor area of approximately 440,000 sq.m. Its major components comprise mid-to-high end high-rise residential properties and multi-storey residential properties, building a smart and humanised community.

Management Discussion and Analysis

Investment in the Urbanisation Industrial Ecosphere Business

In the first half of 2019, the number of fund raising, investment and withdrawal activities from the equity investment industry has recorded significant year-on-year decline, with an evident drop in the amount of investment in individual projects. Fundraising becoming difficult in the industry has become the new norm. Investment institutions without differentiated competitive advantages will face greater challenges for survival in the future. Under such context, as the only overseas listing platform of Overseas Chinese Town Group Limited ("OCT Group") (華僑城集團有限公司), the Group will continue to actively explore and attempt to integrate financial innovation and industry advantages through domestic and overseas investments, mergers and acquisitions as well as industry funds, focusing on project selection in the field of urbanisation industrial ecosphere. The Group will be more prudent towards investment decision-making and more stringent towards risk control.

During the Period under Review, profit attributable to equity holders of the Company of the investment in the urbanisation industrial ecosphere business was approximately RMB15.70 million.

Finance Lease Business

During the Period under Review, the Group actively expanded its finance lease business and signed the "Financial Lease and Factoring Framework Agreements" with OCT Group and Shenzhen Overseas Chinese Town Company Limited (深圳華僑城股份有限公司) respectively.

During the Period under Review, the finance lease business of the Group realised a revenue of approximately RMB7.57 million, with profit attributable to equity holders of the Company amounting to approximately RMB2.28 million.

Management Discussion and Analysis

OUTLOOK

Looking ahead to the second half of 2019, the global economy will reach an inflection point, with the growth momentum of all economies weakening and the impact of Sino-US trade frictions further surfacing. Industrial transfer and upgrade will intensify while downward economic pressure persists. In this context, China's economy is actively switching its direction towards internal development, with massive consumption and new economy gradually becoming new engines of its economy, while transformation and upgrade of the economic structure will be steadily carried out. At the same time, by virtue of prudent and flexible macro-policies, the financial sector will continue to deregulate, and massive tax cuts and fee reduction will continue to deliver the benefits of reform. China's economy will gradually shift to high-quality development in a complex and volatile market environment.

INNOVATIVE DEVELOPMENT CONCEPTS

OCT Group, the controlling shareholder of the Group, participates in the national modern urbanisation construction with the innovative development mode of "culture + tourism + urbanisation", and of "tourism + internet + finance", through its five development focus, namely "cultural industry sector, tourism industry sector, new urbanisation, electronic industry sector and relevant business investment".

Management Discussion and Analysis

As the Group is the only foreign listed company of its controlling shareholder, OCT Group, the Group's new development mode will be based on the idea of "comprehensive development + investment in the urbanisation industrial ecosphere". The Group will steadily develop the comprehensive development business by fully leveraging the Group's brand and financial strengths, and by securing high-quality prime cities projects and OCT urbanisation projects. The Group will also actively leverage the domestic and overseas capital markets along with financial products to step up its project development effort and seek new investment opportunities through domestic and overseas investments, mergers and acquisitions, industrial funds, financial leasing and others methods. At the same time, the Group will actively rely on financial instruments and capital markets to revitalise its existing assets, improve liquidity and enhance efficiency in the use of funds.

Comprehensive Development Business

In the second half of 2019, under the premise of maintaining the stable operation of the real estate market, it is expected that the overall control policies will remain to be continuity- and stability-oriented, with the philosophy of "houses are for inhabitation, not for speculation" and "leasing and purchasing" remains unchanged. However, the differentiation of different urban policies under the philosophy of "implementation of policies according to local conditions" will be deepened. At the same time, the five mega city clusters will be China's most promising regions with the most development potential in the future, especially the Beijing-Tianjin-Hebei Area, Yangtze River Delta Area and Guangdong-Hong Kong-Macau Greater Bay Area, which are likely to develop into world-class city clusters with global influence.

Management Discussion and Analysis

In the second half of 2019, the various comprehensive development projects of the Group are as follows: the construction for Hefei Chaohu Bantang Hot Spring Town project is expected to commence in the second half of 2019 and is scheduled to realise project pre-sale in the first half of 2020. The construction for Zhongshan Yuhong project has commenced since May 2019 and is scheduled to commence sale to the public in the second half of 2020. The remaining parts of the boutique business premises of Shanghai Suhewan project will remain available for purchase. By utilizing the Bvlgari Residence as a basic asset, the Group will revitalise its existing assets through asset securitization and other innovative financing channels to improve asset operations. The Chengdu OCT Project will launch island villa products which are scarce in downtown Chengdu, and will continue its sale of high-end apartments and boutique business premises with a total saleable area of approximately 113,000 sq.m. in the second half of 2019. As to the Chongqing OCT Land Project, the Group will step up its selling efforts for high-rise and multi-storey residential products with a total saleable area of approximately 95,200 sq.m. in the second half of 2019. The construction for OCT (Changshu) Project is expected to be completed by the end of 2019 and is scheduled to be leased to the public in 2020. With combined location advantages and integrated surrounding resources, the Group will continue to proactively research innovative development modes for existing industrial lands, in order to explore and push forward timely planning, development and construction of idle lands.

The Group will also continue to adhere to advanced development philosophy and clear market orientation, and pay attention to development opportunities in the Yangtze Delta and Guangdong-Hong Kong-Macao Greater Bay Area, thereby steadily developing its comprehensive development business. We will stay on the outlook for diversified investment opportunities, strengthen strategic synergy and business cooperation with invested enterprises, and explore business synergy and resource complements. Through various ways such as mergers and acquisitions, cooperation and equity investment, we will acquire high-quality lands at low cost to increase resource reserve for the projects.

Management Discussion and Analysis

Investment in the Urbanisation Industrial Ecosphere Business

In the second half of 2019, aiming at key areas including culture, travel, education, consumption, healthcare and urbanisation, the investment business of the Group will continuously select high-quality projects that meet our strategic orientation with due care, and strive for new equity investment opportunities, so as to build the urbanisation industrial ecosphere and the industrial cooperation alliance while continuously enriching and expanding the urbanisation industrial ecosphere. In the future, the Group's fund management companies will be based in Guangdong-Hong Kong-Macao Greater Bay Area, radiating outwards throughout China with its main focus on industries having strong synergy with urbanisation industrial ecosphere so as to reserve high quality resources for the Company.

Finance Lease Business

In the second half of 2019, the Group will continuously engage in the finance lease business in sectors such as theme parks and the manufacturing industry with a primary focus on customer base such as large to mid-scale state-owned enterprises and high quality listed companies, and at the same time commence business with controlling shareholders, improve its risk management and push forward the development of the business in order to achieve stable operating income.

The Board is very confident about the future development prospects of the Group. With the support of OCT Group, the Group will continue to march ahead with innovative development and endeavor to generate ideal investment returns for shareholders.

Management Discussion and Analysis

FINANCIAL REVIEW

As at 30 June 2019, the Group's total assets were approximately RMB25.25 billion, whereas the total equity amounted to approximately RMB12.88 billion.

For the six months ended 30 June 2019, the Group realised revenue from the continuing operations of approximately RMB310.84 million (same period of 2018: approximately RMB679.86 million), representing a decrease of approximately 54.3% over the same period of 2018, of which, revenue of the comprehensive development business was approximately RMB303.27 million, representing a decrease of approximately 55.4% over the same period of 2018, primarily due to the decrease in revenue from the Chengdu OCT Project and Shanghai Suhewan Project; and revenue of the finance lease business, a new business in the second half of 2018, amounted to approximately RMB7.57 million during the period.

For the six months ended 30 June 2019, the Group's gross profit margin from the continuing operations was approximately 12.6% (same period of 2018: approximately 34.1%), representing a decrease of 21.5 percentage points over the same period of 2018, of which, the gross profit margin of the comprehensive development business was approximately 10.4%, representing a decrease of 23.7 percentage points over the same period of 2018, mainly due to the decrease in revenue from products with high gross profit margin recognised during the period; and the gross profit margin of the finance lease business was approximately 44.3%.

Discontinued operation represents the paper packaging business. The Group has withdrawn from the operation in the second half of 2018 due to the strategic transformation. The profit from discontinued operation was approximately RMB9.52 million in the first half of 2018.

Management Discussion and Analysis

For the six months ended 30 June 2019, profit attributable to equity holders of the Company was approximately RMB34.36 million (same period of 2018: approximately RMB60.27 million), representing a decrease of approximately 43.0% over the same period of 2018, of which, profit attributable to the comprehensive development business was approximately RMB25.70 million, representing a significant increase of approximately 1,414.3% over the same period of 2018, mainly due to the recognition of the share of profit of the associate, Yuzhou Properties Company Limited, during the period; profit attributable to the finance lease business was approximately RMB2.28 million; and profit attributable to the investment and fund business was approximately RMB15.70 million, representing a decrease of approximately 63.8% over the same period of 2018, mainly due to the decrease in investment income.

For the six months ended 30 June 2019, the basic loss per share attributable to shareholders of the Company was approximately RMB0.108 (same period of 2018: approximately RMB0.092), representing an increase of approximately 17.4% over the same period of 2018 , mainly due to the increase in loss attributable to ordinary shareholders of the Company.

Distribution Costs and Administrative Expenses

For the six months ended 30 June 2019, the Group's distribution costs from the continuing operations were approximately RMB29.20 million (same period of 2018: approximately RMB57.60 million), representing a decrease of approximately 49.3% over the same period of 2018, of which, distribution costs of the comprehensive development business were approximately RMB29.20 million, representing a decrease of approximately 49.3% over the same period of 2018, mainly due to the decrease in sales commissions and advertising expenses as a result of decline in revenue from the comprehensive development business.

Management Discussion and Analysis

For the six months ended 30 June 2019, the Group's administrative expenses from the continuing operations were approximately RMB127.39 million (same period of 2018: approximately RMB93.01 million), representing an increase of approximately 37.0% over the same period of 2018, of which, administrative expenses of the comprehensive development business were approximately RMB93.33 million, representing an increase of approximately 18.1% over the same period of 2018, which was mainly due to the increase in the operation expenses of OCT Bvlgari Hotel held by OCT Shanghai Land; administrative expenses of the finance lease business were approximately RMB1.42 million; and administrative expenses of the investment and fund business were approximately RMB4.01 million, representing a decrease of approximately 23.9% over the same period of 2018, primarily due to the decrease in labour costs.

Interest Expenses

For the six months ended 30 June 2019, the Group's interest expenses from the continuing operations were approximately RMB126.61 million (same period of 2018: approximately RMB59.16 million), representing an increase of approximately 114.0% over the same period of 2018, of which, interest expenses of the comprehensive development business were approximately RMB63.84 million, representing an increase of approximately 30.2% over the same period of 2018, mainly due to the increase in the amount of the loans related to the comprehensive development business; interest expenses of the finance lease business were approximately RMB4.22 million; and interest expenses of the investment and fund business were approximately RMB34.26 million, representing an increase of approximately 238.7% over the same period of 2018, mainly due to the increase in the amount of the loans related to the investment and fund business as a result of the expansion in the operation scale.

Management Discussion and Analysis

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019, taking into account of the long-term development of the Company and its active participation in potential investment opportunities.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 30 June 2019 was approximately RMB12.88 billion (31 December 2018: approximately RMB12.91 billion). As at 30 June 2019, the Group had current assets of approximately RMB11.06 billion (31 December 2018: approximately RMB11.57 billion) and current liabilities of approximately RMB10.75 billion (31 December 2018: approximately RMB10.57 billion). The current ratio was approximately 1.03 as at 30 June 2019, representing a decrease of 0.06 as compared with that of approximately 1.09 as at 31 December 2018, mainly due to the decrease in cash at bank. The Group generally finances its operations with internally generated cash flow, credit facilities provided by banks and shareholders' loans.

As at 30 June 2019, the Group had outstanding bank and other loans of approximately RMB5.74 billion, without any fixed rate loans (31 December 2018: outstanding bank and other loans of approximately RMB6.39 billion, without any fixed rate loans). As at 30 June 2019, the interest rates of bank and other loans of the Group ranged from 3.43% to 6.38% per annum (31 December 2018: ranged from 3.14% to 6.38% per annum). Some of those bank loans were secured by certain assets of the Group and corporate guarantees provided by certain related companies of the Company. The Group's gearing ratio (being the total borrowings including bills payable and loans divided by total assets) was approximately 34.0% as at 30 June 2019, which was approximate to 33.6% as at 31 December 2018.

Management Discussion and Analysis

As at 30 June 2019, approximately 87.4% of the total amount of outstanding bank and other loans of the Group was denominated in Hong Kong Dollars (31 December 2018: approximately 88.9%); and approximately 12.6% of which was denominated in Renminbi (31 December 2018: approximately 11.1%). As at 30 June 2019, approximately 63.2% of the total amount of cash at bank and on hand of the Group was denominated in United States Dollars (31 December 2018: approximately 67.6%), approximately 35.3% of which was denominated in Renminbi (31 December 2018: approximately 30.3%) and approximately 1.5% of which was denominated in Hong Kong Dollars (31 December 2018: approximately 2.1%).

The Group's liquidity position remains stable. The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong Dollars and United States Dollars. For the six months ended 30 June 2019, the Group has not experienced any material difficulties in or effects on its operations or liquidity as a result of fluctuations in currency exchange rates. For the six months ended 30 June 2019, the Group did not enter into any foreign exchange forward contracts and other material financial instruments for hedging foreign exchange risks purpose.

Contingent Liabilities

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate; the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

Management Discussion and Analysis

The amount of guarantee deposits required varies among different banks, but usually within a range of 0% to 5% of the mortgage loans granted to buyers, with prescribed capped amount.

The management does not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group. No liabilities therefore is recognised in respect of these guarantees.

As at 30 June 2019, guarantees given to financial institutions for mortgages facilities granted to buyers of the Group's properties amounts to RMB682.20 million (31 December 2018: RMB823.99 million).

Employees And Remuneration Policy

As at 30 June 2019, the Group employed approximately 1,260 full-time staff in total. The basic remunerations of the employees of the Group are determined with reference to the industry's remuneration benchmark, the employees' experience and their performance, and equal opportunities will be offered to all staff members. Salaries of the employees are maintained at a competitive level and are reviewed annually, with reference to the relevant labour market and economic situation. The remuneration of the directors of the Company (the "Directors") is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits, the Group also provides bonuses to the staff based upon the Group's results and their individual performance.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for many years.

Management Discussion and Analysis

IMPORTANT EVENTS

Acquisition of 21% of Equity Interest and Debt Interest in Zhongshan Yuhong Real Estate Development Limited

On 26 March 2019, Shenzhen Huajing Investment Limited* (深圳市華京投資有限公司) ("Shenzhen Huajing"), a wholly-owned subsidiary of the Company, entered into the cooperation agreement (the "Yuhong Cooperation Agreement") with Zhuhai Yiyun Real Estate Limited* (珠海依雲房地產有限公司) ("Zhuhai Yiyun"), Xiamen Yuzhou Grand Future Real Estate Development Company Limited* (廈門禹洲鴻圖地產開發有限公司) ("Xiamen Yuzhou") and Zhongshan Yuhong Real Estate Development Limited* (中山禹鴻房地產開發有限公司) ("Target Company"), pursuant to which Shenzhen Huajing agreed to acquire and Xiamen Yuzhou agreed to sell (i) 21% equity interests in the Target Company at a consideration of RMB1,263,447; and (ii) the debt in the principal amount of RMB331,551,594.94 owing by the Target Company to Xiamen Yuzhou together with the interest at an annual rate of 8% accrued thereon (the "Target Debt Interest") for a consideration equivalent to the amount of the Target Debt Interest (the "Acquisition"). Pursuant to the Yuhong Cooperation Agreement, the total capital commitment to the Target Company to be provided by the shareholders of the Target Company shall not exceed RMB4,500,000,000, of which RMB945,000,000 shall be attributable to Shenzhen Huajing, which is in proportion to its equity interest to be held in the Target Company after the completion of the Acquisition. For further details, please refer to the announcement of the Company dated 26 March 2019 and the circular of the Company dated 24 April 2019.

Management Discussion and Analysis

Entering into of the Finance Lease and Factoring Framework Agreements

On 7 May 2019, OCT Financial Leasing Co., Ltd.* (華僑城融資租賃有限公司) ("OCT Financial Leasing"), a direct wholly-owned subsidiary of the Company, entered into the finance lease and factoring framework agreements (the "Finance Lease and Factoring Framework Agreements") with (1) OCT Group and (2) Shenzhen Overseas Chinese Town Company Limited* (深圳華僑城股份有限公司) ("OCT Ltd."), respectively, pursuant to which OCT Financial Leasing agreed to provide finance lease and factoring services to OCT Group and OCT Ltd., respectively. Each of the Finance Lease and Factoring Framework Agreements shall be effective for one year from the date of approval of the Finance Lease and Factoring Framework Agreements by the independent Shareholders at the extraordinary general meeting held on 19 June 2019. For further details, please refer to the announcement of the Company dated 7 May 2019 and the circular of the Company dated 23 May 2019.

Management Discussion and Analysis

Acquisition of Land Use Rights in Chaohu, Hefei, Anhui Province, The PRC

On 15 May 2019, Shenzhen OCT Gangya Holdings Development Co., Ltd.* (深圳華僑城港亞控股發展有限公司) ("OCT Gangya"), an indirect wholly-owned subsidiary of the Company, and Hefei Guojia Industry Capital Management Co., Ltd.* (合肥國嘉產業資本管理有限公司) ("Hefei Guojia") have jointly bidded and won the bid for the land use rights of the land situated at Chaohu, Hefei, Anhui Province of the PRC (the "Land") at the price of RMB1,131,548,600. On 3 June 2019, OCT Gangya entered into a cooperation agreement (the "Land Cooperation Agreement") with Hefei Guojia, pursuant to which OCT Gangya and Hefei Guojia agreed to establish a company (the "Project Company"), in which OCT Gangya and Hefei Guojia shall own 51% and 49% of the equity interest respectively, for the development of the Land. The total capital commitment to the Project Company made in accordance with the Land Cooperation Agreement shall not exceed RMB2,352,941,176, of which RMB1,200,000,000 and RMB1,152,941,176 is attributable to OCT Gangya and Hefei Guojia, respectively, in proportion to their respective shareholdings in the Project Company. For further details, please refer to the announcements of the Company dated 15 May 2019 and 3 June 2019, and the circular of the Company dated 24 June 2019.

Change of Independent Non-executive Directors

Mr. Chu Wing Yiu had been appointed as the independent non-executive Director at the annual general meeting of the Company held on 19 June 2019 (the "AGM") in place of Mr. Lu Gong who retired as the independent non-executive Director with effect from the conclusion of the AGM. For further details, please refer to the announcement of the Company dated 19 June 2019 and the circular of the Company dated 29 April 2019.

Management Discussion and Analysis

SUBSEQUENT EVENT(S)

Entering into of the Lease Agreement

On 5 July 2019, Overseas Chinese Town (Shanghai) Land Company Limited* (華僑城(上海)置地有限公司) ("OCT Shanghai Land"), a subsidiary of the Company, entered into the lease agreement with Shanghai Huahe Real Estate Development Co., Ltd.* (上海華合房地產開發有限公司) ("Shanghai Huahe"), a connected person of the Company, pursuant to which OCT Shanghai Land agreed to lease the certain properties in Shanghai to Shanghai Huahe for a term of 36 months from 1 August 2019 to 31 July 2022 at a monthly rental of RMB769,145. For further details, please refer to the announcement of the Company dated 5 July 2019.

Provision of Guarantee for the Repayment Obligations of Chongqing OCT Real Estate Limited to the Bank

On 11 July 2019, the Company, as a guarantor, entered into a guarantee agreement in favour of the Bank, pursuant to which the Company agreed to provide guarantee (subject to a cap of RMB467,000,000) in proportion to its indirect equity holding in Chongqing OCT Real Estate Limited* (重慶華僑城置地有限公司) ("Chongqing OCT Land") (which is indirectly owned by the Company as to 49%) for the repayment obligations of Chongqing OCT Land to the Bank in respect of the loan in the amount of RMB800,000,000 granted by the Bank to Chongqing OCT Land for the development of the Chongqing Land Project. For further details, please refer to the announcement of the Company dated 11 July 2019.

Directors' Interests

As at 30 June 2019, no interests and short positions in the ordinary shares of HK$0.10 each in the share capital of the Company (the "Shares"), underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) were held by the Directors and chief executives of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange (the "Model Code").

Interests and Short Positions of Substantial Shareholders and Other Persons

As at 30 June 2019, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long Position in Shares

Name of substantial shareholders	Capacity/Nature	Number of shares	Approximate percentage of shareholding
Pacific Climax Limited ("Pacific Climax") *(note 1)*	Beneficial owner	530,894,000 (long position)	70.94%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)")	Interest of a controlled corporation *(note 2)*	530,894,000 (long position)	70.94%
Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd.")	Interest of a controlled corporation *(note 3)*	530,894,000 (long position)	70.94%
Overseas Chinese Town Group Company Limited ("OCT Group")	Interest of a controlled corporation *(note 4)*	530,894,000 (long position)	70.94%

Interests and Short Positions of Substantial Shareholders and Other Persons

Notes:

(1) Ms. Xie Mei and Mr. Lin Kaihua, both being executive Directors, and Mr. Zhang Jing, being a non-executive Director, are also directors of Pacific Climax.

(2) OCT (HK) is the beneficial owner of all the issued share capital in Pacific Climax. Therefore, OCT (HK) is deemed, or taken to be interested in all the Shares beneficially held by Pacific Climax for the purpose of the SFO. Mr. He Haibin and Ms. Xie Mei, both being executive Directors, and Mr. Zhang Jing, being a non-executive Director, are also directors of OCT (HK).

(3) OCT Ltd. is the beneficial owner of all the issued share capital of OCT (HK), which is in turn the beneficial owner of all the issued share capital of Pacific Climax. OCT Ltd. is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT (HK) and Pacific Climax pursuant to the SFO. OCT Ltd. is a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. OCT Ltd. is a subsidiary of OCT Group.

(4) OCT Group is the beneficial owner of 46.99% of the issued shares of OCT Ltd., which is the beneficial owner of all the issued shares of OCT (HK) and in turn, the beneficial owner of all the issued share capital of Pacific Climax. Therefore, OCT Group is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT Ltd., OCT (HK) and Pacific Climax for the purpose of the SFO.

Save as disclosed above, as at 30 June 2019, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

Share Option Scheme

Under the ordinary resolution passed at the extraordinary general meeting on 15 February 2011, the Board adopted a new share option scheme (the "New Scheme"). The purpose of the New Scheme is to attract and retain the best available personnel, to provide additional incentive to the employees (full-time and part-time), directors, consultants and advisers of the Group and to promote the business development of the Group. The New Scheme shall be valid and effective for a period of ten years ending on 14 February 2021, unless terminated earlier by shareholders of the Company at a general meeting.

The participants of the New Scheme include any full-time or part-time employee, director, advisor and professional consultant of the Group or any member of the Group. The Directors may at their absolute discretion and on such terms as they may think fit, propose any eligible people under the New Scheme to take up options. An offer for the grant of options must be accepted within 28 days inclusive of the day on which such offer was made. The amount payable by each grantee of an option to the Company on acceptance of the offer is HK$1.00.

The subscription price of a share in respect of any particular option granted under the New Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

Share Option Scheme

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option scheme of the Company does not exceed 10% of the shares in issue at the date of approval of the New Scheme. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all options granted but yet to be exercised under all the New Schemes and any other share option scheme of the Company does not exceed 30% of the shares in issue at the time.

The total number of options not yet granted under the New Scheme as at 30 June 2019 was 20,436,000 options, which represented approximately 2.73% of all the issued share capital of the Company as at 30 June 2019. An option may be exercised in accordance with the terms of the New Scheme at any time during a period as the Board may determine, which shall not exceed ten years from the date of grant. The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company then in issue.

Pursuant to the terms of the New Scheme, the Company granted 30,100,000 options to some eligible participants (including some Directors and employees) at the exercise price of HK$4.04 and the grant price of HK$1.00 per option on 3 March 2011. Details of the above share options granted under the New Scheme are set out in the announcement of the Company dated 3 March 2011. As at 2 March 2016, all share options granted under the New Scheme have expired, lapsed and cancelled. During the Period under Review, no share options had been granted, exercised, lapsed or cancelled under the New Scheme.

Save for the above, at no time during the Period under Review prior to the date of this interim report was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporates.

Corporate Governance

For the six months ended 30 June 2019, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code. The Board confirms that, having made specific enquiry of all Directors, for the six months ended 30 June 2019, the Directors have complied with the required standards set out in the Model Code and its own code of conduct regarding the Directors' securities transactions.

AUDIT COMMITTEE

The audit committee of the Company and the management have reviewed the unaudited interim results announcement and the unaudited interim report of the Group for the six months ended 30 June 2019, and discussed the internal control, accounting principles and practices adopted by the Group with the management of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has redeemed any of its shares during the six months ended 30 June 2019. During the same period, neither the Company nor any of its subsidiaries has purchased or sold any of its shares.

By Order of the Board
Overseas Chinese Town (Asia)
Holdings Limited
He Haibin
Chairman

Hong Kong, 29 August 2019

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2019 - unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2019 RMB'000	2018 (Restated)* (Note) RMB'000
Continuing operations			
Revenue	3	310,840	679,858
Cost of sales		(271,715)	(448,174)
Gross profit		39,125	231,684
Other income		49,450	62,252
Other net gain		12,794	28,031
Distribution costs		(29,201)	(57,600)
Administrative expenses		(127,391)	(93,007)
Other operating expenses		(114)	(209)
(Loss)/profit from operations		(55,337)	171,151
Finance costs	4(a)	(126,610)	(59,162)
Share of profits less losses of associates		178,117	29,572
Share of loss of joint ventures		(1,041)	(3,026)
(Loss)/profit before taxation	4	(4,871)	138,535
Income tax	5	(9,388)	(71,473)
(Loss)/profit for the period from continuing operations		(14,259)	67,062
Discontinued operation			
Profit for the period from discontinued operation		–	9,521
(Loss)/profit for the period		(14,259)	76,583
Attributable to:			
Equity holders of the Company		34,358	60,268
Non-controlling interests		(48,617)	16,315
(Loss)/profit for the period		(14,259)	76,583

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2019 - unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2019	2018
			(Restated)* (Note)
		RMB'000	RMB'000
(Loss)/earnings per share (RMB)	6		
Basic (loss)/earnings per share			
From continuing operations		(0.108)	(0.106)
From discontinued operation		–	0.014
		(0.108)	(0.092)
Diluted (loss)/earnings per share			
From continuing operations		(0.108)	(0.106)
From discontinued operation		–	0.014
		(0.108)	(0.092)

*see note 19

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated in this respect. See note 2.

The notes on pages 39 to 76 form part of this interim financial report. Details of dividends payable to equity holders of the Company are set out in note 14(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2019 - unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	RMB'000
(Loss)/profit for the period	**(14,259)**	76,583
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss:		
Equity investments at FVOCI - net movement in fair value reserves (non-recycling)	**284,529**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences	**(25,763)**	(31,979)
Share of other comprehensive income of associates	**(10,197)**	(3,969)
	(35,960)	(35,948)
Other comprehensive income for the period	**248,569**	(35,948)
Total comprehensive income for the period	**234,310**	40,635
Attributable to:		
Equity holders of the Company	**282,927**	24,320
Non-controlling interests	**(48,617)**	16,315
Total comprehensive income for the period	**234,310**	40,635

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated in this respect. See note 2.

The notes on pages 39 to 76 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2019 - unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current assets			
Investment property	7	2,918,353	2,877,838
Other property, plant and equipment	7	2,052,643	2,074,898
Interests in leasehold land held for own use	7	1,460,241	1,483,911
		6,431,237	6,436,647
Intangible assets		5,597	6,273
Goodwill		570	570
Interests in associates	8	5,324,473	4,919,831
Interests in joint ventures	9	286,289	287,330
Other financial assets		1,723,682	1,437,525
Finance lease receivables		221,690	230,870
Trade and other receivables	10	–	2,476
Deferred tax assets		198,649	191,012
		14,192,187	13,512,534
Current assets			
Inventories and other contract costs	11	7,729,435	7,055,723
Finance lease receivables		66,915	65,342
Trade and other receivables	10	949,837	1,222,255
Cash at bank and on hand	12	2,315,400	3,222,953
		11,061,587	11,566,273

The notes on pages 39 to 76 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2019 - unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Current liabilities			
Trade and other payables	13	**2,740,090**	2,657,446
Contract liabilities		**293,235**	143,949
Lease liabilities	2(d)	**28,085**	–
Bank and other loans		**4,613,757**	4,979,886
Related party loans		**2,601,650**	2,037,700
Current taxation		**469,762**	748,884
		10,746,579	10,567,865
Net current assets		**315,008**	998,408
Total assets less current liabilities		**14,507,195**	14,510,942
Non-current liabilities			
Bank and other loans		**1,130,533**	1,410,771
Related party loans		**239,350**	–
Lease liabilities	2(d)	**62,689**	–
Deferred tax liabilities		**194,915**	194,514
		1,627,487	1,605,285
NET ASSETS		**12,879,708**	12,905,657

The notes on pages 39 to 76 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2019 - unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
CAPITAL AND RESERVES			
Share capital		**67,337**	67,337
Perpetual capital securities	14(b)	**5,294,751**	5,294,665
Reserves		**4,126,822**	4,104,240
Total equity attributable to equity holders of the Company		**9,488,910**	9,466,242
Non-controlling interests		**3,390,798**	3,439,415
TOTAL EQUITY		**12,879,708**	12,905,657

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated in this respect. See note 2.

The notes on pages 39 to 76 form part of this interim financial report.

Consolidated Statement of Changes in Equity

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

	Attributable to equity holders of the Company												
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Perpetual capital securities RMB'000 (note 14(b))	PRC statutory reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	67,337	36,884	147,711	53,277	5,293,313	449,217	-	(37,056)	26,064	3,640,312	9,677,059	3,642,036	13,319,095
Changes in equity for the six months ended 30 June 2018:													
Profit for the period	-	-	-	-	108,006	-	-	-	-	(47,738)	60,268	16,315	76,583
Other comprehensive income	-	-	-	-	-	-	-	(35,948)	-	-	(35,948)	-	(35,948)
Total comprehensive income	-	-	-	-	108,006	-	-	(35,948)	-	(47,738)	24,320	16,315	40,635
Transfer to PRC statutory reserves	-	-	-	-	-	314	-	-	-	(314)	-	-	-
Dividends approved (note 14(a))	-	-	-	-	-	-	-	-	-	(318,431)	(318,431)	-	(318,431)
Distribution to holders of perpetual capital securities	-	-	-	-	(108,539)	-	-	-	-	-	(108,539)	-	(108,539)
Disposal of a subsidiary	-	-	-	(7)	-	-	-	-	-	7	-	-	-
Changes of capital from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	(16,000)	(16,000)
Balance at 30 June 2018 and 1 July 2018	67,337	36,884	147,711	53,270	5,292,780	449,531	-	(73,004)	26,064	3,273,836	9,274,409	3,642,351	12,916,760
Changes in equity for the six months ended 31 December 2018:													
Profit for the period	-	-	-	-	120,688	-	-	-	-	617,746	738,434	111,810	850,244
Other comprehensive income	-	-	-	-	-	-	(176,404)	(251,394)	-	-	(427,798)	-	(427,798)
Total comprehensive income	-	-	-	-	120,688	-	(176,404)	(251,394)	-	617,746	310,636	111,810	422,446
Transfer to PRC statutory reserves	-	-	-	-	-	20,032	-	-	-	(20,032)	-	-	-
Transfer to retained profits upon disposal of financial assets measured at FVOCI	-	-	-	-	-	-	161,769	-	-	(161,769)	-	-	-
Dividends approved	-	-	-	-	-	-	-	-	-	-	-	(310,854)	(310,854)
Distribution to holders of perpetual capital securities	-	-	-	-	(118,803)	-	-	-	-	-	(118,803)	-	(118,803)
Disposal of subsidiaries	-	-	-	-	-	(6,829)	-	-	-	6,829	-	(1,892)	(1,892)
Changes of capital from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	(2,000)	(2,000)
Balance at 31 December 2018 (Note)	67,337	36,884	147,711	53,270	5,294,665	462,734	(14,635)	(324,398)	26,064	3,716,610	9,466,242	3,439,415	12,905,657

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated in this respect. See note 2.

Consolidated Statement of Changes in Equity

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

	Attributable to equity holders of the Company												
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Perpetual capital securities RMB'000 (note 14(b))	PRC statutory reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	67,337	36,884	147,711	53,270	5,294,665	462,734	(14,635)	(324,398)	26,064	3,716,610	9,466,242	3,439,415	12,905,657
Changes in equity for the six months ended 30 June 2019:													
Profit for the period	-	-	-	-	115,517	-	-	-	-	(81,159)	34,358	(48,617)	(14,259)
Other comprehensive income	-	-	-	-	-	-	284,529	(35,960)	-	-	248,569	-	248,569
Total comprehensive income	-	-	-	-	115,517	-	284,529	(35,960)	-	(81,159)	282,927	(48,617)	234,310
Dividends approved (note 14(a))	-	-	-	-	-	-	-	-	-	(144,828)	(144,828)	-	(144,828)
Distribution to holders of perpetual capital securities	-	-	-	-	(115,431)	-	-	-	-	-	(115,431)	-	(115,431)
Balance at 30 June 2019	67,337	36,884	147,711	53,270	5,294,751	462,734	269,894	(360,358)	26,064	3,490,623	9,488,910	3,390,798	12,879,708

The notes on pages 39 to 76 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

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

	Six months ended 30 June	
	2019	2018 (Note)
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Cash used in operations	**(290,246)**	(102,262)
Tax paid	**(309,053)**	(201,060)
Interest element of lease rentals paid	**(2,696)**	–
Other interest paid	**(147,155)**	(84,622)
Net cash used in operating activities	**(749,150)**	(387,944)
INVESTING ACTIVITIES		
Payment for acquisition of interest in an associate	**(340,380)**	–
Net cash flow from disposal of subsidiaries	**150,289**	(17,207)
Decrease in deposits with banks with maturity of more than three months	**480,456**	–
Additions of other financial assets	**–**	(1,176,471)
Other cash flows generated from/(used in) investing activities	**6,689**	(72,966)
Net cash generated from/(used in) investing activities	**297,054**	(1,266,644)

Condensed Consolidated Cash Flow Statement

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

	Note	Six months ended 30 June 2019 RMB'000	2018 (Note) RMB'000
FINANCING ACTIVITIES			
Capital element of lease rentals paid		(11,833)	–
Proceeds from loans		2,506,502	3,689,753
Repayment of loans		(2,359,067)	(3,900,014)
Dividend paid		–	(395,369)
Distribution to holders of perpetual capital securities		(115,431)	(108,539)
Decrease/(increase) in restricted and pledge deposits		15,651	(727,822)
Other cash flows used in financing activities		–	(498,014)
Net cash generated from/(used in) financing activities		35,822	(1,940,005)
Net decrease in cash and cash equivalents		(416,274)	(3,594,593)
Cash and cash equivalents at 1 January		1,744,196	6,898,256
Cash and cash equivalents included in assets and liabilities of disposal groups classified as held for sale at 1 January		–	46,792
Effect of foreign exchange rate changes		945	25,885
Cash and cash equivalents at 30 June	12	1,328,867	3,376,340

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated in this respect. See note 2.

The notes on pages 39 to 76 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

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

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 29 August 2019.

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

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

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

The interim financial report is unaudited and not reviewed by the auditor, but has been reviewed by the audit committee of the Company.

Notes to the Unaudited Interim Financial Report

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

2 CHANGES IN ACCOUNTING POLICIES

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

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

HKFRS 16, *Leases*

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

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

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

(a) Changes in the accounting policies

(i) New definition of a lease

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

Notes to the Unaudited Interim Financial Report

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

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policies (continued)

(i) New definition of a lease (continued)

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

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

(ii) Lessee accounting

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

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

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

Notes to the Unaudited Interim Financial Report

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

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

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

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

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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

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2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policies (continued)

(iii) Leasehold investment property

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

(iv) Lessor accounting

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

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

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2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

Determining the lease term

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

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was within a range from 3.81% to 6.38%.

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

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

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2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (continued)

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 16(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	115,310
Less: total future interest expenses	(18,041)
Present value of remaining lease payments, discounted using the incremental borrowing rate and total lease liabilities recognised at 1 January 2019	97,269

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

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

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2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (continued)

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

	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	**Carrying amount at 1 January 2019 RMB'000**
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Investment property	2,877,838	42,569	**2,920,407**
Other property, plant and equipment	2,074,898	28,880	**2,103,778**
Finance lease receivables	230,870	24,168	**255,038**
Total non-current assets	13,512,534	95,617	**13,608,151**
Finance lease receivables	65,342	1,652	**66,994**
Current assets	11,566,273	1,652	**11,567,925**
Lease liabilities (current)	–	26,243	**26,243**
Current liabilities	10,567,865	26,243	**10,594,108**
Net current assets	998,408	(24,591)	**973,817**
Total assets less current liabilities	14,510,942	71,026	**14,581,968**
Lease liabilities (non-current)	–	71,026	**71,026**
Total non-current liabilities	1,605,285	71,026	**1,676,311**
Net assets	12,905,657	–	**12,905,657**

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2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (continued)

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

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Included in "Other property, plant and equipment":		
Ownership interests in leasehold buildings held for own use, carried at depreciated cost	**36,781**	40,911
Included in "Interests in leasehold land held for own use":		
Ownership interests in leasehold land held for own use, carried at depreciated cost	**1,460,241**	1,483,911
Included in "Investment Properties":		
Ownership interests in leasehold investment properties, carried at depreciated cost	**1,857,870**	1,888,006
Included in "Inventories and other contract costs":		
Properties held for future development and under development for sale	**2,651,778**	2,086,834
Completed properties for sale	**1,172,616**	1,173,218
	3,824,394	3,260,052
	7,179,286	6,672,880

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2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) Lease liabilities

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

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	28,085	28,748	26,243	27,612
After 1 year but within 2 years	22,942	24,756	23,473	25,997
After 2 years but within 5 years	34,695	43,044	37,842	47,627
After 5 years	5,052	7,037	9,711	14,074
	62,689	74,837	71,026	87,698
	90,774	103,585	97,269	115,310
Less: total future interest expenses		(12,811)		(18,041)
Present value of lease liabilities		90,774		97,269

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2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

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

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2019
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2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

	2019					2018
	Amounts reported under HKFRS 16 (A) RMB'000	Add back: HKFRS 16 Depreciation and interest expense (B) RMB'000	Deduct: HKFRS 16 Income from finance lease (C) RMB'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (D) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (E=A+B-C-D) RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:						
(Loss)/profit from operations	(55,337)	10,895	(318)	(14,529)	(59,289)	171,151
Finance costs	(126,610)	2,696	-	-	(123,914)	(59,162)
(Loss)/profit before taxation	(4,871)	13,591	(318)	(14,529)	(6,127)	138,535
(Loss)/profit for the period	(14,259)	10,208	(239)	(10,897)	(15,187)	67,062
Reportable segment (loss)/ profit for the six months ended 30 June 2019 (note 3(b)) impacted by the adoption of HKFRS 16:						
– Comprehensive development business	(22,815)	5,150	(239)	(6,022)	(23,926)	18,012

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2019
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2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

	2019			2018
	Amounts reported under HKFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	(290,246)	(14,529)	(304,775)	(102,262)
Interest element of lease rentals paid	(2,696)	2,696	–	–
Net cash used in operating activities	(749,150)	(11,833)	(760,983)	(387,944)
Capital element of lease rentals paid	(11,833)	11,833	–	–
Net cash generated from/(used in) financing activities	35,822	11,833	47,655	(1,940,005)

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

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

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3 REVENUE AND SEGMENT REPORTING

(a) Disaggregating of revenue

The principal activities of the Group are comprehensive development, investment and fund business, paper packaging, and finance lease.

Revenue represents the sales value of goods or services supplied to customers (net of value-added tax), including the sales of properties, rental income from investment properties, ticket sales from theme park, finance lease income, sales of paper cartons and products are as follows:

	Continuing operations		Discontinued operation		Total	
For the six months ended	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15						
Disaggregated by business lines						
- Sale of properties	31,109	379,835	-	-	31,109	379,835
- Sale of tickets of theme park	91,475	117,091	-	-	91,475	117,091
- Construction contracts	-	105,313	-	-	-	105,313
- Hotel revenue	83,853	-	-	-	83,853	-
- Paper packaging business	-	-	-	250,586	-	250,586
	206,437	602,239	-	250,586	206,437	852,825
Revenue from other sources						
- Rental income from investment properties	96,830	77,619	-	-	96,830	77,619
- Finance lease income	7,573	-	-	-	7,573	-
	310,840	679,858	-	250,586	310,840	930,444

The Group's customer base is diversified and there was no customer with whom transactions exceeded 10% of the Group's revenue during the six months ended 30 June 2019.

Further details regarding the Group's principal activities are disclosed in note 3(b).

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2019
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3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the most senior executive management of the Group for the purposes of resource allocation and performance assessment, the Group has the following four reportable segments.

- Comprehensive development business: this segment engaged in the development and operation of tourism theme park, development and sale of residential properties, construction services, development and management of properties, property investment and operation of hotel.

- Investment and fund business: this segment engaged in the investment in new urbanisation industrial ecosphere, such as domestic and overseas direct investments, industrial fund and education.

- Finance lease business: this segment engaged in the finance lease business.

- Paper packaging business (discontinued): this segment engaged in the manufacture and sale of paper cartons and products.

The operating results of paper packaging business for the six months ended 30 June 2019 are presented as discontinued operation in the consolidated financial statements. Further details of the discontinued operation are set out in note 19.

Notes to the Unaudited Interim Financial Report

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

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment result is "net profit" after taxation. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Notes to the Unaudited Interim Financial Report

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3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 is set out below.

	Continuing operations									
	Comprehensive development business		Investment and fund business		Finance lease business		Paper packaging business (discontinued)		Total	
For the six months ended	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15										
Disaggregated by timing of revenue recognition										
Point in time	206,437	496,926	-	-	-	-	-	250,586	206,437	747,512
Over time	-	105,313	-	-	-	-	-	-	-	105,313
	206,437	602,239	-	-	-	-	-	250,586	206,437	852,825
Revenue from other sources	96,830	77,619	-	-	7,573	-	-	-	104,403	77,619
Revenue from external customers	303,267	679,858	-	-	7,573	-	-	250,586	310,840	930,444
Reportable segment revenue	303,267	679,858	-	-	7,573	-	-	250,586	310,840	930,444
Reportable segment (loss)/profit for the period	(22,815)	18,012	15,592	43,352	2,284	-	-	9,521	(4,939)	70,885
Attributable to:										
Equity holders of the Company	25,698	1,697	15,696	43,352	2,284	-	-	9,521	43,678	54,570
Non-controlling interests	(48,513)	16,315	(104)	-	-	-	-	-	(48,617)	16,315
Reportable segment (loss)/profit for the period	(22,815)	18,012	15,592	43,352	2,284	-	-	9,521	(4,939)	70,885
As at 30 June / 31 December										
Reportable segment assets	18,872,559	18,353,661	3,789,564	2,898,604	308,967	307,872	-	45,844	22,971,090	21,605,981
Reportable segment liabilities	7,083,019	6,784,503	2,903,556	2,615,678	33,856	38,610	-	10,234	10,020,431	9,449,025

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated in this respect. See note 2.

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3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Reportable segment (loss)/profit	**(4,939)**	70,885
Reportable segment (loss)/profit derived from the Group's external customers	**(4,939)**	70,885
Unallocated head office and corporate (expense)/gain	**(9,320)**	5,698
Consolidated (loss)/profit	**(14,259)**	76,583

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external. The geographical location of customers is based on the location at which the services were provided or the goods and properties sold.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Mainland China	**310,834**	930,444
Hong Kong	**6**	-
	310,840	930,444

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4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Continuing operations		Discontinued operation		Total	
For the six months ended	2019 RMB'000	2018 RMB'000 (Note)	2019 RMB'000	2018 RMB'000 (Note)	2019 RMB'000	2018 RMB'000 (Note)
Interest on bank and other loans	109,489	54,381	–	–	109,489	54,381
Interest on related party loans	57,604	49,288	–	–	57,604	49,288
Interest on lease liabilities	2,696	–	–	–	2,696	–
Total interest expense	169,789	103,669	–	–	169,789	103,669
Less: amount capitalised	(43,179)	(44,507)	–	–	(43,179)	(44,507)
	126,610	59,162	–	–	126,610	59,162

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4 PROFIT BEFORE TAXATION (CONTINUED)

(b) Other items

	Continuing operations		Discontinued operation		Total	
For the six months ended	2019 RMB'000	2018 RMB'000 (Note)	2019 RMB'000	2018 RMB'000 (Note)	2019 RMB'000	2018 RMB'000 (Note)
Interest income	(48,836)	(56,816)	-	(500)	(48,836)	(57,316)
Amortisation of intangible assets	717	166	-	21	717	187
Depreciation charge						
- owned property, plant and equipment	160,762	123,403	-	1,824	160,762	125,227
- right-of-use assets	10,895	–	-	–	10,895	–
Net impairment losses/ (reversal of impairment losses)						
- trade and other receivables and contract assets	507	209	-	(213)	507	(4)
- finance lease receivables	(393)	–	-	–	(393)	–
Inventory write-down and losses net of reversals	-	–	-	(109)	-	(109)
Fair value changes on financial assets measured at fair value through profit or loss	1,628	(34,048)	-	–	1,628	(34,048)

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated in this respect. See note 2.

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5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended	Continuing operations		Discontinued operation		Total	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Current tax						
Provision for corporate income tax ("CIT") for the period	1,732	9,675	-	6,961	1,732	16,636
Under- provision in respect of prior period	10,547	48,277	-	113	10,547	48,390
	12,279	57,952	-	7,074	12,279	65,026
PRC LAT	4,345	23,314	-	–	4,345	23,314
	16,624	81,266	-	7,074	16,624	88,340
Deferred tax						
Origination and reversal of temporary differences	(7,236)	(9,793)	-	467	(7,236)	(9,326)
	9,388	71,473	-	7,541	9,388	79,014

(i) CIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the period (six months ended 30 June 2018: Nil).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the six months ended 30 June 2019 and 2018.

Pursuant to the income tax rules and regulations of the PRC, taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC at 25% (six months ended 30 June 2018: 25%).

Additionally, a 10% withholding tax is levied for income derived from or accruing in PRC. However, as for the dividend income, due to the tax treaty between Hong Kong Special Administrative Region and PRC for avoidance of double taxation and prevention of tax evasion, dividends declared from PRC subsidiaries, associates and the joint venture to Hong Kong holding companies of the Group are subject to 5% withholding income tax since 1 January 2008 and onwards.

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5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

(ii) PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of profit or loss as income tax. The Group has estimated the tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated.

6 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

(i) (Loss)/profit attributable to ordinary equity shareholders of the Company (basic)

	Continuing operations		Discontinued operation		Total	
For the six months ended	**2019** **RMB'000**	2018 RMB'000	**2019** **RMB'000**	2018 RMB'000	**2019** **RMB'000**	2018 RMB'000
Profit attributable to equity holders of the Company	**34,358**	50,747	**-**	9,521	**34,358**	60,268
Less: Profit attributable to the holders of perpetual capital securities	**(115,517)**	(108,006)	**-**	-	**(115,517)**	(108,006)
Profit attributable to the holders of convertible preference shares	**-**	(15,576)	**-**	-	**-**	(15,576)
(Loss)/profit attributable to ordinary shareholders (basic)	**(81,159)**	(72,835)	**-**	9,521	**(81,159)**	(63,314)

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6 (LOSS)/EARNINGS PER SHARE (CONTINUED)

(a) Basic (loss)/earnings per share (continued)

(ii) Weighted average number of ordinary shares

	Six months ended 30 June	
	2019	2018
	'000	'000
Issued ordinary shares	**748,366**	687,372

(b) Diluted (loss)/earnings per share

On 26 April 2018, the holders of convertible preference shares of the Company converted all the 96,000,000 convertible preference shares to ordinary shares of the Company. As the conversion of the Company's convertible preference shares would be anti-dilutive, there was no dilutive potential ordinary shares for the Company's convertible preference shares during the six months ended 30 June 2018.

After the conversion, the Company did not have any outstanding convertible preference shares, so there was no dilutive potential ordinary shares for the Company during the six months ended 30 June 2019.

7 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

(a) Right-of-use assets

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

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of office, and therefore recognised the additions to right-of-use assets of RMB5,334,000.

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7 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (CONTINUED)

(b) Acquisitions of owned assets

During six months ended 30 June 2019, the Group acquired items of investment property, other property, plant and equipment with a cost of RMB71,213,000 (six months ended 30 June 2018: RMB131,322,000), and transferred property with a cost of RMB17,900,000 (six months ended 30 June 2018: RMB2,002,648,000) from inventories.

8 INTERESTS IN ASSOCIATES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Listed investments (note 1):		
- Share of net assets	**2,700,692**	2,640,164
- Goodwill	**663,347**	663,347
	3,364,039	3,303,511
Unlisted investments:		
- Share of net assets	**1,717,622**	1,605,940
- Goodwill	**10,380**	10,380
	1,728,002	1,616,320
Amounts due from an associate (note 2)	**232,432**	-
	5,324,473	4,919,831

Note 1: As at 30 June 2019, the fair value of interests in associates whose shares are listed amounted to RMB2,992,167,000 (2018:RMB2,752,905,000).

Note 2: As at 30 June 2019, amounts due from an associate of RMB 232,432,000(2018: Nil) was unsecured, interest-bearing at 8% per annum and repayment after one year.

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9 INTERESTS IN JOINT VENTURES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Unlisted investments:		
- Share of net assets	**286,289**	287,330

10 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade debtors and bills receivable:		
- Amounts due from fellow subsidiaries	**4,721**	6,974
- Amounts due from third parties	**17,147**	42,129
Less: allowance for doubtful debts	**(1,179)**	(1,545)
	20,689	47,558
Other receivables:		
- Amounts due from associates	**682,187**	583,227
- Amounts due from intermediate parents	**1,157**	1,157
- Amounts due from fellow subsidiaries	**17,762**	15,385
- Amounts due from other related parties	**9,444**	9,444
- Amounts due from third parties	**36,790**	212,568
Less: allowance for doubtful debts	**(12,055)**	(11,182)
	735,285	810,599
Financial assets measured at amortised cost	**755,974**	858,157
Deposits and prepayments	**193,863**	366,574
	949,837	1,224,731

Presenting as:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Non-current assets	**-**	2,476
Current assets	**949,837**	1,222,255
	949,837	1,224,731

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10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Except for amounts of RMB18,940,000 (2018:RMB18,940,000) which are interest-bearing at 6% per annum, and amounts of RMB418,932,000 (2018: RMB418,932,000) which are interest-bearing at 2.5% to 3% per annum, the amounts due from associates, intermediate parents, fellow subsidiaries and other related parties are unsecured, non-interest bearing and repayable on demand.

All of the trade and other receivables are expected to be recovered within one year at 30 June 2019. Trade and other receivables in the amount of RMB2,476,000 are expected to be recovered after one year at 31 December 2018.

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 years	**18,756**	45,809
1 to 2 years	**1,914**	890
2 to 3 years	**19**	859
	20,689	47,558

11 INVENTORIES AND OTHER CONTRACT COSTS

During six months ended 30 June 2019, there was no write-down or reversal of inventories in profit or loss (six months ended 30 June 2018: write-down of inventories of RMB105,000 and reversal of RMB214,000 in profit or loss). The reversal arose due to an increase in the estimated net realisable value of certain goods as a result of a change in consumer preferences.

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12 CASH AT BANK AND ON HAND

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash at bank and on hand	**1,328,867**	1,744,196
Cash at bank restricted for securing the loans and mortgage facilities	**747,633**	762,241
Bank deposits with maturity of more than three months	**238,900**	716,516
	2,315,400	3,222,953

13 TRADE AND OTHER PAYABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade creditors and bills payable:		
- Amounts due to fellow subsidiaries	**22,961**	23,311
- Amounts due to third parties	**848,727**	1,158,482
	871,688	1,181,793
Other payables and accruals:		
- Amounts due to associates	**136,164**	132,431
- Amount due to a joint venture	**195,087**	195,087
- Amounts due to fellow subsidiaries	**4,381**	1,102
- Amount due to other related party	**196,000**	-
- Amounts due to third parties	**633,075**	612,705
	1,164,707	941,325
Dividends payables	**455,688**	310,860
Interest payables:		
- Amount due to an associate	**18,551**	32,876
- Amounts due to intermediate parents	**27,010**	23,717
- Amounts due to fellow subsidiaries	**89,647**	57,723
- Amounts due to third parties	**16,720**	17,674
	151,928	131,990
Financial liabilities measured at amortised cost	**2,644,011**	2,565,968
Deposits	**96,079**	91,478
	2,740,090	2,657,446

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13 TRADE AND OTHER PAYABLES (CONTINUED)

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year	827,887	1,101,819
1 to 2 years	15,306	20,956
2 to 3 years	2,359	31,041
Over 3 years	26,136	27,977
	871,688	1,181,793

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, of HK22.00 cents per ordinary share (equivalent to RMB19.35 cents per ordinary share) (2018: HK48.00 cents per ordinary share (equivalent to RMB40.47 cents per ordinary share))	144,828	302,855
Final dividend in respect of the previous financial year, approved and paid during the period, of HK Nil cents per convertible preference share (equivalent to RMB Nil cents per convertible preference share) (2018: HK20.25 cents per convertible preference share (equivalent to RMB16.23 cents per convertible preference share))	–	15,576
	144,828	318,431

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14 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Perpetual capital securities

On 10 October 2017, the Company issued senior guaranteed perpetual capital securities with an principal amount of US$800,000,000 (equivalent to approximately RMB5,242,199,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.3% per annum from and including 10 April 2018, payable semi-annually on 10 April and 10 October of each year. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole but not in part.

In the opinion of the management, the Company is able to control the delivery of cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments. The perpetual capital securities are guaranteed by the Company's ultimate parent, Overseas Chinese Town Enterprises Company Limited (華僑城集團有限公司).

(c) Convertible preference shares

On 26 April 2018, the holders of convertible preference shares of the Company converted all the 96,000,000 convertible preference shares to ordinary shares of the Company. After the conversion, the Company did not have any outstanding convertible preference shares.

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15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has an investment team performing valuations for the unlisted equity securities. A valuation report with analysis of changes in fair value measurement is prepared by the team at the interim reporting date, and is reviewed and approved by the management. Discussion of the valuation process and results with the management and the Audit Committee is held twice a year, to coincide with the reporting dates.

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15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Fair value hierarchy (continued)

	Fair value at 30 June 2019	Fair value measurements as at 30 June 2019 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
- Listed equity securities	1,446,365	1,446,365	–	–
- Unlisted equity securities	277,317	–	–	277,317
	1,723,682	1,446,365	–	277,317

	Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
- Listed equity securities	1,161,836	1,161,836	–	–
- Unlisted equity securities	275,689	–	–	275,689
	1,437,525	1,161,836	–	275,689

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

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15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Rate
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	20% (2018: 20%)

The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2019, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's profit by RMB1,833,000 (2018:RMB1,794,000.)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	At 30 June 2019 RMB'000	At 30 June 2018 RMB'000
Unlisted equity securities:		
At 1 January	**275,689**	599,711
Changes in fair value recognised in profit or loss during the period	**1,628**	34,048
At 30 June	**277,317**	633,759

(b) Fair values of financial assets and liabilities carried at other than fair value

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

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16 COMMITMENTS

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Property, plant and equipment	687	17,970
Property development project	825,104	926,853
	825,791	944,823

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

	Properties RMB'000
Within 1 year	27,612
After 1 year but within 5 years	73,624
After 5 years	14,074
	115,310

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

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17 CONTINGENT LIABILITIES

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate; the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

The amount of guarantee deposits required varies among different banks, but usually within a range of 0% to 5% of the mortgage loans granted to buyers, with prescribed capped amount.

The management does not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group. No liabilities therefore is recognised in respect of these guarantees.

As at 30 June 2019, guarantees given to financial institutions for mortgages facilities granted to buyers of the Group's properties amounts to RMB682,204,000 (at 31 December 2018: RMB823,991,000).

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18 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Sales of goods and provide services	**4,750**	17,498
Purchase of goods and services	**7,414**	7,367
Rental income	**3,142**	2,846
Rental expense	**1,815**	1,815
Interest expense (note)	**57,604**	49,288
Interest income	**11,007**	6,968
Repayment of loans (note)	**40,000**	937,240
Repayment to an associate	**–**	500,000
New borrowings (note)	**843,300**	1,497,240

Note: For the six months ended 30 June 2019, OCT Group and its subsidiaries provided financial supports to the Group, and such financial supports constituted to connected transactions of the Group, but were exempted from complying with the requirements of reporting, announcement and approval from independent shareholders based on that the financial supports provided to the Group by OCT Group and its subsidiaries and which benefited the Group was made on the normal commercial terms (or more favorable than that provided to the listing issuer) to provide loans to the Group; and no asset of the Group was pledged as collateral for these financial supports.

(b) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Group's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Short-term employee benefits	**5,342**	4,136
Post-employment benefits	**448**	334
	5,790	4,470

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18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balance with related parties

In additions to the balances with related parties disclosed in notes 10 and 13 to the interim financial report, the balances with related parties are set out as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Loans from an associate	**1,103,000**	860,000
Loans from a fellow subsidiary	**1,315,350**	1,177,700
Loans from an intermediate parent	**339,350**	–
Loans from other related party	**83,300**	–

19 DISCONTINUED OPERATION

Starting from 2017, the Group pushed forward transformation strategy by gradually stripping down its paper packaging business, so as to adjust and optimise its industrial structure.

On 15 December 2017, the Group placed 85% of its equity interest of Huali Packaging (Huizhou) Co., Ltd. ("Huali Packaging (Huizhou)") on China Beijing Equity Exchange for sale through an open tender with a floor price of RMB71,809,000. The disposal was completed in April 2018 after the Group entering into an equity transfer agreement with independent third parties at a consideration of RMB71,809,000.

On 28 December 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose part of its subsidiary, Suzhou Huali Environmental Packaging Technology Co., Ltd.'s assets at a consideration of RMB19,000,000. The disposal of assets was completed on 9 January 2018.

Following the completion of transfer of 85% equity interest in Huali Packaging (Huizhou), the Group entered into another equity transfer agreement with the independent third party to dispose the remaining 15% equity interest in Huali Packaging (Huizhou) at a consideration of RMB12,916,000 in June 2018. Upon completion of the disposal in July 2018, the Group no longer hold any equity interest in Huali Packaging (Huizhou).

In October 2018, the Group entered into an agreement with the third party to dispose of the entire interest of its wholly-owned subsidiary, Zhongshan Huali Packaging Co., Ltd ("Zhongshan Huali") for a consideration of RMB150,289,000. The disposal of Zhongshan Huali was completed in December 2018 and the Group's paper packaging business ceased thereafter. As such, the results of the Group's paper packaging business were presented as discontinued operation in the consolidated financial statements.

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19 DISCONTINUED OPERATION (CONTINUED)

Results of discontinued operation are set out as follows:

	Six months ended 30 June 2018 RMB'000
Revenue	250,586
Cost of sales	(200,312)
Gross profit	50,274
Other income	500
Other net losses	(2,312)
Distribution costs	(16,215)
Administrative expenses	(18,938)
Other operating income	213
Profit from operations	13,522
Finance costs	–
Profit before taxation	13,522
Income tax	(5,022)
Net operating gain for the period from discontinued operation, net of tax	8,500
Gain on disposal of discontinued operation	3,540
Tax of gain on disposal of discontinued operation	(2,519)
Net gain on disposal of discontinued operation	1,021
Profit from discontinued operation, net of tax	9,521
Attributable to:	
Ordinary shareholders of the Company	9,521

Cash flows generated from discontinued operation are set out as follows:

	Six months ended 30 June 2018 RMB'000
Net cash generated from operating cash flows	82,448
Net cash generated from investing cash flows	14,590
Net cash flows for the year	97,038

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20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Entering into the lease agreement

On 5 July 2019, Overseas Chinese Town (Shanghai) Land Company Limited("OCT Shanghai Land"), a subsidiary of the Company, entered into the lease agreement with Shanghai Huahe Real Estate Development Co., Ltd("Shanghai Huahe"), a connected person to the Company, pursuant to which OCT Shanghai Land agreed to lease the properties to Shanghai Huahe for a term of 36 months from 1 August 2019 to 31 July 2022.

(b) Provision of guarantee for the repayment obligations of Chongqing OCT Real Estate Limited to the bank

On 11 July 2019, the Company, as a guarantor, entered into the guarantee agreement in favour of Shenzhen Branch of Nanyang Commercial Bank (China) Limited, pursuant to which the Company agreed to provide guarantee in proportion to its indirect equity holding in Chongqing OCT Land (which is indirectly owned by the Company as to 49%) for the repayment obligations of Chongqing OCT Land to the bank in respect of the loan in the amount of RMB800,000,000 granted by the bank to Chongqing OCT Land for the development of the Chongqing Land Project.

21 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2. Besides, certain comparative figures have been reclassified as a result of the presentation of discontinued operation (note 19).