



CHINA SCE PROPERTY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1966.HK



2016
Interim Report

CONTENTS

	Pages
1. Corporate Profile	2
2. Corporate Information	3
3. Financial Highlights	5
4. Management Discussion and Analysis	7
5. Disclosure of Interests	24
6. Other Information	26
7. Consolidated Statement of Profit or Loss and Other Comprehensive Income	29
8. Consolidated Statement of Financial Position	31
9. Consolidated Statement of Changes in Equity	33
10. Condensed Consolidated Statement of Cash Flows	35
11. Notes to the Condensed Consolidated Financial Statements	36

CORPORATE PROFILE

China SCE Property Holdings Limited (“China SCE” or the “Company”), together with its subsidiaries (collectively, the “Group”), were established in 1996 and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) in February 2010 (Stock Code: 1966). The Group’s major businesses include investment holding, property development, property investment and property management. The Company is dual-headquartered in Xiamen and Shanghai for its business operations, while implementing regional development strategy focusing on the first- and second-tier cities in the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, the Pearl River Delta Economic Zone and the West Taiwan Strait Economic Zone.

The Group’s property projects are distributed in 13 cities, including Beijing, Shanghai, Shenzhen, Tianjin, Xiamen, Hangzhou, Nanchang, Quanzhou, Zhangzhou, Longyan, Yanjiao, Anshan and Linfen. Product types include high-rise residential buildings, low-rise apartments, villas, commercial facilities and office buildings. The Company upholds “We Build to Inspire” (專築您的感動) as its corporate mission, strives to satisfy customers’ needs and pursues excellence in product quality. The Company has successfully established its leading position in the real estate market in the West Taiwan Strait Economic Zone. The Company was awarded the “2016 Best 50 of China Real Estate Developers” (2016中國房地產開發企業50強) during the period.

As of 30 June 2016, the Group and its joint ventures owned a land bank with an aggregate planned gross floor area (“GFA”) of approximately 8.45 million square metres (“sq.m.”), which is believed to suffice the development by the Group in the next three to four years. In the future, the Company will actively implement its development strategies on the basis of emphasising and improving product quality as it always does, and strive to become a regional leader in the industry and even a developer with more competitiveness across the People’s Republic of China (“PRC”).



Shanghai • SCE Plaza

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Chiu Yeung (*Chairman*)
Mr. Chen Yuanlai
Mr. Cheng Hiu Lok
Mr. Li Wei
Mr. Huang Youquan

Independent Non-executive Directors

Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te
Mr. Dai Yiyi

COMPANY SECRETARY

Mr. Li Siu Po

AUTHORISED REPRESENTATIVES

Mr. Wong Chiu Yeung
Mr. Li Siu Po

AUDIT COMMITTEE

Mr. Ting Leung Huel Stephen (*Chairman*)
Mr. Lu Hong Te
Mr. Dai Yiyi

REMUNERATION COMMITTEE

Mr. Dai Yiyi (*Chairman*)
Mr. Wong Chiu Yeung
Mr. Ting Leung Huel Stephen

NOMINATION COMMITTEE

Mr. Wong Chiu Yeung (*Chairman*)
Mr. Lu Hong Te
Mr. Dai Yiyi

CORPORATE GOVERNANCE COMMITTEE

Mr. Li Wei (*Chairman*)
Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS AS TO HONG KONG LAWS

Chiu & Partners

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

SCE Building
No. 208, Nanwu Road
Gaoqi, Xiamen
Fujian Province
China

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1606, Nanyang Plaza
No. 57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of China
China Construction Bank
Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

INVESTOR RELATIONS

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STOCK CODE

The Stock Exchange of Hong Kong Limited: 1966.HK

COMPANY WEBSITE

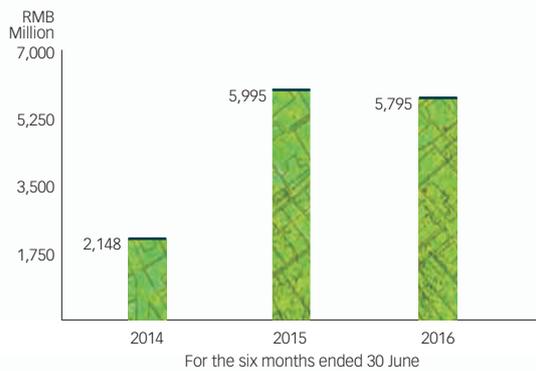
www.sce-re.com

FINANCIAL HIGHLIGHTS

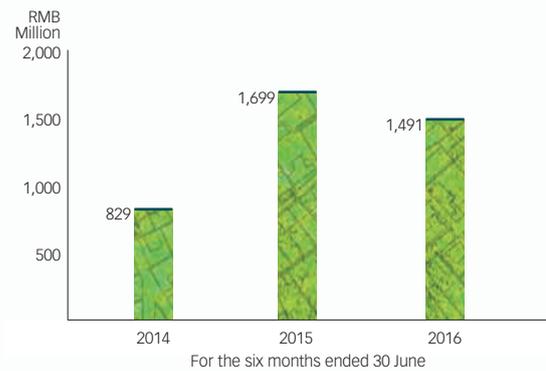
SUMMARY OF STATEMENT OF PROFIT OR LOSS

	For the six months ended 30 June		
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	Increase/ (Decrease) (%)
Revenue	5,795,279	5,994,613	(3.3)
Gross profit	1,491,177	1,699,274	(12.2)
Profit for the period	883,672	1,030,594	(14.3)
Profit attributable to owners of the parent	630,675	629,296	0.2

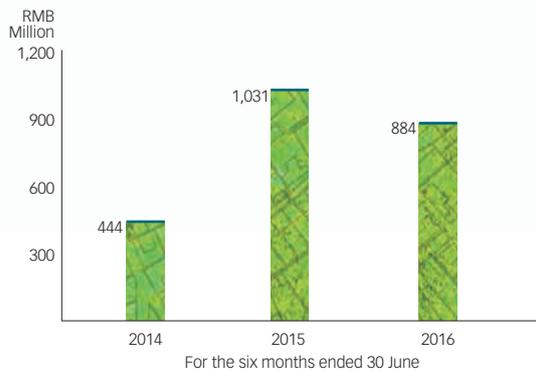
Revenue



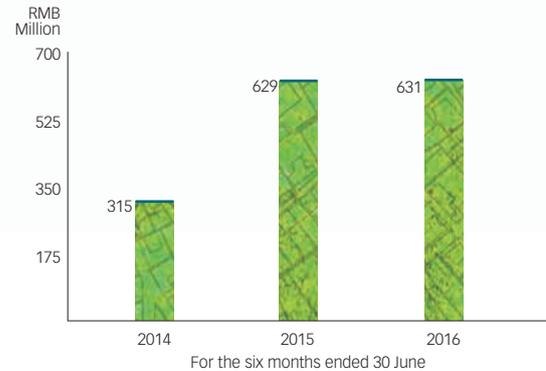
Gross profit



Profit for the period



Profit attributable to owners of the parent

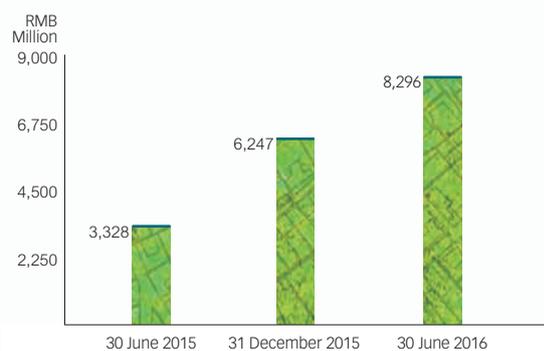


FINANCIAL HIGHLIGHTS

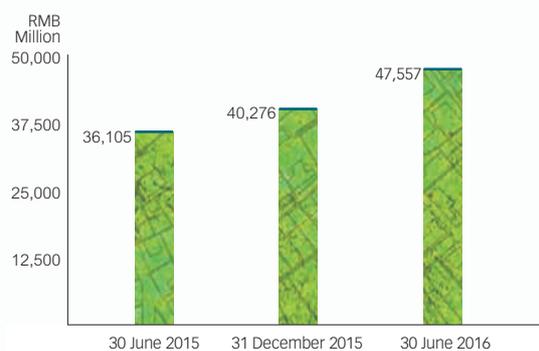
SUMMARY OF STATEMENT OF FINANCIAL POSITION

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000	Increase/ (Decrease) (%)
Cash and bank balances	8,296,173	6,247,028	32.8
Total assets	47,557,161	40,276,238	18.1
Total debts	(18,423,443)	(14,452,285)	27.5
Total liabilities	(36,131,022)	(28,677,637)	26.0
Total equity	11,426,139	11,598,601	(1.5)

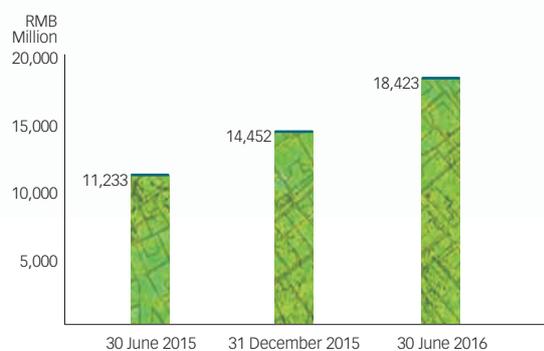
Cash and bank balances



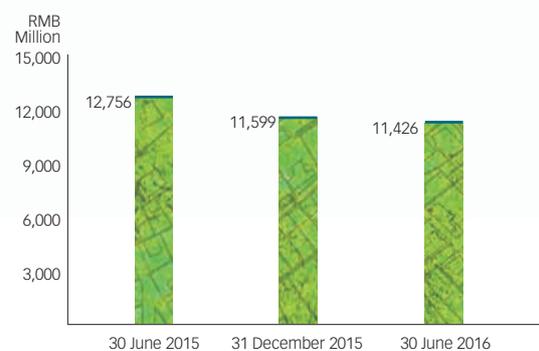
Total assets



Total debts



Total equity



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2016, the global economic uncertainties were intensified, while China's economy was also confronted with downward pressure. The People's Bank of China had extended the monetary easing policies implemented since 2015. It further reduced the required reserve ratio in March 2016 and continued the implementation of small-scaled stimulating policy on property sector. The combined effects of various factors such as the implementation of policies and changes in buyer's market expectation led to a strong recovery for the overall property market in the PRC. Both sales area and sales prices increased substantially in first-tier cities such as Beijing, Shanghai and Shenzhen. Meanwhile, the property market of quality second-tier cities such as Nanjing, Suzhou and Xiamen grew rapidly and sales prices reached another record-high. According to the data from the National Bureau of Statistics, in the first half of 2016, the GFA of commodity housing sold in the PRC was approximately 643 million sq.m., representing a year-on-year increase of approximately 27.9%, of which the GFA of residential housing sold increased by approximately 28.6%. The sales of commodity housing were approximately RMB4,868.2 billion, representing a year-on-year increase of approximately 42.1%, of which the sales of residential housing increased by approximately 44.4%.

In order to alleviate the pressure of surging commodity housing prices, macro-control policies on property market such as restrictions on property purchase and mortgage loans were introduced in a few first- and second-tier cities during the period. Though sales volumes were fierce in first- and second-tier cities, destocking pressure remained high in the third- and fourth-tier cities, which intensified the city differentiation.



Quanzhou • Parkview Bay

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Property Sales

For the six months ended 30 June 2016, the Group and its joint ventures reached another record-high contracted sales amount, and achieved an accumulated contracted sales amount of approximately RMB11.882 billion (including a contracted sales amount of approximately RMB4.657 billion from joint ventures) and an accumulated contracted sales area of approximately 736,000 sq.m. (including a contracted sales area of approximately 191,000 sq.m. from joint ventures), representing a year-on-year increase of approximately 119.5% and 11.4% respectively. The average selling price of properties during the period was RMB16,147 per sq.m., representing a year-on-year increase of approximately 97.1%. For the six months ended 30 June 2016, the Group and its joint ventures achieved approximately 76.7% of the annual sales target of RMB15.5 billion.



Quanzhou • SCE Mall (Shishi)

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2016, the Group and its joint ventures had 38 projects on sales in 11 cities, among which four projects were newly launched for sales, namely Sunshine City Phase 2 in Shenzhen, Marina Bay in Tianjin and Sunshine Park Phase 2 and SCE Plaza in Quanzhou. The contracted sales realised by the Group and its joint ventures during the period are set out below:

By City

	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB Million)	Percentage of Total Contracted Sales Amount (%)
Shanghai	160,728	5,140	43.3
Shenzhen	29,493	928	7.8
Tianjin	52,991	752	6.3
Xiamen	40,368	748	6.2
Quanzhou	153,516	1,138	9.6
Zhangzhou	118,342	1,126	9.5
Yanjiao	70,422	1,289	10.9
Others	110,016	761	6.4
Total	735,876	11,882	100.0

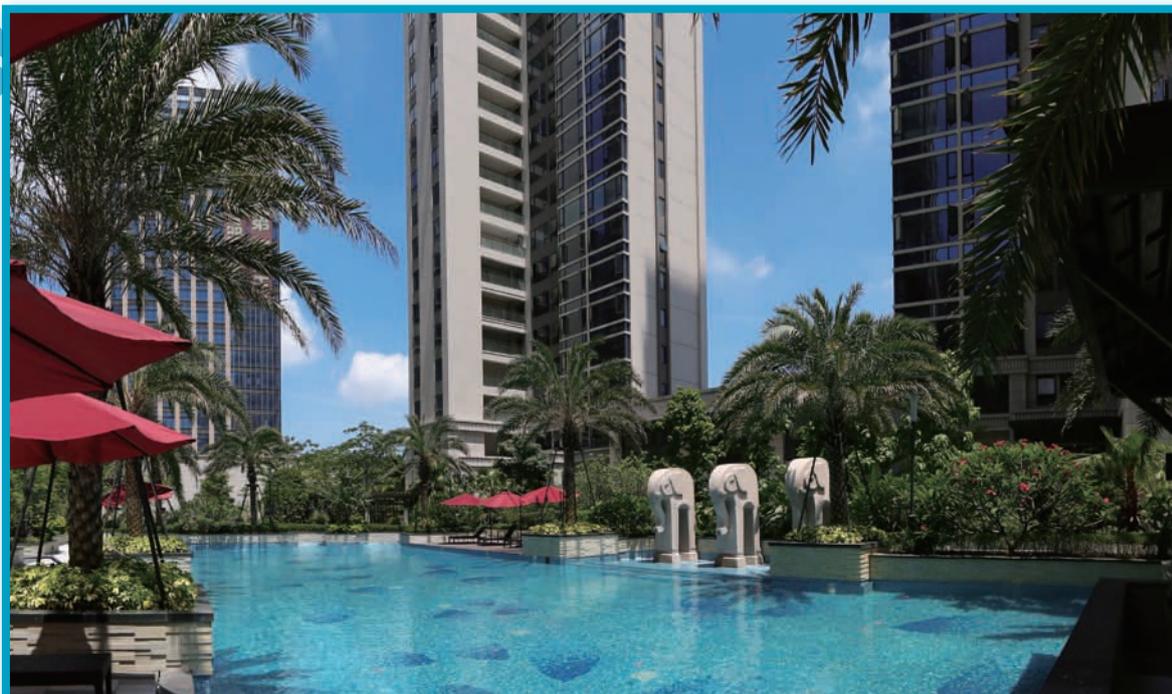
From the perspective of distribution of contracted sales by city, the contracted sales in Shanghai was remarkable among the first-tier cities. The Group achieved outstanding results in all pre-sale projects in Shanghai, including SCE Plaza Phase 1, The Prestige and Marina Bay. Shanghai alone has already contributed approximately 43% to the total contracted sales amount of the Group and its joint ventures during the period. According to the data from the research centre of China Real Estate Information Corporation, in terms of contracted sales amount and contracted sales area, China SCE ranked 14th and 13th, respectively, within the property market of Shanghai while SCE Plaza Phase 1 ranked first in the market of office and commercial buildings in Shanghai in the first half of 2016. Moreover, among the third- and fourth-tier cities, Zhangzhou and Yanjiao received satisfactory results with increasing sales prices and sales volumes. The aggregate contracted sales amounts of these two cities accounted for over 20% of total contracted sales amount of the Group and its joint ventures during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

By Region

	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB Million)	Percentage of Total Contracted Sales Amount (%)
Yangtze River Delta Economic Zone	160,728	5,140	43.3
West Taiwan Strait Economic Zone	366,707	3,420	28.8
Bohai Rim Economic Zone	178,948	2,394	20.1
Pearl River Delta Economic Zone	29,493	928	7.8
Total	735,876	11,882	100.0

From the perspective of distribution of contracted sales by region, the proportion of contracted sales amount from regions outside Fujian Province continued to increase in the first half of 2016, contributing over 70% to total contracted sales amount. The Yangtze River Delta Economic Zone, in particular, performed well and became a major contributor to the contracted sales amount of the Group and its joint ventures. In addition, Tianjin and Yanjiao within the Bohai Rim Economic Zone achieved satisfactory results and contributed approximately 17% to total contracted sales amount.



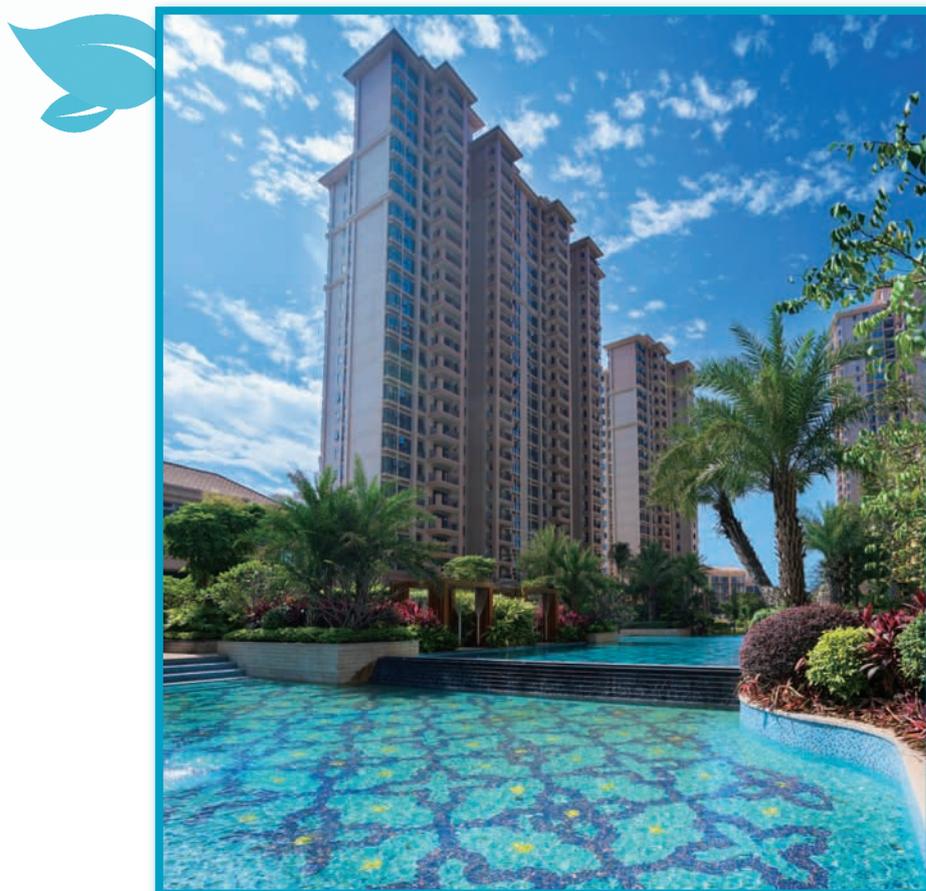
Quanzhou • The Prestige

MANAGEMENT DISCUSSION AND ANALYSIS

By City Tier

	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB Million)	Percentage of Total Contracted Sales Amount (%)
First-tier cities	190,221	6,068	51.1
Second-tier cities	115,274	1,717	14.4
Third- and fourth-tier cities	430,381	4,097	34.5
Total	735,876	11,882	100.0

From the perspective of distribution of contracted sales by city tier, contracted sales amount from the first- and second-tier cities amounted to nearly 65% of total contracted sales of the Group and its joint ventures in the first half of 2016, of which the contribution from the first-tier cities accounted for over 51% of total contracted sales amount of the Group and its joint ventures during the period. This demonstrated the Group's strategy of "Focusing on first-tier cities and quality second-tier cities" has made significant achievements.



Longyan • Sapphire Boomtown

MANAGEMENT DISCUSSION AND ANALYSIS

Project development

During the period, four new projects of the Group and its joint ventures, namely SCE Plaza Phase 2 and Sky Horizon in Shanghai, Marina Bay in Tianjin and Uptown in Nanchang, were officially commenced for construction. As at 30 June 2016, the Group and its joint ventures had a total of 21 projects under construction with an aggregate planned GFA of approximately 2.78 million sq.m. and details of properties under development are as follows :

Project Name	City	Type of Property	Percentage of Interest Attributable to the Group (%)	Total Planned GFA (sq.m.)	Expected Year of Completion
The Prestige	Shanghai	High-rise residential, villas and retail shops	100	78,402	2016
SCE Plaza (Phase 1)	Shanghai	Office and retail shops	50	219,650	2016
SCE Plaza (Phase 2)	Shanghai	SOHO apartments	50	42,255	2018
Marina Bay	Shanghai	High-rise residential and villas	100	130,781	2017
Sky Horizon	Shanghai	High-rise residential, SOHO apartments and retail shops	100	47,325	2018
Sunshine City (Phase 2)	Shenzhen	High-rise residential and retail shops	82	72,754	2017
Marina Bay	Tianjin	Low-rise residential and villas	100	153,504	2018
Haicang Vanke Dream Town (Phases 3&4)	Xiamen	High-rise residential and retail shops	12	253,175	2016–2017
Uptown	Nanchang	High-rise residential, SOHO apartments, LOFT apartments and retail shops	100	214,680	2018
SCE Plaza	Quanzhou	High-rise residential, SOHO apartments, office and retail shops	100	253,926	2016–2017
Gold Coast (Phase 1) (Partial)	Quanzhou	High-rise residential and retail shops	45	124,276	2016
SCE Mall (Shishi) (Phase 2)	Quanzhou	High-rise residential, SOHO apartments and retail shops	60	142,978	2018
Sunshine Park (Phase 2)	Quanzhou	High-rise residential and retail shops	51	129,613	2017
Sapphire Residences	Quanzhou	High-rise residential and retail shops	100	163,885	2017
Purple Lake International Golf Villa (Partial)	Quanzhou	Low-rise residential and villas	49	28,808	2016
Sapphire Boomtown (Phase 3) (Partial)	Zhangzhou	High-rise residential	100	26,038	2018
Sunshine City (Phase 2)	Zhangzhou	High-rise residential and retail shops	85	180,239	2016
Sunshine City (Phase 3)	Zhangzhou	High-rise residential and retail shops	75	160,137	2017
Sunshine City (Phase 2)	Yanjiao	High-rise residential and retail shops	55	181,957	2017–2018
SCE International Community (Phase 4)	Linfen	High-rise residential and retail shops	70	173,003	2017
Total				2,777,386	

MANAGEMENT DISCUSSION AND ANALYSIS



Quanzhou • Gold Coast



Anshan • Royal Spring City

Land Bank

During the reporting period, the Group successfully acquired additional land in first-tier and second-tier cities based on the strategy of “Focusing on first-tier cities and quality second-tier cities”. During the period, the Group successfully bid for a residential-cum-commercial land parcel in Mentougou District, Beijing with an above-ground GFA of approximately 263,000 sq.m. at a land premium of RMB3.948 billion. The Group also obtained two projects, which are located in Qingpu District, Shanghai and Xiaoshan Economy & Technology Development Zone, Hangzhou, through acquisitions. The total planned GFA of these two parcels of land are approximately 95,000 sq.m. and 139,000 sq.m. respectively. The aggregate consideration for land acquisitions in the first half of 2016 was approximately RMB4.788 billion.

As at 30 June 2016, the Group and its joint ventures had a land bank with an aggregate planned GFA of approximately 8.45 million sq.m. (the aggregate planned GFA attributable to the Group was approximately 5.91 million sq.m.), with more than 50 projects distributed over 13 cities. Before publication of this report, the Group acquired a parcel of land in Xiqing District, Tianjin with an above-ground GFA of approximately 133,000 sq.m. at a land premium of RMB1.69 billion in July.

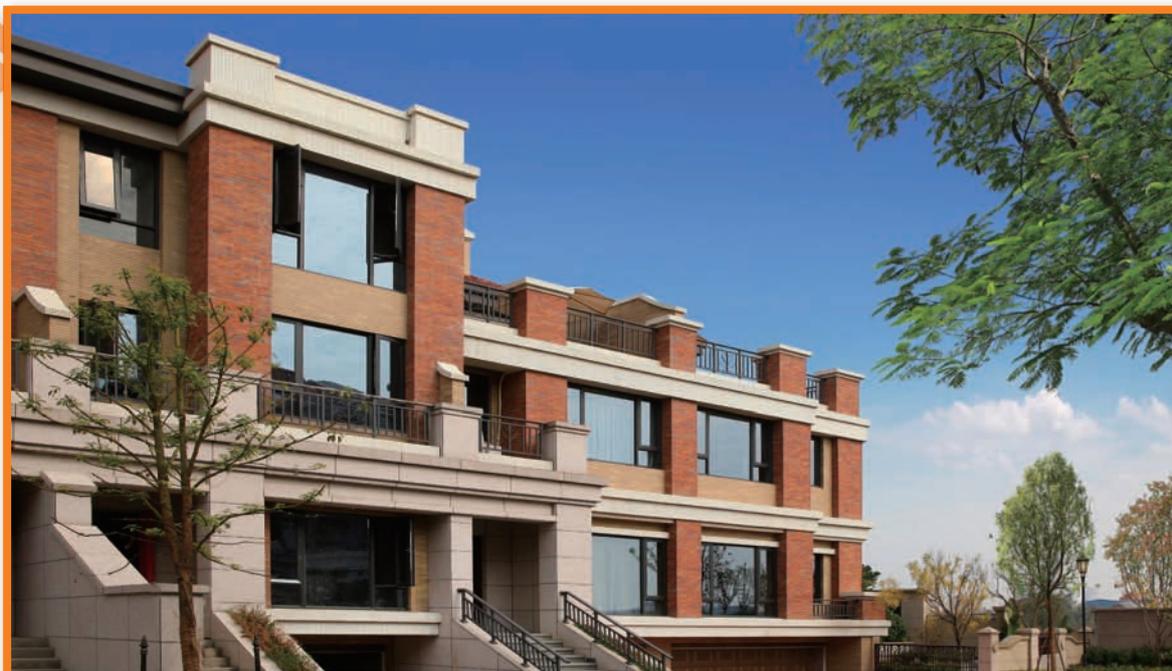
As for land bank cost by region, the cost of land bank located in the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, the West Taiwan Strait Economic Zone and the Pearl River Delta Economic Zone accounted for approximately 37.0%, 32.1%, 28.2% and 2.7% of total land bank cost (excluding investment properties) of the Group and its joint ventures, respectively. As in terms of land bank cost by city tier, the cost of land bank located in first-tier, second-tier and third- and fourth-tier cities accounted for approximately 64.0%, 10.1% and 25.9% of total land bank cost (excluding investment properties) of the Group and its joint ventures, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Strategy

Since the listing of the Company, the Group has adhered to a cautious principle to keep the financial indicators at a healthy and reasonable level. Through years of efforts, the Group has established trust and cooperative relationships with financial institutions in capital market. As the Group has performed well in the optimisation for debt structure, the financing costs of the Group have reduced continuously. During the reporting period, the weighted average financing cost decreased from approximately 9.3% in the same period last year to approximately 7.1%. In order to mitigate the exchange risks resulting from the expected depreciation of Renminbi, the Group has controlled the proportion of foreign currency loans within a reasonable range. As at 30 June 2016, the foreign currency loans accounted for approximately 35.3% of total borrowings of the Group. At the same time, the short-term loans remained at a relatively low level of approximately 28.3% ; and the cash and bank balances remained at a relatively high level of approximately RMB8.296 billion.

In January 2016, the Group entered into a facility agreement with a syndicate of banks, pursuant to which the Group obtained a three-year and six-month term loan facility of up to US\$400 million. The loan facility carries an annual interest rate of LIBOR plus 4.2%. The loan facility was used to repay certain existing debts of the Group, including the early redemption of US\$350 million 11.5% senior notes due 2017.



Nanchang • Sapphire Boomtown

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

In the opinion of the Group, the urbanisation of China currently remains at a stable and fast-growing stage and brings enormous rigid demand for housing. On the other hand, due to the implementation of monetary easing policy and the general adoption of two-child policy, the demand of upgraded housing becomes another main source of growth in real estate market in the PRC. In terms of city tier, the first-tier and second-tier cities with influx of population have strong demand for housing. The Group expects the sales prices and sales volumes will remain at a relatively high level in the first-tier and second-tier cities for the second half of 2016, while the destocking situation will continue in the third- and fourth-tier cities under the support of government policies.

Through our dedication for a period of time, the Group's strategy of "Focusing on first-tier cities and quality second-tier cities" is set down and has achieved outstanding results. Looking forward, the Group remains prudent and positive about the prospects of the real estate market in the PRC. The Group is confident it can realise a great improvement. In the second half of 2016, the Group and its joint ventures will develop steadily according to the plan, improve the business in an orderly manner, and adjust its pace of development flexibly to cater to the changing market conditions.

As for its land bank, the Group will adhere to the principle of prudent land expansion and keep a close eye on premium land resources in first-tier and second-tier cities. Facing the frequent emergence of "Prime Land" in the vigorous land markets, apart from the bidding of land in open tender, the Group will expand its land bank in various ways, such as project acquisition or cooperation with other property developers, which involve reasonable costs in order to mitigate the operating risks.



Linfen • SCE International Community

MANAGEMENT DISCUSSION AND ANALYSIS

As for its planned commencement, the Group will accelerate the construction in first-tier and second-tier cities in the second half of 2016. It is expected that construction of four projects, namely Polaris, The Paramount and Sunshine Mansion in Beijing and The Royal Green in Hangzhou, with an aggregate planned GFA of approximately 355,000 sq.m. will be officially commenced for construction in the second half of year.

As for its pre-sale strategy, in view of the prolonged boom in the real estate market in first-tier and second-tier cities, the Group will seize the best timing for pre-sales with prudent judgement to maximise profit for the projects. In terms of the stocks in third- and fourth-tier cities, the Group will continue to implement a flexible sales strategy by providing reasonable prices discounts and other benefits to its customers, with an aim mainly to increase the sell-through rate and cash collection rate. In the second half of 2016, the Group and its joint ventures expect to launch nine new projects for pre-sale in five first-tier and second-tier cities, namely Polaris, Sunshine Mansion and Jade Plaza in Beijing, Sky Horizon, SCE Plaza Phase 2 and The Royal Bay in Shanghai, City Twilight in Tianjin, The Royal Green in Hangzhou and Uptown in Nanchang. Based on estimation, together with the unsold portions of projects previously launched, the aggregate area available for pre-sale of the Group and its joint ventures in the second half of 2016 amounts to approximately 1.15 million sq.m..

As for its financial strategy, the Group is planning to reduce the percentage of offshore financing and implement foreign currency hedging arrangement against a portion of foreign currency loans, thereby mitigating the exchange risks resulting from the expected depreciation of Renminbi. In addition, the Group will proactively expand its financing pipeline in the PRC to decrease the weighted average financing cost of the Group effectively. At the same time, the Group will focus on increasing the cash collection rate to maintain the net gearing ratio at a healthy and reasonable level.



Tianjin • Marina Bay

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly derives from sales of properties, rental income, property management fees and project management income.

The revenue slightly decreased by approximately 3.3% from approximately RMB5,994,613,000 in the first half of 2015 to approximately RMB5,795,279,000 in the first half of 2016, which was attributable to the decrease in property sales income.

- **Sales of properties**

Income from property sales slightly decreased by approximately 4.7% from approximately RMB5,879,658,000 in the first half of 2015 to approximately RMB5,600,820,000 in the first half of 2016. Delivered area slightly increased by approximately 0.7% from 783,497 sq.m. in the first half of 2015 to 788,965 sq.m. in the first half of 2016. The average unit selling price slightly decreased from RMB7,504 per sq.m. in the first half of 2015 to RMB7,099 per sq.m. in the first half of 2016.

- **Rental income**

Rental income increased by approximately 5.9% from approximately RMB57,088,000 in the first half of 2015 to approximately RMB60,473,000 in the first half of 2016, which was mainly attributable to the increase in contribution of rental income from shopping mall of Fortune Plaza • World City in Quanzhou.

- **Property management fees**

Property management fees increased by approximately 24.4% from approximately RMB57,867,000 in the first half of 2015 to approximately RMB71,995,000 in the first half of 2016, which was mainly attributable to the increase in number and floor area of properties under the management of the Group.

- **Project management income**

During the period, the Group recognised project management income of approximately RMB61,991,000, which was attributable to the project management service and other property related service income provided to a joint venture.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

Gross profit decreased by approximately 12.2% from approximately RMB1,699,274,000 in the first half of 2015 to approximately RMB1,491,177,000 in the first half of 2016. Gross profit margin decreased from approximately 28.3% in the first half of 2015 to approximately 25.7% in the first half of 2016. The decrease in gross profit margin was attributable to a higher proportion of mid-end products with relatively lower gross profit margin delivered during the period.

Changes in Fair Value of Investment Properties

The fair value gains of investment properties decreased by approximately 54.3% from approximately RMB308,469,000 in the first half of 2015 to approximately RMB140,820,000 in the first half of 2016. The fair value gains of investment properties during the period were mainly attributable to the addition of the office building of Skyline Tower in Shanghai.

Selling and Marketing Expenses

Selling and marketing expenses decreased by approximately 6.0% from approximately RMB138,237,000 in the first half of 2015 to approximately RMB130,008,000 in the first half of 2016. The decrease in selling and marketing expenses was mainly attributable to the effective cost control of the Group. Even though relatively less expenses were incurred for marketing and brand publicity activities during the period, publicity effect can still be achieved as a result of the booming housing market in first-tier and second-tier cities.

Administrative Expenses

Administrative expenses increased by approximately 12.8% from approximately RMB135,563,000 in the first half of 2015 to approximately RMB152,924,000 in the first half of 2016. The increase in administrative expenses was mainly attributable to the inclusion of the exchange loss of approximately RMB18,787,000 in the first half of 2016.

Finance Costs

Finance costs decreased by approximately 9.1% from approximately RMB145,404,000 in the first half of 2015 to approximately RMB132,241,000 in the first half of 2016. Finance costs mainly represented partial borrowing costs which have not been capitalised as certain funds were not used for project developments. Due to the increase in bank and other borrowings (including senior notes and domestic bonds), total interest expense increased by approximately 7.0% from approximately RMB543,511,000 in the first half of 2015 to approximately RMB581,386,000 in the first half of 2016. Although total interest expense increased, weighted average financing cost decreased to approximately 7.1%. Such a decrease in weighted average financing cost was mainly due to the replacement of high-cost senior notes and trust loans with low-cost domestic bonds and a syndicated loan.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

Income tax expense decreased significantly by approximately 29.5% from approximately RMB628,333,000 in the first half of 2015 to approximately RMB442,755,000 in the first half of 2016. The percentage of tax charge for the period over revenue decreased significantly from approximately 10.5% in the first half of 2015 to approximately 7.6% in the first half of 2016, respectively. The decrease was mainly due to higher proportion of mid-end products with relatively lower gross profit margin delivered during the period. As such, the PRC corporate income tax decreased significantly.

Profit for the Period

Profit for the period decreased by approximately 14.3% from approximately RMB1,030,594,000 in the first half of 2015 to approximately RMB883,672,000 in the first half of 2016, which was mainly attributable to the decrease in gross profit margin and inclusion of the premium paid on early redemption of senior notes of approximately RMB129,454,000 during the period. The core profit margin decreased by 1.0 percentage point from 13.3% in the first half of 2015 to 12.3% in the first half of 2016.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent increased slightly by approximately 0.2% from approximately RMB629,296,000 in the first half of 2015 to approximately RMB630,675,000 in the first half of 2016. Earnings per share amounted to approximately RMB18.4 cents in the first half of 2016.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2016, the Group's cash and bank balances were denominated in different currencies as set out below:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Renminbi	8,054,613	5,881,050
Hong Kong dollars	187,061	78,199
US dollars	54,499	287,779
Total cash and bank balances	8,296,173	6,247,028

MANAGEMENT DISCUSSION AND ANALYSIS

According to the relevant laws and regulations of the PRC, certain property development companies of the Group are required to place certain amounts of cash and bank deposits into designated bank accounts to provide guarantees for the development of the relevant properties. The Group also places certain deposits in banks in the PRC to secure certain loans from banks in Hong Kong and certain bills issued from banks in the PRC. As at 30 June 2016, the amount of restricted cash and pledged deposits were approximately RMB1,241,056,000 (31 December 2015: approximately RMB989,957,000) and approximately RMB275,037,000 (31 December 2015: approximately RMB421,992,000), respectively.

Borrowings and Pledged Assets

The maturity of the borrowings of the Group as at 30 June 2016 is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Bank and other borrowings:		
Within one year or on demand	5,207,392	3,840,519
In the second year	960,990	1,641,515
In the third to fifth years, inclusive	6,509,354	980,770
	12,677,736	6,462,804
Senior notes and domestic bonds:		
In the second year	–	2,301,335
In the third to fifth years, inclusive	5,745,707	5,688,146
	5,745,707	7,989,481
Total borrowings	18,423,443	14,452,285

MANAGEMENT DISCUSSION AND ANALYSIS

The borrowings were denominated in different currencies as set out below:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Bank and other borrowings:		
Renminbi	8,444,902	4,336,683
Hong Kong dollars	640,695	706,298
US dollars	3,592,139	1,419,823
	12,677,736	6,462,804
Senior notes and domestic bonds:		
Renminbi	3,466,298	3,463,811
US dollars	2,279,409	4,525,670
	5,745,707	7,989,481
Total borrowings	18,423,443	14,452,285

As at 30 June 2016, approximately RMB9,351,753,000 (31 December 2015: approximately RMB5,930,085,000) of bank and other borrowings were secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale with a total carrying value of approximately RMB19,338,833,000 (31 December 2015: approximately RMB12,262,961,000), and capital stocks of certain subsidiaries. The senior notes of US\$350 million at a coupon rate of 10.0% due 2020 issued in July 2015 (the "2015 Senior Notes") and approximately RMB3,060,818,000 (31 December 2015: approximately RMB532,719,000) of bank and other borrowings were guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

As at 30 June 2016, except for certain bank and other borrowings of approximately RMB5,453,000,000 (31 December 2015: approximately RMB1,725,770,000) bearing interest at fixed interest rates, all the Group's bank and other borrowings bear interest at floating interest rates. The 2015 Senior Notes and the domestic corporate bonds of RMB2 billion at a coupon rate of 5.18% due 2020 issued in October 2015 and the domestic corporate bonds of RMB1.5 billion at a coupon rate of 5.3% due 2020 issued in December 2015 bear interest at fixed interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

The net gearing ratio was calculated by dividing the net amount of borrowings (including bank and other borrowings, senior notes and domestic bonds after deduction of cash and cash equivalents, restricted cash and pledged deposits) by total equity. As at 30 June 2016, the net gearing ratio was 88.6% (31 December 2015: 70.7%).

Exchange Rate Fluctuation Exposures

The Group's business are located in the PRC and all of the Group's revenue and substantially all of the Group's operating expenses are denominated in RMB. The majority of the Group's assets and liabilities are denominated in RMB. As at 30 June 2016, save as certain bank deposits, bank and other borrowings and the 2015 Senior Notes which were denominated in foreign currencies, exchange rate changes of RMB against foreign currencies will not have material adverse effect on the results of operations of the Group. No foreign currency hedging arrangement was made as at 30 June 2016. The Group will closely monitor its exposure to fluctuation in foreign currencies exchange rates.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group provided financial guarantees to the banks in respect of the following items:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	11,242,864	11,363,195

In addition, the Group's share of the joint ventures' own financial guarantees, which are not included in the above, is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the joint ventures' properties	238,418	228,818

Furthermore, as at 30 June 2016, the Group provided guarantee to banks in connection with loan facilities amounted to RMB1,780,000,000 (31 December 2015: RMB2,080,000,000) granted to a joint venture.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 30 June 2016, the capital commitments of the Group are as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, prepaid land lease payments and construction of investment properties in Mainland China	6,765,190	7,902,863

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Contracted, but not provided for:		
Capital expenditure for joint ventures' properties under development and construction of investment properties in Mainland China	357,890	365,210

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2016, the Group had a total of 3,066 employees (31 December 2015: 2,904 employees). During the period under review, the total cost of employees was approximately RMB112,438,000 (six months ended 30 June 2015 approximately RMB101,962,000). The Group provides employees with competitive remuneration and benefits, and the remuneration policy is reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance its employees' skills and capabilities in all aspects. The Group has launched its management trainee programme since 2011 for positions in selected functional areas in order to build pipeline for succession.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), are as follows:

Long positions in ordinary shares (the "Shares") of the Company:

Name of Director	Interest in Shares			Percentage of the Company's Issued Share Capital
	Beneficial Owner	Interest of Controlled Corporation	Total Number of Shares Held or Interested	
Mr. Wong Chiu Yeung ("Mr. Wong")	3,600,000	1,968,000,000 (Note 1)	1,971,600,000	57.58%
Mr. Chen Yuanlai ("Mr. Chen")	20,000,000	144,000,000 (Note 2)	164,000,000	4.79%
Mr. Cheng Hiu Lok ("Mr. Cheng")	–	144,000,000 (Note 3)	144,000,000	4.21%

Note 1: These 1,968,000,000 Shares were registered in the name of Newup Holdings Limited ("Newup"). Mr. Wong held 100% of the entire issued share capital of Newup and was deemed to be interested in the 1,968,000,000 Shares held by Newup pursuant to the SFO.

Note 2: These 144,000,000 Shares were registered in the name of Rising Trade Holdings Limited. Mr. Chen held 100% of the entire issued share capital of Rising Trade Holdings Limited and was deemed to be interested in the 144,000,000 Shares held by Rising Trade Holdings Limited pursuant to the SFO.

Note 3: These 144,000,000 Shares were registered in the name of Wealthy Gate Holdings Limited. Mr. Cheng held 100% of the entire issued share capital of Wealthy Gate Holdings Limited and was deemed to be interested in the 144,000,000 Shares held by Wealthy Gate Holdings Limited pursuant to the SFO.

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO are as follows:

Long positions:

Name	Capacity and Nature of Interest	Number of Shares Held or Interested	Percentage of the Company's Issued Share Capital
Newup (Note)	Beneficial owner	1,968,000,000	57.48%

Note: Newup was wholly-owned and controlled by Mr. Wong. Accordingly, Mr. Wong was deemed to be interested in the shares held by Newup. Mr. Wong was the sole director of Newup.

Save as disclosed above, as at 30 June 2016, no person, other than a Director or chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The participants of the Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The Scheme became effective on 6 January 2010 and unless otherwise cancelled or amended, will remain in force for a period of 10 years to 5 January 2020.

During the six months ended 30 June 2016, no share options were granted, exercised or cancelled by the Company under the Scheme. There were no outstanding share options under the Scheme as at 30 June 2016.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has been committed to maintain a high standard of corporate governance so as to enhance the operational efficiency of the Company. The Company believes that such commitment is beneficial to safeguard the interests of the Company and its shareholders. During the six months ended 30 June 2016, save as disclosed below, the Company and the board (the "Board") of Directors of the Company had been in compliance with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

Under provision A.2.1 of the Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the period under review, Mr. Wong performed his duties as both the chairman and the chief executive officer of the Company. The Board believes that serving by the same individual as chairman and chief executive officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company.

AUDIT COMMITTEE

According to the provisions of the Code, the Company established the Audit Committee on 6 January 2010. Under Rule 3.21 of the Listing Rules, the audit committee of issuers must comprise of all non-executive directors. The Audit Committee comprises three independent non-executive Directors, with Mr. Ting Leung Huel Stephen as the chairman, Mr. Lu Hong Te and Mr. Dai Yiyi as members.

Mr. Ting Leung Huel Stephen, chairman of the Audit Committee, has considerable experience in accounting and financial management, which is in line with the requirement of Rule 3.10(2) of the Listing Rules which requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise.

During the period under review, the Audit Committee oversaw the entire financial reporting process, risk management and the internal control measures; discussed the accounting principles and policies adopted by the Group together with the management; and reviewed the unaudited interim condensed financial statements for the six months ended 30 June 2016.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

As disclosed in the announcement of the Company dated 3 January 2014, pursuant to an agreement (the "2014 Facility Agreement") dated 3 January 2014 entered into by and among, inter alia, the Company as borrower, certain of its subsidiaries as original guarantors, and a syndicate of banks, the banks have agreed to grant to the Company an US\$27,000,000 and HK\$500,000,000 dual tranche term loan facility (the "2014 Facility") to finance repayment of certain existing indebtedness (unless earlier repaid from other resources), land acquisitions and general corporate funding of the Group.

OTHER INFORMATION

The 2014 Facility is for a term of three years commencing from the date of the 2014 Facility Agreement, and is guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

The 2014 Facility Agreement contains a requirement that Mr. Wong, a controlling shareholder of the Company and an executive Director, must (a) remain the single largest shareholder in the Company; (b) hold legally and beneficially and directly or indirectly 40% or more of all classes of the Company's voting share capital; and (c) continue to control (as defined in the Code on Takeovers and Mergers) the Company. A breach of such requirement will constitute an event of default under the 2014 Facility Agreement, and as a result, the 2014 Facility is liable to be declared immediately due and payable.

As at the date of this interim report, all outstanding balance under the 2014 Facility has been fully repaid in July 2016.

As disclosed in the announcement of the Company dated 4 January 2016, pursuant to an agreement (the "2016 Facility Agreement") dated 4 January 2016 entered into by and among, inter alia, the Company as borrower, certain of its subsidiaries as original guarantors, and a syndicate of banks, the banks have agreed to grant to the Company an US\$400,000,000 term loan facility (the "2016 Facility") to finance repayment of certain existing indebtedness of the Group.

The 2016 Facility is for a term of three years and six months commencing from the date on which the first utilisation of the 2016 Facility is made under the 2016 Facility Agreement, and is guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

The 2016 Facility Agreement contains a requirement that Mr. Wong, a controlling shareholder of the Company and an executive Director, and his family members (together with Mr. Wong, the "Wong Family"), (a) must remain the single largest shareholder in the Company; (b) must hold legally and beneficially and directly or indirectly 40% or more of all classes of the Company's voting share capital and/or must directly or indirectly control (as defined in the Code on Takeovers and Mergers) the Company; and (c) Mr. Wong or a member of the Wong Family must remain to be the chairman of the Board of the Company. A breach of such requirement will constitute an event of default under the 2016 Facility Agreement, and as a result, the 2016 Facility is liable to be declared immediately due and payable.

As at the date of this interim report, Mr. Wong and his associates jointly own approximately 57.58% of the voting share capital of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by directors.

The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the period under review.

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend in respect of the six months ended 30 June 2016.

By order of the Board

Wong Chiu Yeung

Chairman

Hong Kong, 9 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
REVENUE	4	5,795,279	5,994,613
Cost of sales		(4,304,102)	(4,295,339)
Gross profit		1,491,177	1,699,274
Other income and gains	4	38,373	34,625
Changes in fair value of investment properties, net		140,820	308,469
Selling and marketing expenses		(130,008)	(138,237)
Administrative expenses		(152,924)	(135,563)
Other expenses		(129,454)	–
Finance costs	5	(132,241)	(145,404)
Exchange differences arising from retranslation of senior notes, net	6	–	(1,200)
Share of profits and losses of:			
Joint ventures		200,711	36,862
Associates		(27)	101
PROFIT BEFORE TAX	6	1,326,427	1,658,927
Income tax expense	7	(442,755)	(628,333)
PROFIT FOR THE PERIOD		883,672	1,030,594
OTHER COMPREHENSIVE INCOME/(LOSS):			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income/(loss) of joint ventures		(12,774)	259
Share of other comprehensive loss of associates		(31)	–
Exchange differences on translation of foreign operations		(131,659)	2,267
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(144,464)	2,526
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		739,208	1,033,120

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Profit attributable to:			
Owners of the parent		630,675	629,296
Holders of perpetual capital instruments		19,167	124,198
Non-controlling interests		233,830	277,100
		883,672	1,030,594
Total comprehensive income attributable to:			
Owners of the parent		506,141	631,424
Holders of perpetual capital instruments		19,167	124,198
Non-controlling interests		213,900	277,498
		739,208	1,033,120
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	9		
Basic and diluted		RMB18.4 cents	RMB18.4 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment	10	109,091	116,389
Investment properties		6,783,300	5,634,500
Prepaid land lease payments		6,833,062	3,047,462
Intangible asset		3,736	3,819
Properties under development	10	1,454,171	1,263,935
Contract in progress	10	666,455	643,194
Investments in joint ventures		701,658	581,583
Investments in associates		34,892	34,950
Prepayments and deposits		756,658	1,041,394
Deferred tax assets		172,044	188,539
Total non-current assets		17,515,067	12,555,765
CURRENT ASSETS			
Properties under development	10	12,461,437	12,239,872
Completed properties held for sale		5,763,800	5,779,254
Trade receivables	11	100,792	177,404
Prepayments, deposits and other receivables		1,991,804	2,204,120
Due from related parties		773,679	576,350
Prepaid income tax		654,409	496,445
Restricted cash		1,241,056	989,957
Pledged deposits		275,037	421,992
Cash and cash equivalents		6,780,080	4,835,079
Total current assets		30,042,094	27,720,473
CURRENT LIABILITIES			
Trade and bills payables	12	2,630,216	2,505,810
Receipts in advance		10,118,617	8,145,371
Other payables and accruals		1,790,305	1,355,099
Interest-bearing bank and other borrowings	13	5,207,392	3,840,519
Due to related parties		1,632,848	478,509
Tax payable		677,587	916,258
Total current liabilities		22,056,965	17,241,566
NET CURRENT ASSETS		7,985,129	10,478,907
TOTAL ASSETS LESS CURRENT LIABILITIES		25,500,196	23,034,672

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		25,500,196	23,034,672
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	7,470,344	2,622,285
Senior notes and domestic bonds	14	5,745,707	7,989,481
Deferred tax liabilities		827,969	796,990
Provision for major overhauls		30,037	27,315
Total non-current liabilities		14,074,057	11,436,071
Net assets		11,426,139	11,598,601
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	295,732	295,732
Reserves		6,978,342	6,631,698
Perpetual capital instruments		7,274,074	6,927,430
Non-controlling interests	16	900,000	1,200,000
		3,252,065	3,471,171
Total equity		11,426,139	11,598,601

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the parent												
	Share		Statutory			Exchange				Perpetual capital instruments	Non-controlling interests	Total equity	
	Issued capital	premium account	Capital reserve	surplus reserve	Merger reserve	Other reserves	Hedging reserve	fluctuation reserve	Retained profits				
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	Total	(Unaudited)	(Unaudited)	(Unaudited)
RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
At 1 January 2016	295,732	1,339,321*	(110,322)*	645,244*	30*	(31,744)*	(44,811)*	(85,662)*	4,919,642*	6,927,430	1,200,000	3,471,171	11,598,601
Profit for the period	-	-	-	-	-	-	-	-	630,675	630,675	19,167	233,830	883,672
Other comprehensive loss for the period:													
Share of other comprehensive loss of joint ventures	-	-	-	-	-	(12,774)	-	-	-	(12,774)	-	-	(12,774)
Share of other comprehensive loss of associates	-	-	-	-	-	(31)	-	-	-	(31)	-	-	(31)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(111,729)	-	(111,729)	-	(19,930)	(131,659)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(12,805)	-	(111,729)	630,675	506,141	19,167	213,900	739,208
Acquisition of non-controlling interests	-	-	(16,024)	-	-	-	-	-	-	(16,024)	-	(151,186)	(167,210)
Issuance of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	900,000	-	900,000
Redemption of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	(1,200,000)	-	(1,200,000)
Dividend paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(281,820)	(281,820)
Distribution to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	(19,167)	-	(19,167)
Final 2015 dividend approved	-	(143,473)	-	-	-	-	-	-	-	(143,473)	-	-	(143,473)
At 30 June 2016	295,732	1,195,848*	(126,346)*	645,244*	30*	(44,549)*	(44,811)*	(197,391)*	5,550,317*	7,274,074	900,000	3,252,065	11,426,139

* These reserve accounts comprise the consolidated reserves of RMB6,978,342,000 (31 December 2015: RMB6,631,698,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the parent												Total equity
	Share		Statutory			Exchange			Retained profits	Total	Perpetual capital instruments	Non-controlling interests	
	Issued capital	premium account	Capital reserve	surplus reserve	Merger reserve	Other reserves	Hedging reserve	fluctuation reserve					
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2015	295,732	1,476,373	69,960	491,350	30	(6,491)	(44,811)	108,069	4,154,876	6,545,088	1,173,000	3,295,670	11,013,758
Profit for the period	-	-	-	-	-	-	-	-	629,296	629,296	124,198	277,100	1,030,594
Other comprehensive income for the period:													
Share of other comprehensive income of joint ventures	-	-	-	-	-	259	-	-	-	259	-	-	259
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	1,869	-	1,869	-	398	2,267
Total comprehensive income for the period	-	-	-	-	-	259	-	1,869	629,296	631,424	124,198	277,498	1,033,120
Capital reduction of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(101,850)	(101,850)
Acquisition of non-controlling interests	-	-	(180,282)	-	-	-	-	-	-	(180,282)	-	(84,718)	(265,000)
Issuance of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	1,200,000	-	1,200,000
Distribution to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	(124,198)	-	(124,198)
At 30 June 2015	295,732	1,476,373	(110,322)	491,350	30	(6,232)	(44,811)	109,938	4,784,172	6,996,230	2,373,000	3,386,600	12,755,830

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations		(787,939)	(149,100)
Interest received		15,538	20,548
Interest paid		(506,656)	(549,387)
PRC corporate income tax paid		(538,879)	(300,195)
PRC land appreciation tax paid		(253,037)	(267,017)
Net cash flows used in operating activities		(2,070,973)	(1,245,151)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	10	(5,248)	(5,581)
Additions to investment properties		(92,380)	–
Investment in a joint venture		(12,500)	–
Increase in advances of loans to joint ventures and associates		(197,329)	(239,770)
Dividend from a joint venture		80,362	–
Decrease/(increase) in restricted cash		(251,099)	208,819
Decrease in pledged deposits		146,955	40,608
Decrease in time deposits with original maturity over three months		–	148,449
Other investing cash flows, net		10,809	11,477
Net cash flows from/(used in) investing activities		(320,430)	164,002
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of senior notes		(2,380,829)	–
New bank and other borrowings		8,725,169	811,360
Repayment of bank and other borrowings		(2,558,482)	(1,776,933)
Acquisition of non-controlling interests		(23,929)	(115,000)
Distribution to holders of perpetual capital instruments		(19,167)	(124,198)
Net proceed from issuance of perpetual capital instruments	16	900,000	1,200,000
Redemption of perpetual capital instruments	16	(1,200,000)	–
Dividend paid to non-controlling shareholders of a subsidiary		(281,820)	–
Other financing cash flows, net		1,154,339	80,005
Net cash flows from financing activities		4,315,281	75,234
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		4,835,079	3,385,232
Effect of foreign exchange rate changes, net		21,123	(300)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		6,780,080	2,379,017
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		6,780,080	2,379,017

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

1. BASIS OF PREPARATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and whose shares are publicly traded on the Hong Kong Stock Exchange. The principal activities of the Group are described in note 3 to the unaudited interim condensed consolidated financial statements.

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 of the Listing Rules.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012–2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the new and revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited interim condensed consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment, property management and project management. For management purposes, the property development and property investment businesses are monitored as one operating segment on a project basis to allocate resources and assess performance. For financial reporting purposes, the property management segment and project management segment are combined with the property development and investment segment as its reported revenue, reported results and assets are less than 10% of the consolidated revenue, consolidated profit and consolidated assets of the Group.

The Group's revenue from external customers from each product or service is set out in note 4 to the unaudited interim condensed consolidated financial statements.

The Group's revenue from external customers is derived solely from its operations in the PRC, and the non-current assets of the Group are substantially located in the PRC.

During the period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Revenue		
Sales of properties	5,600,820	5,879,658
Gross rental income	60,473	57,088
Property management fees	71,995	57,867
Project management income	61,991	–
	5,795,279	5,994,613
Other income and gains		
Bank interest income	15,538	20,548
Gain on disposal of investment properties	536	–
Gain on disposal of items of property and equipment, net	634	163
Others	21,665	13,914
	38,373	34,625

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Interest on bank and other borrowings, senior notes and domestic bonds	580,656	542,911
Increase in a discounted amount of provision for major overhauls arising from the passage of time	730	600
Total interest expense on financial liabilities not at fair value through profit or loss	581,386	543,511
Less: Interest capitalised	(449,145)	(398,107)
	132,241	145,404

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Cost of properties sold	4,209,371	4,235,608
Cost of services provided	94,648	59,648
Depreciation	12,177	14,669
Amortisation of land lease payments	10,843	16,800
Amortisation of an intangible asset	83	83
Employee benefit expenses (including directors' remuneration):		
Salaries and other staff costs	98,654	89,236
Pension scheme contributions	13,784	12,726
Less: Amount capitalised	(48,529)	(38,118)
	63,909	63,844
Premium paid on early redemption of senior notes*	129,454	–
Gain on disposal of investment properties	(536)	–
Gain on disposal of items of property and equipment, net	(634)	(163)
Exchange differences arising from retranslation of senior notes, net	–	1,200
Other foreign exchange differences, net	18,787	15

* This item is included in "Other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2015: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Current charge for the period:		
PRC corporate income tax	276,079	441,567
PRC land appreciation tax	187,929	149,205
Underprovision/(overprovision) in prior years, net:		
Mainland China	(68,727)	3,018
	395,281	593,790
Deferred	47,474	34,543
Total tax charge for the period	442,755	628,333

During the six months ended 30 June 2016, the share of tax charge attributable to joint ventures amounting to RMB63,638,000 (six months ended 30 June 2015: RMB2,919,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

8. DIVIDENDS

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Interim — Nil (six months ended 30 June 2015: HK5 cents per ordinary share)	—	137,052

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 3,423,840,000 (six months ended 30 June 2015: 3,423,840,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. ADDITIONS TO PROPERTY AND EQUIPMENT, PROPERTIES UNDER DEVELOPMENT AND CONTRACT IN PROGRESS

During the six months ended 30 June 2016, the Group incurred approximately RMB5,248,000 (six months ended 30 June 2015: RMB5,581,000) on the acquisition of items of property and equipment.

During the six months ended 30 June 2016, the Group incurred approximately RMB2,605,359,000 (six months ended 30 June 2015: RMB4,333,569,000) and approximately RMB23,261,000 (six months ended 30 June 2015: RMB32,577,000) on the additions to properties under development and contract in progress, respectively.

11. TRADE RECEIVABLES

The Group's trade receivables arise from the sales of properties, leasing of investment properties and provision of property management services.

Consideration in respect of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services. The Group generally grants a rent-free period for three months to the lessees of the Group's investment properties, extending up to six months for major customers.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. All trade receivables are non-interest-bearing.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

11. TRADE RECEIVABLES *(Continued)*

The aged analysis of the trade receivables that are not considered to be impaired as at the end of the reporting period is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Neither past due nor impaired	90,053	172,406
1 to 6 months past due	6,659	2,408
7 to 12 months past due	2,083	895
Over 1 year past due	1,997	1,695
	100,792	177,404

12. TRADE AND BILLS PAYABLES

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 1 year	2,289,131	2,133,911
Over 1 year	341,085	371,899
	2,630,216	2,505,810

The trade and bills payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

As at 30 June 2016, certain bills payable of the Group with an aggregate amount of RMB82,880,000 (31 December 2015: RMB82,054,000) were secured by certain bank deposits of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2016 (Unaudited)			31 December 2015 (Audited)		
	Contractual interest rate (%) per annum	Maturity	RMB'000	Contractual interest rate (%) per annum	Maturity	RMB'000
Current						
Bank loans — secured	2.05–6.18	2016–2017	1,402,862	2.01–6.00	2016	1,677,129
Bank loans — unsecured	2.07	2017	265,165	–	–	–
Current portion of long term bank loans — secured	5.00–5.94	2016–2017	1,929,365	4.99–6.08	2016	1,553,390
Other loans — secured	7.90–9.50	2016–2017	1,610,000	8.50–11.00	2016	610,000
			5,207,392			3,840,519
Non-current						
Bank loans — secured	1.97–8.00	2017–2019	4,230,344	1.93–8.00	2017–2019	1,722,285
Other loans — secured	6.50–8.50	2017–2019	3,240,000	7.00–10.50	2017–2018	900,000
			7,470,344			2,622,285
			12,677,736			6,462,804

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

13. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	3,597,392	3,230,519
In the second year	520,990	1,141,515
In the third to fifth years, inclusive	3,709,354	580,770
	7,827,736	4,952,804
Other borrowings repayable:		
Within one year	1,610,000	610,000
In the second year	440,000	500,000
In the third to fifth years, inclusive	2,800,000	400,000
	4,850,000	1,510,000
	12,677,736	6,462,804

Notes:

- (a) Certain of the Group's bank and other borrowings are secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale, details of which are disclosed in note 19 to the unaudited interim condensed consolidated financial statements.
- (b) As at 30 June 2016, certain of the Group's bank and other borrowings with an aggregate amount of RMB4,610,818,000 (31 December 2015: RMB682,719,000) were secured by share charges in respect of the equity interests of certain subsidiaries of the Group.
- (c) Except for certain bank and other borrowings of RMB640,695,000 (31 December 2015: RMB706,298,000) and RMB3,592,139,000 (31 December 2015: RMB1,419,823,000) as at 30 June 2016, which were denominated in HK\$ and US\$, respectively, all of the Group's bank and other borrowings were denominated in RMB.
- (d) At the end of the reporting period, except for certain bank and other borrowings of RMB5,453,000,000 (31 December 2015: RMB1,725,770,000), the interest rates of which were fixed in nature, all of the Group's bank and other borrowings bear interest at floating interest rates.
- (e) As at 30 June 2016, the Group's bank and other borrowings of RMB455,463,000 (31 December 2015: RMB532,719,000) were secured by a specific performance obligation imposed on Mr. Wong and pursuant to which Mr. Wong is required to, among others, (i) remain the single largest shareholder in the Company, (ii) hold legally and beneficially and directly or indirectly 40% or more of all class of the Company's voting share capital and (iii) continue to control the Company.
- (f) As at 30 June 2016, the Group's bank and other borrowings of RMB2,605,355,000 (31 December 2015: Nil) were secured by a specific performance obligation imposed on Wong family and pursuant to which Wong family, (i) must remain the single largest shareholder in the Company; (ii) must hold legally and beneficially and directly or indirectly 40% or more of all classes of the Company's voting share capital and/or must directly or indirectly control the Company; and (iii) Mr. Wong or a member of the Wong Family must remain to be the chairman of the Board of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

14. SENIOR NOTES AND DOMESTIC BONDS

	30 June 2016 (Unaudited)				31 December 2015 (Audited)			
	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000
2012 Senior Notes	US\$350	11.50	2017	–	US\$350	11.50	2017	2,301,335
2015 Senior Notes	US\$350	10.00	2020	2,279,409	US\$350	10.00	2020	2,224,335
Domestic Bonds	RMB3,500	5.18-5.30	2020	3,466,298	RMB3,500	5.18-5.30	2020	3,463,811
				5,745,707				7,989,481

The Company, at its option, can redeem all or a portion of the 2015 Senior Notes at any time prior to the maturity date at the redemption price (principal amount plus applicable premium) plus accrued and unpaid interest up to the redemption date, as set forth in the written agreements between the Company and the trustees of the 2015 Senior Notes.

The 2012 Senior Notes and the 2015 Senior Notes are secured by pledges over the equity interests of certain subsidiaries of the Company.

On 4 February 2016, the Company redeemed in full the outstanding 2012 Senior Notes before their maturity at a redemption price of 105.75% of the principal amount of the outstanding 2012 Senior Notes plus accrued and unpaid interest.

At 30 June 2016, the fair values for the 2015 Senior Notes and the Domestic Bonds amounted to RMB2,618,606,000 (31 December 2015: RMB2,367,216,000) and RMB3,500,000,000 (31 December 2015: RMB3,510,500,000), respectively.

At 31 December 2015, the fair value for the 2012 Senior Notes amounted to RMB2,386,994,000.

The fair values of the 2012 Senior Notes, the 2015 Senior Notes and the Domestic Bonds are based on price quotations from financial institution at the reporting date.

The fair values of the early redemption options of the 2015 Senior Notes was not significant and was therefore not recognised by the Group on inception and at 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

15. SHARE CAPITAL

Shares

	30 June 2016 (Unaudited) HK\$	31 December 2015 (Audited) HK\$
Authorised:		
10,000,000,000 ordinary shares of HK\$0.10 each	1,000,000,000	1,000,000,000
Issued and fully paid:		
3,423,840,000 ordinary shares of HK\$0.10 each	342,384,000	342,384,000
Equivalent to RMB'000	295,732	295,732

16. PERPETUAL CAPITAL INSTRUMENTS

	RMB'000
Carrying amount at 31 December 2014 (Audited) and 1 January 2015	1,173,000
Issuance of perpetual capital instruments	1,200,000
Redemption of perpetual capital instruments	(1,173,000)
Carrying amount at 31 December 2015 (Audited) and 1 January 2016	1,200,000
Issuance of perpetual capital instruments	900,000
Redemption of perpetual capital instruments	(1,200,000)
Carrying amount at 30 June 2016 (Unaudited)	900,000

The perpetual capital instruments are jointly guaranteed by the Company and certain subsidiaries, secured by pledged of the shares of the subsidiaries. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the issuers of the perpetual capital instruments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

17. FINANCIAL GUARANTEES

- (a) At the end of the reporting period, the Group had financial guarantees which are not provided for in these unaudited interim condensed consolidated financial statements as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties (notes)	11,242,864	11,363,195

Notes:

- (i) As at 30 June 2016, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any auction proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

- (ii) The fair value of the guarantees is not significant and the directors of the Company consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in these unaudited interim condensed consolidated financial statements for the guarantees.

In addition, the Group's share of the joint ventures' own financial guarantees, which are not included in the above, is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the joint ventures' properties	238,418	228,818

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

17. FINANCIAL GUARANTEES *(Continued)*

- (b) At the end of the reporting period, contingent liabilities not provided for in these unaudited interim condensed consolidated financial statements is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Guarantees given to banks in connection with loan facilities granted to a joint venture	2,200,000	2,200,000

As at 30 June 2016, the loan facilities guaranteed by the Group to a joint venture were utilised to the extent of RMB1,780,000,000 (31 December 2015: RMB2,080,000,000).

18. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Contracted, but not provided for: Capital expenditure for properties under development, prepaid land lease payments and construction of investment properties in Mainland China	6,765,190	7,902,863

In addition, the Group's share of the joint ventures' own capital commitments which are not included in the above, is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Contracted, but not provided for: Capital expenditure for joint ventures' properties under development and construction of investment properties in Mainland China	357,890	365,210

At the end of the reporting period, the Group did not have any significant commitments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

19. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to secure certain bank and other borrowings granted to the Group:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Bank deposits	275,037	421,992
Property and equipment	71,510	71,985
Investment properties	2,986,900	2,728,900
Prepaid land lease payments	5,600,431	948,374
Properties under development	8,428,384	5,834,024
Completed properties held for sale	1,976,571	2,257,686
	19,338,833	12,262,961

20. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Rental income from companies controlled by Mr. Wong	(i)	1,380	1,306
Property management fees from companies controlled by Mr. Wong	(ii)	944	956
Project management income received from a joint venture	(iii)	61,991	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

20. RELATED PARTY TRANSACTIONS *(Continued)*

(a) (Continued)

Notes:

- (i) The rental income was charged at rates ranging from RMB33 to RMB174 (six months ended 30 June 2015: from RMB30 to RMB175) per square metre.
- (ii) The property management fees were charged at rates ranging from RMB13 to RMB25 (six months ended 30 June 2015: from RMB13 to RMB25) per square metre.
- (iii) The project management income was charged with reference to the contracted sales amount and certain costs incurred of a property development project.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Short term employee benefits	3,672	3,342
Post-employment benefits	58	55
Total compensation paid to key management personnel	3,730	3,397

In the opinion of the directors, the directors of the Company represent the key management personnel of the Group.

Transactions of items (a)(i) and (a)(ii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

21. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved by the Board of the Company on 9 August 2016.