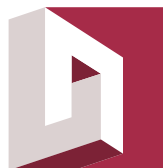


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Jiayuan International Group Limited

佳源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2768)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESULTS HIGHLIGHTS

- The Group's recognised revenue for the six months ended 30 June 2019 was approximately RMB5,304.0 million, representing an increase of approximately RMB890.3 million or 20.2% as compared to the corresponding period in 2018.
- Gross profit of the Group increased by approximately 27.1% to approximately RMB1,840.4 million and the gross profit margin was 34.7% for the six months ended 30 June 2019.
- Net profit of the Group for the six months ended 30 June 2019 amounted to approximately RMB1,173.6 million, representing an increase of approximately RMB140.8 million or 13.6% as compared to the corresponding period in 2018.
- Net gearing ratio of the Group⁽¹⁾ decreased significantly from approximately 159.3% as at 31 December 2018 to approximately 107.6% as at 30 June 2019.
- Core net profit of the Group for the six months ended 30 June 2019⁽²⁾ was RMB1,061.3 million, representing an increase of 22.7% as compared to the corresponding period in 2018.

Note 1: Net gearing ratio was measured by net debt (bank and other borrowings and senior notes (including derivative financial instruments) net of bank balances and cash and pledged/restricted bank deposits) over the total equity.

Note 2: Core net profit of the Group for the six months ended 30 June 2019 and 30 June 2018 exclude changes in fair value of investment properties and their related deferred tax, foreign exchange differences, reversal of impairment losses on financial assets, fair value change on financial assets at fair value through profit or loss, fair value change on derivative financial instruments and loss on disposal of financial assets designated at fair value through profit or loss.

- The Group's basic earnings per share was approximately RMB43.95 cents for the six months ended 30 June 2019, representing an increase of approximately 8.4% as compared with approximately RMB40.53 cents in the corresponding period in 2018.
- As at 30 June 2019, the Group had land reserves of approximately 9.6 million sq.m..
- On 26 April 2019, the Group entered into the sale and purchase agreement (as subsequently amended and supplemented) (the "Sale and Purchase Agreement") with Mr. Shum Tin Ching ("Mr. Shum"), the chairman, the non-executive director and the ultimate controlling shareholder of the Company, pursuant to which the Group agreed to acquire the entire issued share capital of Huiyuan Investment Holdings Limited, which indirectly held property development projects located in the municipalities of Hefei, Maanshan and Bengbu of Anhui Province, the People's Republic of China (the "PRC"), mainly consisting of large-scale residential complex projects and integrated commercial complex projects, as well as apartments, offices, shopping arcades, hotels and other supporting facilities, at a consideration of RMB4,155,168,787 (equivalent to approximately HK\$4,840,771,637), which was settled by the allotment and issue of the 1,377,959,475 consideration shares (the "Consideration Shares") by the Company to Mr. Shum or his nominee(s) at the issue price of HK\$3.513 per Consideration Share. This transaction was completed on 8 August 2019.
- The Group recorded unaudited contracted sales of approximately RMB8,722.6 million for the six months ended 30 June 2019 with a total sales area of approximately 687,198 sq.m., representing a period-on-period increase of approximately 18.6% and decrease of approximately 4.5%, respectively.

The board (the “Board”) of directors (the “Directors”) of Jiayuan International Group Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2019 together with comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited and restated)
Revenue	3	5,303,985	4,413,690
Cost of sales	7	(3,463,539)	(2,965,636)
Gross profit		1,840,446	1,448,054
Other income	5	134,500	96,523
Other gains and losses	5	54,727	(204,421)
Reversal of impairment losses on financial assets		33,862	–
Change in fair value of investment properties		156,599	470,003
Fair value change on financial assets at fair value through profit or loss		(57,252)	20,051
Fair value change on derivative financial instruments		(36,481)	–
Distribution and selling expenses		(74,992)	(102,654)
Administrative expenses		(134,924)	(122,223)
Other expenses		(1,988)	(5,941)
Finance costs		(39,119)	(67,266)
Share of results of an associate		326	1,058
Share of results of joint ventures		(1,198)	–
Profit before taxation		1,874,506	1,533,184
Income tax expense	6	(700,906)	(500,433)
Profit for the period		1,173,600	1,032,751
Profit for the period attributable to:			
Owners of the Company		1,125,642	1,022,148
Non-controlling interests		47,958	10,603
		1,173,600	1,032,751
Earnings per share			
Basic (RMB cents)	9	43.95	40.53

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Profit for the period	1,173,600	1,032,751
Other comprehensive income		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	2,464	–
Fair value gain on investment in equity instruments at fair value through other comprehensive income (“FVTOCI”)	–	2,634
	<hr/>	<hr/>
Total comprehensive income for the period	<u>1,176,064</u>	<u>1,035,385</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	1,128,106	1,024,125
Non-controlling interests	47,958	11,260
	<hr/>	<hr/>
	<u>1,176,064</u>	<u>1,035,385</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	<i>NOTES</i>	30 June 2019	31 December 2018
		RMB'000	RMB'000
		(Unaudited)	(Restated)
NON-CURRENT ASSETS			
Investment properties		6,165,018	5,998,818
Property and equipment		132,177	122,605
Right-of-use assets		10,087	–
Interests in an associate		32,017	31,691
Interests in joint ventures		535,055	–
Financial assets at fair value through profit or loss		87,211	80,871
Deposits paid for acquisition of subsidiaries		773,654	1,935,423
Deferred tax assets		440,239	447,340
		8,175,458	8,616,748
CURRENT ASSETS			
Inventories of properties		27,118,282	26,121,214
Trade and other receivables, deposits and prepayments	<i>10</i>	3,392,497	5,646,383
Amounts due from related parties		2,474,707	4,475
Financial assets at fair value through profit or loss		641,679	707,499
Prepaid income tax		431,879	375,722
Restricted/pledged bank deposits		1,678,543	1,427,072
Bank balances and cash		4,048,950	3,940,153
		39,786,537	38,222,518
CURRENT LIABILITIES			
Trade and other payables and accrued expenses	<i>11</i>	3,147,556	3,053,178
Pre-sale deposits received		11,772,276	10,153,352
Lease liabilities		2,166	–
Amounts due to related parties		1,643,371	963,127
Tax payable		3,734,730	2,523,245
Bank and other borrowings		4,812,635	4,801,296
Derivative financial instruments		89,511	–
Senior notes		89,171	4,477,446
		25,291,416	25,971,644
NET CURRENT ASSETS		14,495,121	12,250,874
TOTAL ASSETS LESS CURRENT LIABILITIES		22,670,579	20,867,622

	30 June 2019	31 December 2018
<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Restated)
CAPITAL AND RESERVES		
Share capital	21,512	21,083
Reserves	<u>8,650,211</u>	<u>7,769,975</u>
Equity attributable to owners of the Company	8,671,723	7,791,058
Non-controlling interests	<u>1,311,757</u>	<u>1,263,799</u>
TOTAL EQUITY	<u>9,983,480</u>	<u>9,054,857</u>
NON-CURRENT LIABILITIES		
Bank and other borrowings	7,298,426	7,773,825
Derivative financial instruments	107,666	–
Lease liabilities	7,989	–
Deferred income	11 487,042	647,722
Deferred tax liabilities	715,489	656,155
Senior notes	<u>4,070,487</u>	<u>2,735,063</u>
	<u>12,687,099</u>	<u>11,812,765</u>
	<u>22,670,579</u>	<u>20,867,622</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

The Company was incorporated on 5 May 2015 and registered in the Cayman Islands as an exempted company with limited liability. In March 2016, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate and ultimate holding company is Mingyuan Group Investment Limited, a company incorporated in the British Virgin Islands (“BVI”) with limited liability. Its ultimate controlling party is Mr. Shum Tin Ching (the “Ultimate Shareholder”). The Company’s registered office address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands; the principal place of business is located at Room 1403, 9 Queen’s Road Central, Hong Kong.

The interim financial information are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

The interim financial information has 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”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

Merger accounting for business combination involving entities under common control

On 17 November 2018, the Company acquired the entire issued share capital of Huyuan Holdings Limited (“Huyuan”), a company incorporated in the BVI, from the Ultimate Shareholder (the “Huyuan Acquisition”) at a consideration of HK\$693,629,000 (equivalent to approximately RMB615,790,000) which was settled (i) as to HK\$277,452,000 (equivalent to approximately RMB245,934,000) by the allotment and issue of 19,566,400 ordinary shares of the Company to the Ultimate Shareholder at HK\$14.18 per share; and (ii) as to HK\$416,177,000 (equivalent to approximately RMB369,856,000) in cash. The principal activities of Huyuan and its subsidiaries (“Huyuan Group”) are property development and investment in Shanghai of the PRC.

On 15 January 2019, the Company acquired the entire issued share capital of Chuangyuan Holdings Limited (“Chuangyuan”), a company incorporated in the BVI, from the Ultimate Shareholder (the “Chuangyuan Acquisition”) at a consideration of HK\$713,562,000 (equivalent to approximately RMB610,381,000) which was fully settled by the allotment and issue of 50,180,189 ordinary shares of the Company to the Ultimate Shareholder at HK\$14.22 per share. The principal activities of Chuangyuan and its subsidiaries (“Chuangyuan Group”) are provision of property management services in the PRC.

The Company has applied merger accounting to the acquisitions of Huyuan Group and Chuangyuan Group, being business combination involving entities under common control, under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA. The Group, Huyuan Group, and Chuangyuan Group are regarded as continuing entities.

Under merger accounting, based on the guidance set out in AG 5, the interim financial information incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The adjustments to eliminate share/registered capital of the combining entities or businesses against the related investment costs have been made to special reserve in the condensed consolidated statement of changes in equity.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the prior periods have been restated to include the operating results of the Huyuan Group and/or Chuangyuan Group as if these acquisitions had been completed since the date the respective business came under the common control of the Company. The consolidated statement of financial position as at 31 December 2018 have been restated to adjust the carrying amounts of the assets and liabilities of the Chuangyuan Group which had been in existence as at and 31 December 2018 as if those entities or businesses were combined from the date when they first came under the common control of the Company (see below for the financial impacts).

The financial effect of the restatements to the Group's equity on 31 December 2018 is summarised below:

	31 December 2018 <i>RMB'000</i> (Audited and originally stated)	Business combination of entities under common control <i>RMB'000</i>	Elimination of intercompany balances and transactions <i>RMB'000</i>	31 December 2018 <i>RMB'000</i> (Restated)
Share capital	21,083	–	–	21,083
Share premium	3,331,886	–	–	3,331,886
Special reserve	(593,290)	50,000	–	(543,290)
Other reserve	278,665	(287)	–	278,378
Exchange reserve	(3,635)	–	–	(3,635)
Statutory surplus reserve	380,068	8,712	–	388,780
Retained earnings	4,264,463	53,393	–	4,317,856
	<hr/>	<hr/>	<hr/>	<hr/>
Total	7,679,240	111,818	–	7,791,058
Non-controlling interests	1,263,799	–	–	1,263,799
	<hr/>	<hr/>	<hr/>	<hr/>
Total equity	8,943,039	111,818	–	9,054,857
	<hr/>	<hr/>	<hr/>	<hr/>

2. PRINCIPAL ACCOUNTING POLICIES

The interim financial information have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the interim financial information for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s interim financial information:

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

The above new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Except as described below, the Directors consider that application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in the interim financial information.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the PRC and properties in Hong Kong was determined on a portfolio basis; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 6.42%.

	At 1 January 2019 <i>RMB'000</i>
Operating lease commitments disclosed as at 31 December 2018	1,432
Lease liabilities discounted at relevant incremental borrowing rates	1,430
Less: Recognition exemption – short-term leases	(1,342)
Recognition exemption - low-value assets	(88)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 Leases	—

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the interim financial information of the Group for the current period/ impact to specify.

The Directors consider that the application of HKFRS 16 has had no material impact on the Group's financial performance for the prior period and the financial position as at 31 December 2018.

3. REVENUE

Revenue represents income from sales of properties, property management services income, property rental income and sales and installation service of software and system equipment income earned during the period, net of sales related tax, and is analysed as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Types of goods and services		
Sales of properties	5,065,557	4,194,561
Property management services	190,065	141,287
Property rental	48,363	16,270
Sales and installation service of software and system equipment	–	61,572
Total	<u>5,303,985</u>	<u>4,413,690</u>

Geographical markets

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited and restated)
Yangzhou	2,407,953	2,786,559
Suzhou	819,967	–
Taizhou	788,034	631,044
Zhenjiang	530,573	137,973
Nanjing	257,859	–
Nantong	215,286	439,084
Shanghai	19,143	80,965
Changzhou	14,415	118,936
Suqian	12,327	–
	<hr/>	<hr/>
Total	5,065,557	4,194,561

4. SEGMENT INFORMATION

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, being the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group’s operating and reportable segments under HKFRS 8 are therefore as follows:

1. Property development – development and sales of office premises, shopping arcade and residential properties
2. Property investment – leasing of office premises, hotel, shopping arcade and car parks
3. Property management services – provision of property management services to primarily residential communities. following the acquisition of related business in 2019.
4. Development services – development of resettlement properties and other public facilities
5. Others – sales and installation service of software and system equipment. It was subsequently disposed of in September 2018.

No segment revenue and results are presented for the provision of development services as there is no revenue generated and expenses incurred for this segment during the six months ended 30 June 2019 and 2018. The Group would continue to engage in the provision of development services in the future.

No segment assets and liabilities are presented as they were not regularly provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Information regarding the above segments is reported below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments for the periods:

	Segment revenue		Segment profit	
	Six months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Unaudited)	and restated)	(Unaudited)	and restated)
Property development	5,065,557	4,194,561	1,571,356	1,185,231
Property management	190,065	141,287	61,116	49,540
Property investment	48,363	16,270	48,363	16,270
Others	–	61,572	–	17,847
	<u>5,303,985</u>	<u>4,413,690</u>	<u>1,680,835</u>	<u>1,268,888</u>
Other gains and losses			54,727	(204,421)
Reversal of impairment losses on financial assets			33,862	–
Interest income			124,606	91,862
Central administration costs			(42,399)	(46,991)
Change in fair value of investment properties			156,599	470,003
Fair value change on financial assets at FVTPL			(57,252)	20,051
Fair value change on derivative financial instruments			(36,481)	–
Finance costs			(39,119)	(67,266)
Share of results of an associate			326	1,058
Share of results of joint ventures			(1,198)	–
Profit before taxation			<u>1,874,506</u>	<u>1,533,184</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, other gains and losses, interest income, change in fair value of investment properties, fair value change on financial assets at fair value through profit or loss, fair value change on derivative financial instruments, finance costs, share of results of an associate and share of results of joint ventures. This is the measure reported to the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers.

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited) and restated)
Other income		
Interest income on bank deposits	19,509	16,877
Interest income on financial assets at FVTPL	37,030	3,043
Interest income on loans receivables	68,067	71,750
Dividend income from equity instruments at FVTOCI	–	192
Others	9,894	4,661
	<u>134,500</u>	<u>96,523</u>
Other gains and losses		
Gain on disposal of property and equipment	4	2
Foreign exchange gain (loss), net	58,676	(204,423)
Loss on disposal of financial assets at FVTPL	(3,953)	–
	<u>54,727</u>	<u>(204,421)</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited) and restated)
Current tax:		
Enterprise Income Tax (“EIT”) in the PRC	426,411	301,302
Land Appreciation Tax (“LAT”)	208,922	79,037
	<u>635,333</u>	380,339
Deferred tax	65,573	120,094
	<u>700,906</u>	<u>500,433</u>

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during both periods.

No provision for Hong Kong Profits Tax and Macau Complementary Tax has been recognised in the interim financial information during both periods as the Group does not have assessable profit which arises in, or is derived from Hong Kong and Macau respectively.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994 and amended on 8 January 2012, and the Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all gains arising from the sale or transfer of real estate in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Profit for the period has been arrived at after charging/(crediting):		
Cost of sales	3,463,539	2,965,636
Depreciation of right-of-use assets	794	–
Depreciation of property and equipment	6,589	6,003
Less: Amount capitalised in properties under development	(1,643)	(255)
	4,946	5,748

8. INTERIM DIVIDEND

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Interim dividend declared	–	212,147

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: HK10 cents per share).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	1,125,642	1,022,148
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,561,152	2,521,747

No diluted earnings per share for the six months ended 30 June 2019 and 2018 were presented as there were no dilutive potential ordinary shares in both periods.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Restated)
Rental receivables	98,694	52,268
Prepaid construction costs	349,598	802,333
Prepaid business and other taxes	471,601	404,550
Advances to potential investees for acquisition of land use rights	–	1,344,973
Deposits for acquisition of land use rights	396,191	456,199
Project-related deposits	635,084	790,169
Deposits for trust financing arrangements	197,566	308,988
Other deposits	142,981	273,647
Advance to staff	103,124	49,146
Loans receivables	535,523	662,607
Interest receivable	123,999	153,969
Other receivables	338,136	347,534
	3,392,497	5,646,383

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the year.

11. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	30 June 2019	31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Restated)
Trade payables	2,017,720	1,493,663
Advance from customers	59,406	44,199
Business and other taxes payable	79,540	429,998
Accrued charges	158,874	233,981
Deferred income	500,510	713,783
Deposits related to sales of properties	255,748	181,466
Receipts on behalf of property residents	130,171	126,033
Consideration payable for acquisition of subsidiaries	95,000	95,000
Dividend payable	247,441	–
Deposits and other payables	90,188	382,777
	3,634,598	3,700,900
Less: Non-current portion of deferred income	(487,042)	(647,722)
Current portion	3,147,556	3,053,178

Trade payables comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The average credit period of trade payables is 30 days.

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	30 June 2019	31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Restated)
0–30 days	1,043,409	633,384
31–90 days	317,753	276,271
91–180 days	218,546	219,011
181–360 days	108,168	85,467
Over 360 days	329,844	279,530
	2,017,720	1,493,663

BUSINESS REVIEW

Market Review

In the first half of 2019, in light of the uncertainty of both within and outside the PRC, its economic performance maintained at a reasonable level and showed overall stable growth. A high level of policy coordination was achieved between the policies of both the Central People's Government (the "Central Government") and local governments (the "Local Governments") of the PRC on the property market and also in terms of its supply and demand management. The Central Government made its timely remarks on the principle of "housing is for accommodation instead of speculation" at some key meetings, and Local Governments responded to latest market changes and adopted city-specific policies such as "one city one policy", under which market performance remained stable.

Looking back in the first half of 2019, the real estate market in the PRC maintained a steady growth. According to the data from the National Bureau of Statistics, from January to June in 2019, the investment in national property development amounted to approximately RMB6,160.9 million, representing a period-on-period increase of approximately 10.9%. The sold area of commodity properties amounted to 75,786 million sq.m., representing a period-on-period decrease of 1.8%. The sales amount of commodity properties amounted to approximately RMB7,069.8 million, representing an increase of approximately 5.6%.

Results Performance

The Group deepened its region-focused development strategy and achieved significant growth in its key performance indicators. During the first half of 2019, the Group's contracted sales of completed properties amounted to approximately RMB8,722.6 million, representing a substantial increase of approximately 18.6% as compared to the same period in 2018. Contracted sales area amounted to approximately 687,198 sq.m., representing a decrease of approximately 4.5% as compared to the same period in 2018. Revenue of the Group increased by approximately 20.2% to approximately RMB5,304.0 million as compared to the same period in 2018. Profit attributable to the owners of the Company increased by approximately 10.1% from approximately RMB1,022.1 million in the first half of 2018 to approximately RMB1,125.6 million in the first half of 2019. The Group's basic earnings per share was approximately RMB43.95 cents for the six months ended 30 June 2019, representing an increase of approximately 8.4% as compared with approximately RMB40.53 cents in the corresponding period in 2018. As at 30 June 2019, the Group's land bank reached approximately 9.6 million sq.m., and its property portfolio comprised 47 properties in various major cities in the PRC, consisting of 31 residential complexes and 16 commercial complexes covering Yangtze River Delta, city cluster in the Guangdong-Hong Kong-Macao Greater Bay Area, cities along the "Belt and Road" initiative and other key provincial capital cities.

During the first half of 2019, the Group acquired two premium projects at a low premium in Nanjing and Yangzhou through tender and bidding in the public market, and joint development. With respect to the introduction of further assets, acquisition by the Group of the property management business personally held by Mr. Shum, the chairman, the non-executive Director and the ultimate controlling shareholder of the Company, was completed in the first half of 2019, and the property development projects located in Anhui Province were injected by Mr. Shum to the Group so as to enhance profitability, which further expanded its business footprint in the city cluster in the Yangtze River Delta Economic Zone. In terms of regional development strategy, the Group will continue to strictly follow the “13th Five-Year Plan” of the PRC and maintain its focus on four main areas; namely, the Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta Economic Zone and key provincial capital cities, as well as cities along the “Belt and Road” initiative, with the aim of further development of large-scale residential and commercial complex projects, diversifying property projects and boosting land values.

The Group strongly believes that solid financial strengths are important pillars supporting its diversified business development. Therefore, the Group strove to speed up cash recovery from property sales and fortified its capital management ability. It also issued senior notes to optimise its debt structure during the current period, including the successful issue of US\$225,000,000 senior notes on 2 May 2019 and US\$225,000,000 senior notes on 11 July 2019, thereby further boosting the Group’s financial liquidity. On 25 July 2019, the credit rating of the Group was upgraded to “B3” by Moody’s Investors Service and was publicly rated “B” under Standard & Poor’s long-term issuer credit rating for the first time. As at 30 June 2019, the net gearing ratio of the Group was 107.6%, representing a significant decrease of 51.7 percentage points compared with that as at 31 December 2018. As at 30 June 2019, the maturity profile of outstanding bank and other borrowings was further optimised. The short-term debt proportion as a percentage of total debts (including bank and other borrowings, senior notes and derivative financial instruments) was lowered to approximately 30.3% as at 30 June 2019 from 46.9% as at 31 December 2018, while the ratio of long- and short-term debts to total debts was approximately 7:3 as at 30 June 2019 (approximately 5:5 as at 31 December 2018).

Prospects

In the second half of 2019, under the backdrop of escalation of the US-China trade war, it is expected that the property control policies in the PRC will be aimed at maintaining stability, and the city-specific adjustment measures will still be the keynote of property control. Maintaining the stability of property market will still remain as the top priority of the Central Government in the second half of the year, which in turn is conducive to achieving long-term control objectives of stabilising land and housing prices, and maintaining market expectations. In view of the challenges and opportunities brought by the new trend in the property market, the Group will be committed to implementing steady financial policies and risk control measures, ensuring construction quality and safety, strengthening its contracted sales and receipt of sales proceeds and applying strict control over its various costs and expenses, so as to secure a stable operating cash flow as well as investment returns.

Further, the Group will replenish its premium land bank by adopting practical strategies to optimise the geographical layout of its projects and devise investment portfolios to suit the different urbanisation stages of the PRC with a view to capturing the different demands for the purchase of property in various local markets. In future, on a foundation of solid development, the Group will make flexible adjustments according to venisons local market situation and achieve high quality and all-rounded development for continuous increase of profitability in order to maximise the value for our shareholders.

The following table sets out the breakdown of the Group's contracted sales, contracted total gross floor area ("GFA") and contracted average selling price ("ASP") by projects for the six months ended 30 June 2019 and 2018:

Project	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Contracted Sales RMB (million) (unaudited)	Contracted GFA (sq.m.)	Contracted ASP (RMB per sq.m.)	Contracted sales RMB (million) (unaudited)	Contracted GFA (sq.m.)	Contracted ASP (RMB per sq.m.)
1. Taizhou Venice Metropolis 泰州威尼斯城	2,729.5	210,916	12,941	733.3	87,371	8,393
2. Suqian Paris Metropolis 宿遷巴黎都市	1,524.0	172,652	8,827	7.4	949	7,824
3. Nantong Jiayuan Metropolis 南通佳源都市	798.7	75,985	10,511	23.2	2,273	10,195
4. Nanjing Zijin Mansion 南京紫金華府	388.7	9,275	41,907	180.5	4,589	39,337
5. Yangzhou Centurial Honour Mansion 揚州世紀天城榮御府	202.0	17,294	11,682	1,000.7	110,822	9,030
6. Yangzhou Westmount Villa 揚州西峰玖墅	-	-	-	1,052.3	72,828	14,449
7. Yangzhou Jiayuan Centurial City 揚州佳源世紀天城	-	-	-	813.8	92,173	8,830
8. Zhenjiang Jiayuan Paris Metropolis 鎮江佳源巴黎都市	179.2	18,474	9,700	324.2	40,258	8,052
9. Yangzhou Jiayuan Yurun Guifu 揚州佳源雨潤桂府	-	-	-	959.0	77,635	12,353
10. Yangzhou Jiayuan Yurun Huafa 揚州佳源雨潤華府	290.1	20,701	14,010	593.5	53,441	11,105
11. Changzhou Ruiyuan Linyue Huayuan 常州睿源林悅花苑	426.9	22,682	18,821	-	-	-
12. Suqian The Bund Number One 宿遷外灘壹號	199.1	26,198	7,600	345.6	46,845	7,377
13. Suzhou Jiayuan Metropolis 蘇州佳源都市	-	-	-	776.0	46,669	16,627
14. Urumqi Metropolis 新疆佳源都市	428.7	38,530	11,126	-	-	-
15. Hong Kong projects 香港項目(Notes 1)	464.0	3,692	125,677	-	-	-
16. Shanghai projects 上海項目(Notes 2)	470.8	21,572	21,825	-	-	-
Others	620.9	49,227	12,693	547.3	83,563	6,550
Total	8,722.6	687,198	12,693	7,356.8	719,416	10,226

Note 1: Hong Kong projects include One Vista (San Hop Lane) and T-Plus

Note 2: Shanghai projects include Huijing Huating (上海•滙景華庭), Fengcheng Mingdu (上海•奉成名都) and Jiayuan Dream Square (佳源夢想廣場)

Property Projects

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 30 June 2019, the Group had investment properties with a total GFA of approximately 0.63 million sq.m.. Certain portions of these investment properties are located in the integrated commercial complexes developed by the Group, in which the Group will retain control over the central management of the shopping arcades in order to enable the Group to select tenants and determine industry composition. The Group's operational model for such integrated commercial complexes is to sell all of the residential properties and 50% of the commercial properties; and retain the ownership of 50% of the commercial properties for investment properties.

Investment Properties

The following table sets out a summary of the Group's investment properties as at 30 June 2019:

Project	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income For the six months ended 30 June	
			2019 (RMB million) (unaudited)	2018 (RMB million) (unaudited)
Yangzhou				
1. Park Number One 公園一號	721	721	0.1	0.1
2. Jiayuan Centurial Garden 世紀花園	8,653	8,653	0.5	1.4
3. Jiayuan Centurial Scenery Park 佳源世紀景園	915	–	–	–
4. Centurial Honour Mansion 世紀天城榮御府 (Note)	4,537	–	–	–
5. Jiayuan Centurial City 佳源世紀天城 (Note)	127,002	99,991	6.2	–
6. Jiayuan Yurun Guifu 佳源雨潤桂府	1,558	1,558	–	–
Taizhou				
7. Jiayuan Central Plaza 佳源中心廣場	47,567	47,567	0.6	0.9
8. Venice Metropolis 威尼斯城 (Note)	101,232	61,780	–	–
9. Jiayuan New World 新天地	25,191	25,191	1.7	1.7
10. Qiangxi Garden 羌溪花苑	2,772	2,772	0.3	0.3
11. Jiayuan Mingfu 佳源名府	14,275	14,275	1.3	1.3
12. Oriental Bright City 東方不夜城	34,419	34,419	2.9	2.9
13. Quexiandao Number One 鵲仙島一號	10,428	10,428	1.2	1.2
14. Guxi Jiayuan Central Plaza 古溪佳源中心廣場 (Note)	39,228	–	–	–
Suqian				
15. Rome Metropolis 羅馬都市	43,886	37,534	1.6	1.6

Project	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income For the six months ended 30 June	
			2019 (RMB million) (unaudited)	2018 (RMB million) (unaudited)
Changzhou				
16. Jiayuan Central Plaza 佳源中心廣場	49,777	49,777	2.3	2.2
Nanjing				
17. Zijin Mansion 紫金華府	55,289	55,289	–	–
18. Wuxing Plaza 五星廣場 (Note)	20,000	–	–	–
Shanghai				
19. Jiayuan Dream Square 夢想廣場 (Note)	21,260	21,260	19.0	18.4
20. Fengcheng Mingdu 奉城名都	13,621	13,621	6.4	5.4
21. Huijing Huating 匯景華庭	7,844	7,844	–	1.4
Total	630,175	492,680	44.1	38.8

Note: Part of the project is currently under construction.

Land Reserves

The following table sets out a summary of the Group's land reserves by projects as at 30 June 2019:

Project	Location	Status	Expected Completion		Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %
			Date					
Yangzhou								
1. Jiayuan Centurial City 佳源世紀天城	Jiangu District, Yangzhou City, Jiangsu Province	Under development	2021 Q2		Mixed-use	214,260	420,315	100%
2. Centurial Honour Mansion 世紀天城榮御府	Jiangu District, Yangzhou City, Jiangsu Province	Under development	2021 Q4		Mixed-use	167,826	478,272	100%
3. Jiayuan Westmount Villa 佳源西峰玖墅	Hanjiang District, Yangzhou City, Jiangsu Province	Under development	2020 Q2		Residential	143,822	140,951	70%
4. Jiayuan Centurial Villa 佳源世紀豪園	Jiangu District, Yangzhou City, Jiangsu Province	Completed	–		Residential	391,088	1,803	100%
5. Jiayuan Centurial Garden 佳源世紀花園	Jiangu District, Yangzhou City, Jiangsu Province	Completed	–		Residential	234,671	8,653	100%
6. Park Number One 公園一號	Guangling District, Yangzhou City, Jiangsu Province	Completed	–		Residential	75,591	721	100%
7. Jiayuan Centurial Scenery Park 佳源世紀景園	Jiangu District, Yangzhou City, Jiangsu Province	Completed	–		Residential	60,972	915	100%
8. Jiayuan Yurun Guifu 佳源雨潤桂府	Guangling District, Yangzhou City, Jiangsu Province	Under development	2020 Q2		Residential	119,973	173,820	100%
9. Jiayuan Yurun Huafu 佳源雨潤華府	Guangling District, Yangzhou City, Jiangsu Province	Under development	2020 Q2		Residential	91,722	172,978	100%
10. Jiayuan Jiulong Bay 佳源玖龍灣	Guangling District, Yangzhou City, Jiangsu Province	Under development	2021 Q4		Mixed-use	49,676	155,027	100%

Project	Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %	
Nanjing								
11.	Zijin Mansion 紫金華府	Xuanwu District, Nanjing City, Jiangsu Province	Under development	2019 Q4	Residential	339,008	91,948	100%
12.	Jiayuan Wuxing Plaza 佳源五星廣場	Jiangbei new District, Nanjing City, Jiangsu Province	Under development	2022 Q3	Residential	58,609	678,977	51%
Taizhou								
13.	Youyou Huafu 優優華府	Urban area of Taixing City, Taizhou City, Jiangsu Province	Under development	2022 Q4	Residential	56,910	141,645	100%
14.	Venice Metropolis 威尼斯城	Urban area of Taixing City, Taizhou City, Jiangsu Province	Under development	2022 Q3	Residential	660,576	667,151	100%
15.	Taixing Jiayuan Central Plaza 泰興佳源中心廣場	Huangqiao Town, Taixing City, Jiangsu Province	Completed	-	Mixed-use	81,887	7,181	100%
16.	Jiayuan Mingfu 佳源名府	Huangqiao Town, Taixing City, Jiangsu Province	Under development	2019 Q4	Mixed-use	42,054	13,483	100%
17.	Jiayuan New World 新天地	Taixing City, Taizhou City, Jiangsu Province	Completed	-	Mixed-use	190,802	91,952	100%
18.	Qiangxi Garden 羌溪花苑	Taixing City, Taizhou City, Jiangsu Province	Completed	-	Residential	69,486	5,846	100%
19.	Guxi Jiayuan Central Plaza 古溪佳源中心廣場	Guxi Town, Taixing City, Jiangsu Province	Completed	-	Mixed-use	83,048	98,505	100%
20.	Oriental Bright City 東方不夜城	Jiangyan District, Taizhou City, Jiangsu Province	Completed	-	Residential	77,021	34,419	100%
21.	Oriental Paris City 東方巴黎城	Jiangyan District, Taizhou City, Jiangsu Province	Under development	2019 Q4	Residential	231,702	33,033	100%
22.	Quexiandao Number One 鵲仙島一號	Jiangyan Qinhu scenic area, Taizhou City, Jiangsu Province	Completed	-	Residential	68,330	10,028	100%
23.	Jiayuan Central Plaza 佳源中心廣場	Qintong Town, Taizhou City, Jiangsu Province	Under development	2019 Q4	Mixed-use	15,702	15,702	100%
Suzhou								
24.	Jiayuan Metropolis 佳源都市	Taicang County, Suzhou City, Jiangsu Province	Under development	2020 Q4	Residential	52,988	128,360	100%
Suqian								
25.	Elite International Garden 名人國際花園	Sucheng District, Suqian City, Jiangsu Province	Completed	-	Residential	53,970	389	90%
26.	Park Number One 公園一號	Sucheng District, Suqian City, Jiangsu Province	Completed	-	Residential	126,183	30,054	90%
27.	Paris Metropolis 巴黎都市	Siyang County, Suqian City, Jiangsu Province	Under development	2023 Q4	Residential	220,520	538,373	90%
28.	Rome Metropolis 羅馬都市	Siyang County, Suqian City, Jiangsu Province	Under development	2020 Q4	Residential	302,505	676,466	100%
29.	The Bund Number One 外灘一號	Siyang County, Suqian City, Jiangsu Province	Under development	2021 Q2	Residential	83,991	218,245	100%

Project	Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %	
Changzhou								
30.	Jiayuan Central Plaza 佳源中心廣場	Xueyan Town, Changzhou City, Jiangsu Province	Completed	–	Mixed-use	58,601	50,508	100%
31.	Junchen Fu 君宸府	Tianning District, Changzhou City, Jiangsu Province	Proposed for development	2020 Q4	Residential	26,768	77,075	50.5%
32.	Yuefu 悅府	Xinbei New District, Changzhou City, Jiangsu Province	Under development	2020 Q2	Residential	17,996	47,692	100%
Nantong								
33.	Jiayuan Metropolis 佳源都市	Tongzhou District, Nantong City, Jiangsu Province	Under development	2021 Q2	Residential	198,434	421,500	100%
Zhenjiang								
34.	Jiayuan Paris Metropolis 佳源巴黎都市	Runzhou District, Zhenjiang City, Jiangsu Province	Under development	2020 Q2	Residential	119,607	126,277	100%
Shenzhen								
35.	Shenzhen Dingxi 深圳鼎曦	Luohu District, Shenzhen, Guangdong Province	Proposed for development	2022 Q2	Mixed-use	4,940	41,140	100%
36.	Shenzhen Songling 深圳松齡	Poan District, Shenzhen, Guangdong Province	Proposed for development	2020 Q2	Mixed-use	4,281	38,100	100%
Macau								
37.	Macau Taipa 澳門氹仔	Taipa District, Macau	Proposed for development	2022 Q4	Residential	5,597	60,969	100%
Jiangmen								
38.	Jiayuan Didu Hot Spring 佳源帝都溫泉山莊	Enping County, Jiangmen City, Guangdong Province	Proposed for development	2022 Q4	Residential	593,637	1,180,000	90%
Cambodia								
39.	Cambodia, Phnom Penh 柬埔寨金邊	Chroy Changvar District, Phnom Penh, Cambodia	Proposed for development	2022 Q4	Residential	608,140	608,140	100%
Urumqi								
40.	Jiayuan Metropolis 佳源都市	Economic and Technological Development District, Urumqi City, Xinjiang	Under development	2021 Q4	Residential	74,000	344,120	90%
Guiyang								
41.	Heng Feng Jia Yuan 恒豐佳源 (Note)	Nanming District, Guiyang City, Guizhou Province	Proposed for development	2023 Q1	Residential	120,000	856,375	61%

Project	Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %	
Hong Kong								
42.	One Vista (San Hop Lane) 匯賢一號(新合里)	Nos.1 and 3 San Hop Lane, Tuen Mun, New Territories, Hong Kong	Under development	2019 Q3	Mixed-use	1,793	29,925	70.1%
43.	Success Centre 成功中心	Nos. 26-38 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong	Under development	2020 Q2	Mixed-use	1,394	22,205	70.1%
44.	T-plus 菁雋	Tseng Choi Street, Area 4, Tuen Mun, New Territories, Hong Kong	Under development	2020 Q3	Residential	2,202	21,147	70.1%
Shanghai								
45.	Fengcheng Mingdu 佳源奉城名都	Fengxian District, Shanghai	Completed	-	Mixed-use	8,442	68,892	90.0%
46.	Huijing Huating 匯景華庭	Fengxian District, Shanghai	Completed	-	Mixed-use	5,162	90,723	90.0%
47.	Jiayuan Dream Square 上海夢想廣場	Fengxian District, Shanghai	Under development	2022 Q4	Mixed-use	31,528	433,654	90.0%
Total						6,247,415	9,553,654	

Note: The target land is still being acquired and the relevant land use right certificate has not been obtained.

FINANCIAL REVIEW

Operating Results

Revenue

Revenue of the Group mainly consists of revenue derived from (i) property development, (ii) property investment and (iii) property management. For the six months ended 30 June 2019, revenue of the Group amounted to approximately RMB5,304.0 million, representing an increase of approximately 20.2% from approximately RMB4,413.7 million in the corresponding period in 2018. Profit for the period attributable to the owners of the Company for the six months ended 30 June 2019 was approximately RMB1,125.6 million, representing an increase of approximately 10.1% from approximately RMB1,022.1 million as compared to the corresponding period in 2018.

Property Development

The Group's revenue from property development included the sale of residential and commercial properties. The Group recognised revenue from the sale of properties when the significant risks and rewards of ownership have been transferred to the purchaser, i.e. when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue derived from property development increased by approximately 20.8% to approximately RMB5,065.6 million for the six months ended 30 June 2019 from approximately RMB4,194.6 million for the six months ended 30 June 2018. The increase was mainly due to the delivery of properties pre-sold under Jiayuan Westmount Villa and Jiayuan Yurun Guifu in Yangzhou and Jiayuan Paris Metropolis in Zhenjiang upon its completion in the first half of 2019.

Property Investment

The Group's property investment mainly consisted of leasing of commercial properties (including predominantly shopping arcades, retail shops, office properties and carparks). Revenue generated from property investment increased by approximately 197.3% to approximately RMB48.4 million for the six months ended 30 June 2019 from approximately RMB16.3 million for the six months ended 30 June 2018. The increase was primarily due to an increase of monthly rental income generated from leasing contracts of the property investments during the period.

Property Management

On 21 January 2019, the Group completed the acquisition of the entire equity interest in Chuangyuan Group which is engaged in the property management business in the PRC. Property management business became a new operating segment of the Group during the six months ended 30 June 2019.

The Group's revenue from property management primarily includes (i) post-delivery property management services such as security, repair and maintenance, cleaning and garden landscape maintenance provided to property owners, residents and tenants of residential communities and commercial properties; and (ii) pre-delivery property management services including on-site security, cleaning, greening and gardening as well as customer service and other ancillary services provided to property developers prior to the establishment of an owners' committee.

Revenue generated from property management increased by approximately 34.5% to approximately RMB190.0 million for the six months ended 30 June 2019 from approximately RMB141.3 million for the six months ended 30 June 2018. The increase was in line with the expansion of the operation of the property management business.

Others

The amount of RMB61.5 million recorded in the six months ended 30 June 2018 represented the revenue generated from the disposal of certain subsidiaries of Chuangyuan Group conducting sales and installation services of software and system equipment, which was part of the reorganisation of Chuangyuan Group that was completed before the completion of its acquisition by the Group on 21 January 2019.

Gross Profit and Margin

Gross profit increased by approximately 27.1% to approximately RMB1,840.4 million for the six months ended 30 June 2019 from approximately RMB1,448.1 million in the corresponding period in 2018. The Group's gross profit margin increased to 34.7% for the six months ended 30 June 2019 as compared to the gross profit margin of 32.8% in the corresponding period in 2018. The increase in gross profit margin was due to delivery of projects including Jiayuan Westmount Villa and Jiayuan Yurun Guifu in Yangzhou which contributed comparatively higher gross profit margins to the Group for the six months ended 30 June 2019.

Other Income, Gains and Losses

The Group had other income of approximately RMB134.5 million and other gains and losses of approximately RMB54.7 million for the six months ended 30 June 2019, totalling approximately RMB189.2 million at a gain. The Group had other income of approximately RMB96.5 million and other losses of approximately RMB204.4 million for the six months ended 30 June 2018, totalling approximately RMB107.9 million at a loss. The significant change of other income, gains and losses was mainly attributable to foreign exchange gain of approximately RMB58.7 million for the six months ended 30 June 2019, as a result of realised exchange gain from respective redemptions of USD denominated senior notes. The foreign exchange loss of approximately RMB204.4 million for the six months ended 30 June 2018 was led by the appreciation of the USD denominated senior notes.

Change in Fair Value of Investment Properties

The Group's change in fair value of investment properties decreased to approximately RMB156.6 million for the six months ended 30 June 2019 from approximately RMB470.0 million for the six months ended 30 June 2018. The fair value gain of investment properties during the six months ended 30 June 2019 was mainly derived from the investment properties located in Nanjing and Yangzhou.

Distribution and Selling Expenses

The distribution and selling expenses decreased to approximately RMB75.0 million for the six months ended 30 June 2019 from approximately RMB102.7 million for the six months ended 30 June 2018. The decrease by approximately 26.9% was mainly attributable to a decrease in sales commission paid to property agents as a result of increased direct sales conducted with customers.

Administrative Expenses

The Group's administrative expenses increased by approximately 10.4% to approximately RMB134.9 million for the six months ended 30 June 2019 from approximately RMB122.2 million for the six months ended 30 June 2018, which was mainly attributable to the increase of staff salaries and allowances resulting from the expansion of operation scale of the Group.

Finance Costs

The Group's finance costs decreased to approximately RMB39.1 million for the six months ended 30 June 2019 from approximately RMB67.3 million for the six months ended 30 June 2018. The decrease in finance cost of approximately 41.9% was attributable to the decrease in senior notes issued as well as the decrease of the average borrowing rate of bank and other borrowings for the six months ended 30 June 2019.

Income Tax Expense

The Group's income tax expense increased to approximately RMB700.9 million for the six months ended 30 June 2019 from approximately RMB500.4 million for the six months ended 30 June 2018. The Group's income tax expense included payments and provisions made for EIT and LAT less deferred taxation during the period. The increase by approximately 40.1% was due to the increase in EIT and LAT and the effect was partially offset by the decrease in deferred tax expense for the six months ended 30 June 2019.

Profit and Total Comprehensive Income Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased by approximately 10.1% to approximately RMB1,125.6 million for the six months ended 30 June 2019 from approximately RMB1,022.1 million for the six months ended 30 June 2018 which was in line with the expansion of the Group's operation in 2019.

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2019, the Group had an aggregate of pledged/restricted bank deposits and bank balances and cash of approximately RMB5,727.5 million (as at 31 December 2018: approximately RMB5,367.2 million), representing an increase of approximately 6.7% as compared to that as at 31 December 2018. As at 30 June 2019, restricted/pledged bank deposits of approximately RMB1,678.5 million (as at 31 December 2018: approximately RMB1,427.1 million) were restricted for use in specific property development projects or pledged to secure bank borrowings raised by the Group.

Borrowings and the Group's Pledged Assets

As at 30 June 2019, the Group had bank and other borrowings of approximately RMB12,111.1 million (as at 31 December 2018: approximately RMB12,575.1 million). Amongst the borrowings, approximately RMB4,812.6 million (as at 31 December 2018: approximately RMB4,801.3 million) will be repayable within one year and approximately RMB7,298.5 million (as at 31 December 2018: approximately RMB7,773.8 million) will be repayable after one year.

As at 30 June 2019, bank and other borrowings of approximately RMB12,111.1 million (as at 31 December 2018: approximately RMB12,575.1 million) were secured by bank balances, land use rights and properties of the Group. As at 30 June 2019, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB19,512 million (as at 31 December 2018: approximately RMB15,705 million).

Senior Notes

In April 2017, the Company issued senior secured notes with a principal amount of US\$50,000,000 due in 2019 (the "April 2019 Senior Notes"). The April 2019 Senior Notes, bearing interest at a fixed rate of 8.5% per annum with interest payable quarterly in arrears, matured in April 2019. In April 2019, the Company repaid in full all the outstanding principal and interest.

In May 2017, the Company issued senior secured notes with a principal amount of US\$50,000,000 due in 2019 (the "May 2019 Senior Notes"). The May 2019 Senior Notes, bearing interest at a fixed rate of 8.5% per annum with interest payable quarterly in arrears, matured in May 2019. In May 2019, the Company repaid in full all the outstanding principal and interest.

In January 2018, the Company issued senior secured notes with a principal amount of US\$250,000,000 due in January 2019 (the "January 2019 Senior Notes I") which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 5088). The January 2019 Senior Notes I, bearing interest at a fixed rate of 8.125% per annum with interest payable semi-annually in arrears, matured in January 2019. In January 2019, the Company repaid in full all the outstanding principal and interest.

In April 2018, the Company issued senior secured notes with a principal amount of US\$100,000,000 due in January 2019 (to be consolidated with and form a single series with January 2019 Senior Notes I (the "January 2019 Senior Notes II") which are listed on the Stock Exchange (Stock Code: 5088). The January 2019 Senior Notes II, bearing interest at a fixed rate of 8.125% per annum with interest payable semi-annually in arrears, matured in January 2019. In January 2019, the Company repaid in full all the outstanding principal and interest.

In October 2018, the Company issued senior secured notes with a principal amount of US\$160,000,000 due in October 2019 (the “October 2019 Senior Notes”) (in exchange for the US\$160,000,000 8.0% senior secured notes due 2018) which are listed on the Frankfurt Stock Exchange. The October 2019 Senior Notes, bearing interest at a fixed rate of 10% per annum with interest payable semi-annually in arrears, will mature in October 2019, but have been repaid in full, including all outstanding principal and interest, during the six months ended 30 June 2019.

In October 2018, the Company issued senior secured notes with a principal amount of US\$225,000,000 due in October 2020 (the “October 2020 Senior Notes I”) which are listed on the Stock Exchange (Stock Code: 5190). The October 2020 Senior Notes I, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature in October 2020.

In November 2018, the Company issued senior secured notes with a principal amount of US\$70,000,000 due in October 2020 (to be consolidated with and form a single series with October 2020 Senior Notes I (the “October 2020 Senior Notes II”) which are listed on the Stock Exchange (Stock Code: 5190). The October 2020 Senior Notes II, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature in October 2020.

In December 2018, the Company issued senior secured notes with a principal amount of US\$80,000,000 due in October 2020 (to be consolidated with and form a single series with October 2020 Senior Notes II) (the “October 2020 Senior Notes III”) which are listed on the Stock Exchange (Stock Code: 5190). The October 2020 Senior Notes III, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature in October 2020.

In December 2018, the Company issued senior secured notes with a principal amount of US\$25,000,000 due in October 2020 (to be consolidated with and form a single series with October 2020 Senior Notes III (the “October 2020 Senior Notes IV”) which are listed on the Stock Exchange (Stock Code: 5190). The October 2020 Senior Notes IV, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature in October 2020.

In May 2019, the Company issued senior secured notes with a principal amount of US\$225,000,000 due in May 2022 (the “May 2022 Senior Notes”) (in exchange for the October 2019 Senior Notes) which are listed on the Frankfurt Stock Exchange. The May 2022 Senior Notes, bearing interest at a fixed rate of 11.375% per annum with interest payable semi-annually in arrears, will mature in May 2022.

Net Gearing Ratio

The net gearing ratio of the Group improved significantly as at 30 June 2019. The net gearing ratio of the Group dropped significantly to 107.6% as at 30 June 2019 from 159.3% as at 31 December 2018. The net gearing ratio was measured by net debt (bank and other borrowings and senior notes (including derivative financial instruments) net of bank balances and cash and pledged/restricted bank deposits) over the total equity.

Exchange Rate Risk

The Group mainly operates its business in the PRC. It is primarily exposed to the foreign exchange exposure with respect to assets and liabilities denominated in United States dollar, Hong Kong dollar and Australian dollar. Foreign exchange risk arises from bank deposits, loans receivables, financial assets at fair value through profit or loss, bank and other borrowings and senior notes. The Group monitors the exchange rate risk regularly and will enter into foreign exchange hedging arrangement when necessary.

Commitments

As at 30 June 2019, the Group had committed payment for construction and land development expenditures in the amount of approximately RMB6,570.0 million (as at 31 December 2018: approximately RMB6,126.6 million).

Contingent Liabilities

As at 30 June 2019, the Group had provided guarantees amounting to approximately RMB7,672.7 million (as at 31 December 2018: approximately RMB6,358.6 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default on the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal title of the related properties. However, the guarantee will be released upon the purchaser obtaining the relevant building ownership certificate and completion of the relevant mortgage registration. In the opinion of the Directors, no provision for the guarantee contracts was recognised in the financial statements for the six months ended 30 June 2019 as the possibility of default by the purchasers of the Group's properties is remote.

Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals during the six months ended 30 June 2019.

Events after the end of the reporting period

On 26 April 2019, the Group entered into the sale and purchase agreement (as subsequently amended and supplemented) (the “Sale and Purchase Agreement”) with Mr. Shum, the chairman, the non-executive Director and the ultimate controlling shareholder of the Company, pursuant to which the Group agreed to acquire the entire issued share capital of Huiyuan Investment Holdings Limited, which indirectly held property development projects located in the municipalities of Hefei, Maanshan and Bengbu of Anhui Province, the PRC, mainly consisting of largescale residential complex projects and integrated commercial complex projects, as well as apartments, offices, shopping arcades, hotels and other supporting facilities, at a consideration of RMB4,155,168,787 (equivalent to approximately HK\$4,840,771,637), which was settled by the allotment and issue of the 1,377,959,475 consideration shares (the “Consideration Shares”) by the Company to Mr. Shum or his nominee(s) at the issue price of HK\$3.513 per Consideration Share. This transaction was completed on 8 August 2019. Please refer to the Company’s announcements dated 26 April 2019, 24 June 2019 and 8 August 2019, and the circular dated 25 June 2019 for further details.

In July 2019, the Company issued senior notes with a principal amount of US\$225,000,000 due in March 2022 (the “March 2022 Senior Notes”) (a portion of which amounted to US\$174,671,000 was used to exchange for a portion of October 2020 Senior Notes IV, (“the Exchanged Notes”) which are listed on the Stock Exchange (Stock Code: 4418). The March 2022 Senior Notes, bearing interest at a fixed rate of 13.75% per annum with interest payable semi-annually in arrears, will mature in March 2022. All of the Exchanged Notes in the principal amount of US\$174,671,000 were cancelled and the remaining outstanding aggregate principal amount of the October 2020 Senior Notes IV after such cancellation is US\$225,329,000.

Future Plans for Material Investments

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities, if it thinks fit. These investments will be funded by internal resources and external borrowings. Save as disclosed above, the Group does not have any future plans for material investments as at the date of this announcement.

Use of Proceeds

The following table sets out the utilisation and breakdown of the actual use of the net proceeds for the Group's first placing and subscription which was announced on 6 June 2017 (the "First Placing and Subscription") and second placing and subscription which was announced on 18 December 2017 (the "Second Placing and Subscription"), respectively, as at 30 June 2019:

Date of announcement	Fund raising activity	Date of completion	Net proceeds raised	Intended use of the net proceeds as disclosed in the announcement	Actual use of the net proceeds as of 26 March 2019 (being the date of the 2018 Annual Report)	Actual utilisation as at 30 June 2019
6 June 2017	First Placing and Subscription	9 June 2017 and 19 June 2017	Approximately HK\$1,166.5 million	Acquisition of land bank and general working capital.	Approximately HK\$1,166.5 million was used for acquisition of land bank, namely, the Macau Land as disclosed in the announcement of the Company dated 6 September 2017.	All net proceeds were utilised in accordance with the intended uses of the net proceeds as disclosed in the announcement of 6 June 2017.
18 December 2017	Second Placing and Subscription	27 December 2017 and 28 December 2017	Approximately HK\$1,399.8 million	Acquisition of land bank and general working capital.	<p>Approximately HK\$111.1 million was used for acquisition of land bank, namely, a parcel of land in Jiangmen, PRC in March 2018.</p> <p>Approximately HK\$67.8 million was used for interest payments by the Group in respect of its bank borrowings and debt securities.</p> <p>Approximately HK\$4.6 million was used as general working capital of the Group.</p> <p>Approximately HK\$1,216.3 million remained unutilised (the "Unutilised Portions"), which was placed with licensed banks in Hong Kong.</p>	<p>The Unutilised Portions in the amount of approximately HK\$1,216.3 million were used subsequent to 27 March 2018 in the following manners:</p> <p>Approximately HK\$601.2 million was used for acquisition of land bank in Hong Kong, as disclosed in the announcement of the Company dated 24 May 2018.</p> <p>Approximately HK\$279.3 million was used for acquisition of land bank, namely, parcels of land in Cambodia, as disclosed in the announcement of the Company dated 10 May 2018.</p> <p>Approximately HK\$122.7 million was used for acquisition of land bank, namely, a parcel of land in Jiangmen, PRC in March 2018.</p> <p>Approximately HK\$156.0 million was used for interest payments by the Group in respect of its bank borrowings and debt securities</p> <p>Approximately HK\$57.1 million was used for capital contribution to the Group's PRC companies as investment or further investment.</p> <p>All net proceeds were utilised in accordance with the intended uses of the net proceeds as disclosed in the announcement of 18 December 2017.</p>

CORPORATE GOVERNANCE PRACTICES

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of its shareholders and to enhance its corporate value and accountability. The Board is committed to achieving high corporate governance standards.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the basis of the Company’s corporate governance practices.

The Company has complied with all the code provisions as set out in the CG Code for the six months ended 30 June 2019.

The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by directors and employees who are likely to be in possession of unpublished inside information of the Company (the “Code of Conduct”) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code and the Code of Conduct throughout the six months ended 30 June 2019.

No incident of non-compliance with the Code of Conduct by the Group’s employees was noted by the Company during the six months ended 30 June 2019. In case when the Company is aware of any restricted period for dealings in the Company’s securities, the Company will notify its Directors and employees in advance.

REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited consolidated interim results of the Group for the six months ended 30 June 2019.

INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2019 (for the six months ended 30 June 2018: HK10 cents per share).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This interim results announcement has been published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.jiayuanintl.com. The 2019 Interim Report for the six months ended 30 June 2019 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and made available on the same websites in due course.

By order of the Board
Jiayuan International Group Limited
Shum Tin Ching
Chairman

Hong Kong, 26 August 2019

As at the date of this announcement, the Board of the Company comprises: (i) Mr. Shum Tin Ching, the Chairman and a Non-executive Director; (ii) Mr. Zhang Yi, a Vice Chairman and an Executive Director; (iii) Mr. Huang Fuqing, a Vice Chairman and an Executive Director; (iv) Ms. Cheuk Hiu Nam, an Executive Director; (v) Mr. Wang Jianfeng, an Executive Director; (vi) Mr. Tai Kwok Leung, Alexander, an Independent Non-executive Director; (vii) Dr. Cheung Wai Bun, Charles, JP, an Independent Non-executive Director; (viii) Mr. Gu Yunchang, an Independent Non-executive Director; and (ix) Mr. Shen Xiaodong, a Non-executive Director.