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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 2018**

#### **RESULTS HIGHLIGHTS**

- The Group recorded unaudited contracted sales of approximately RMB7,357 million for the six months ended 30 June 2018 with a total sales area of approximately 719,416 sq.m., representing a period-on-period increase of approximately 90% and 54%, respectively.
- The Group's recognised revenue for the six months ended 30 June 2018 was approximately RMB4,130 million, representing an increase of approximately RMB1,222 million or 42% as compared to the corresponding period in 2017.
- The gross profit of the Group increased by approximately 35% to approximately RMB1,370 million and the gross profit margin was 33% for the six months ended 30 June 2018.
- The net profit of the Group for the six months ended 30 June 2018 amounted to approximately RMB979 million, representing an increase of approximately RMB457 million or 88% as compared to the corresponding period in 2017.
- The Group's basic earnings per share was RMB39.70 cents for the six months ended 30 June 2018, representing an increase of approximately 48% as compared with approximately RMB26.91 cents in the corresponding period in 2017.
- The bank balances and cash and restricted/pledged bank deposits of the Group as at 30 June 2018 were approximately RMB9,984 million, representing an increase of approximately 49% as compared with approximately RMB6,717 million as at 31 December 2017.
- Declared an interim dividend with scrip option of HK10 cents per share (for the six months ended 30 June 2017: Nil).

- On 8 March 2018, the Group and 貴州恒豐偉業房地產開發有限公司 (Guizhou Hengfeng Weiye Property Development Co., Ltd\*) (“Guizhou Hengfeng”) entered into the cooperation agreement, pursuant to which the parties agreed to form a joint venture company (the “Guiyang JV”) on 61:39 basis for the purpose of investing into the shanty town redevelopment project (the “Guiyang Project”) in respect of a parcel of land located at Nanming District, Guiyang City, Guizhou Province in the People’s Republic of China (the “PRC”). The contribution to the registered capital and the project capital of Guiyang JV by the Group shall be in an aggregate amount of RMB3,739,300,000. Currently, Guiyang JV has been established which is owned as to 61% and 39% by the Group and Guizhou Hengfeng respectively and it is accounted for as a non-wholly owned subsidiary of the Company.
- On 24 May 2018, the Group and Mr. Tang Shing Bor entered into the sale and purchase agreement, whereby the Group agreed to acquire 70.1% of the entire issued share capital of a target company, which indirectly holds (a) properties located at Nos. 1 and 3 San Hop Lane, Tuen Mun, New Territories, Hong Kong; (b) property located in Nos. 26–38 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong; and (c) property located in No. 2 Tsing Min Path, Tuen Mun, New Territories, Hong Kong, for a consideration of HK\$2,620,256,684 subject to adjustment to the consideration.
- On 5 June 2018, the Group entered into 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 project companies which will hold 90% equity interest in certain property development projects located in Shanghai of the PRC after reorganisation, for a consideration of HK\$693,628,828.

\* For identification purpose only

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 2018 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 2018

	NOTES	Six months ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	4A	4,129,866	2,907,794
Cost of sales		(2,759,528)	(1,895,156)
Gross profit		1,370,338	1,012,638
Other income	5	95,205	14,824
Other gains and losses	5	(205,253)	15,619
Change in fair value of investment properties		470,003	132,969
Fair value gain on financial assets at fair value through profit or loss		20,051	–
Distribution and selling expenses		(93,823)	(58,450)
Administrative expenses		(121,261)	(49,687)
Other expenses		(1,625)	(383)
Finance costs		(66,821)	(43,219)
Share of results of an associate		1,058	(1)
Profit before taxation		1,467,872	1,024,310
Income tax expense	6	(488,899)	(502,268)
Profit and total comprehensive income for the period	7	978,973	522,042
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		973,472	515,034
Non-controlling interests		5,501	7,008
		978,973	522,042
Earnings per share			
Basic (RMB cents)	9	39.70	26.91

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	<i>NOTES</i>	<b>30.6.2018</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2017 <i>RMB'000</i> <b>(audited)</b>
<b>NON-CURRENT ASSETS</b>			
Investment properties		4,619,505	3,306,142
Property and equipment		110,381	85,268
Interest in an associate		31,656	15,598
Available-for-sale investment		–	59,678
Prepayment and deposit paid for a life insurance policy		–	9,444
Financial assets at fair value through profit or loss		77,943	–
Deposits paid for acquisition of subsidiaries		1,961,378	1,524,053
Deferred tax assets		358,382	359,992
		<b>7,159,245</b>	<b>5,360,175</b>
<b>CURRENT ASSETS</b>			
Inventories of properties			
– held for sale		671,988	741,992
– under development		17,909,876	17,622,382
Financial assets at fair value through profit or loss		584,546	–
Trade and other receivables, deposits and prepayments	10	2,173,464	2,117,135
Prepaid income tax		237,730	237,146
Amounts due from related parties		4,500	–
Restricted/pledged bank deposits		1,397,993	1,001,427
Bank balances and cash		8,586,341	5,715,274
		<b>31,566,438</b>	<b>27,435,356</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accrued expenses	11	3,931,746	1,735,640
Pre-sale deposits received		7,649,316	6,358,397
Tax payable		1,220,573	1,559,516
Amounts due to related parties		11,000	6,576
Bank and other borrowings		3,329,922	3,233,346
Senior notes		6,796,642	3,681,736
		<b>22,939,199</b>	<b>16,575,211</b>
<b>NET CURRENT ASSETS</b>		<b>8,627,239</b>	<b>10,860,145</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>15,786,484</b>	<b>16,220,320</b>

	<i>NOTES</i>	<b>30.6.2018</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2017 <i>RMB'000</i> (audited)
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>20,564</b>	20,564
Reserves		<b>7,728,487</b>	6,755,015
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>7,749,051</b>	6,775,579
Non-controlling interests		<b>223,208</b>	24,907
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>7,972,259</b>	6,800,486
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings		<b>6,619,849</b>	7,690,605
Deferred income	<i>11</i>	<b>690,093</b>	693,230
Deferred tax liabilities		<b>504,283</b>	386,783
Senior notes		–	649,216
		<hr/>	<hr/>
		<b>7,814,225</b>	9,419,834
		<hr/>	<hr/>
		<b>15,786,484</b>	16,220,320
		<hr/>	<hr/>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2015. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 March 2016.

The Company is an investment holding company. The principal activities of its subsidiaries are property development and property investment in the PRC.

The Company's registered office address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands; and the headquarters is located at Room 1403, 9 Queen's Road Central, Hong Kong.

The condensed consolidated interim financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements 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 condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

### 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 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The Group has early applied the amendments to HKAS 40 Transfers of Investment Property in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017. 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.

### **3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers**

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- Property development for sale
- Property investment (not within the scope of HKFRS 15)

Revenue from leasing of investment properties will continue to be accounted for in accordance with HKAS 17 Leases, whereas revenue from other sources will be accounted for under HKFRS 15.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

### **3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments**

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses (“ECL”) for financial assets; and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. the Group has applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between the carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

### 3.2.1 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available for-sale investment RMB'000	Financial assets at FVTPL RMB'000	Prepayment and deposit paid for a life insurance policy RMB'000	Investment revaluation reserve RMB'000	Retained earnings RMB'000
Closing balance at 31 December 2017					
- HKAS 39	59,678	-	9,444	1,656	-
Effect arising from initial application of HKFRS 9:					
<b>Reclassification</b>					
From available-for-sale investment	(59,678)	59,678	-	(1,656)	1,656
From loans and receivables	-	9,444	(9,444)	-	-
<b>Opening balance at 1 January 2018</b>	<b>-</b>	<b>69,122</b>	<b>-</b>	<b>-</b>	<b>1,656</b>

The application of the HKFRS 9 has no significant impact on the provision of impairment of financial assets in the current interim period and retained earnings at 1 January 2018.

## 4A. REVENUE

	Six months ended 30 June 2018 RMB'000 (unaudited)
<b>Types of goods or services</b>	
Sales of properties ( <i>Note</i> )	4,113,596
Property rental	16,270
Total	<b>4,129,866</b>

*Note:* Disaggregation of revenue from contracts with customers.

	Six months ended 30 June 2018 RMB'000 (unaudited)
<b>Geographical markets</b>	
Changzhou	118,936
Taizhou	631,044
Yangzhou	2,786,559
Nantong	439,084
Zhenjiang	137,973
	<b>4,113,596</b>
<b>Timing of revenue recognition</b>	
A point of time	<b>4,113,596</b>



#### 4B. 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. Development services – development of resettlement properties and other public facilities

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 periods ended 30 June 2018 and 2017. 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 2018	2017	Six months ended 30 June 2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Property development	<b>4,113,596</b>	2,896,531	<b>1,156,417</b>	904,975
Property investment	<b>16,270</b>	11,263	<b>16,270</b>	11,263
Total	<b><u>4,129,866</u></b>	<u>2,907,794</u>	<b><u>1,172,687</u></b>	916,238
Other gains and losses			<b>(205,253)</b>	15,619
Interest income			<b>90,680</b>	12,723
Central administration costs			<b>(14,533)</b>	(10,019)
Change in fair value of investment properties			<b>470,003</b>	132,969
Fair value gain on financial assets at fair value through profit or loss			<b>20,051</b>	–
Finance costs			<b>(66,821)</b>	(43,219)
Share of results of an associate			<b>1,058</b>	(1)
Profit before taxation			<b><u>1,467,872</u></b>	<u>1,024,310</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 gain on financial assets at fair value through profit or loss, finance costs and share of results of an associate. 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. There were no inter-segment sales for the periods reported.

## 5. OTHER INCOME, GAINS AND LOSSES

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
Other income		
Interest income on bank deposits	15,887	2,126
Interest income on financial assets at fair value through profit or loss	3,043	–
Interest income on loans receivables	71,750	–
Interest income on available-for-sale investment	–	7,491
Interest income on held-to-maturity investment	–	3,106
Others	4,525	2,101
	<u>95,205</u>	<u>14,824</u>
Other gains and losses		
Gain on disposal of property and equipment	–	18
Foreign exchange (loss) gain, net	(205,253)	15,601
	<u>(205,253)</u>	<u>15,619</u>

## 6. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
Current tax:		
Enterprise Income Tax ("EIT") in the PRC	290,646	284,862
Land Appreciation Tax ("LAT")	79,037	245,717
	<u>369,683</u>	530,579
Deferred tax	119,216	(28,311)
	<u>488,899</u>	<u>502,268</u>

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the British Virgin Islands 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 condensed consolidated financial statements 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 (collectively referred to the “LAT Regulations”), 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, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and expenses for the development of the land or for construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

## 7. PROFIT FOR THE PERIOD

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of properties held for sale recognised as expenses	<b>2,759,528</b>	1,895,156
Depreciation of property and equipment	<b>4,109</b>	3,035
Less: Capitalised in properties under development	<b>(12)</b>	(663)
	<b><u>4,097</u></b>	<u>2,372</u>

## 8. INTERIM DIVIDEND

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Interim dividend declared	<b><u>212,147</u></b>	<u>–</u>

Subsequent to the end of the reporting period, the Board of Directors of the Company declared an interim dividend of HK10 cents per share for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil) in an aggregate amount of HK\$245,200,000 (equivalent to approximately RMB212,147,000), taking into account the 2,452,000,000 ordinary shares in issue as at 30 June 2018. The eligible shareholders will receive the interim dividend wholly by way of an allotment and issue of scrip shares unless the relevant eligible shareholders elect to receive such interim dividend wholly in cash, or partly in cash and partly in the form of scrip shares.

## 9. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<b>973,472</b>	515,034
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,452,000</b>	1,914,240

No diluted earnings per share for the periods ended 30 June 2018 and 2017 were presented as there were no potential ordinary shares in issue in both periods.

## 10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>30.6.2018</b>	31.12.2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Rental receivables (Trade receivables) ( <i>Note i</i> )	<b>45,982</b>	39,903
Prepaid construction costs	<b>138,163</b>	358,614
Prepaid business and other taxes	<b>130,528</b>	214,884
Deposits for acquisition of land use rights	<b>435,351</b>	26,040
Projects-related deposits	<b>51,617</b>	289,944
Deposits for trust financing arrangements ( <i>Note ii</i> )	<b>287,330</b>	63,925
Other deposits	<b>209,282</b>	251,186
Bills receivables	<b>2,611</b>	3,870
Loans receivables ( <i>Note iii</i> )	<b>712,945</b>	733,721
Other receivables ( <i>Note iv</i> )	<b>159,655</b>	135,048
	<b>2,173,464</b>	2,117,135

*Notes:*

- (i) The amount represents rental receivables for leasing of office premises, hotel, shopping arcade and carparks.
- (ii) The amounts are deposited in trust financing companies for raising trust loans to subsidiaries of the Group. For the deposits that relevant trust loans have been/will be raised, such deposits will be refunded to the Group either upon final repayments of the trust loans or repayable on demand.
- (iii) Loans receivables represent loans to independent third parties which are unsecured, interest bearing at ranging from 12% to 23% per annum (31 December 2017: 12% to 23% per annum) and repayable within one year.
- (iv) Other receivables mainly represent temporary payments made to contractors and advances to contractors.

The Group allows an average credit period of 30 days to its trade customers.

No allowance for doubtful debts on trade and other receivables is noted at 30 June 2018 and 31 December 2017.

## 11. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	<b>30.6.2018</b>	31.12.2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Trade payables	<b>1,220,891</b>	529,098
Business and other taxes payable	<b>240,747</b>	286,322
Accrued charges ( <i>Note i</i> )	<b>448,518</b>	177,531
Deferred income ( <i>Note ii</i> )	<b>699,277</b>	703,456
Consideration payable for acquisition of subsidiaries	<b>657,900</b>	322,700
Deposits and other payables ( <i>Note iii</i> )	<b>1,354,506</b>	409,763
	<b>4,621,839</b>	2,428,870
Less: Non-current portion of deferred income	<b>(690,093)</b>	(693,230)
Current portion	<b>3,931,746</b>	1,735,640

*Notes:*

- (i) Accrued charges mainly include construction cost accrued based on construction progress.
- (ii) Deferred income represents deferred income arising from transfer of land use right of underground car parks which no building ownership certificate has been obtained by the Group. The income arising from sales of underground car parks is released to profit or loss as rental income and amortised on a straight line basis over the period of the land use right.
- (iii) Deposits and other payables mainly represent various deposits received from contractors in relation to tendering and execution of construction contracts, and deposits received from independent third parties for potential acquisition of property development projects.

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 payable is 30 days.

## **BUSINESS REVIEW**

### **Market Review**

In the first half of 2018, on top of the property purchase restriction imposed last year, the government of the PRC introduced a new round of property regulation, which led to a slowdown in the growth of the property market and more stable property prices in first-tier cities. However, both the sales volume and selling price of properties located in second-tier and third-tier cities surged, which were mainly attributable to the strong purchasing demand at popular cities and strong demand from users seeking to improve their current living environment. By precisely capturing the cities with strong growth prospects and adopting a proactive project launch approach, the Group sustained a steady growth in property sales in second-tier and third-tier cities in the first half of 2018.

### **Results Performance**

The Group deepens its region-focused development strategy and achieves significant growth in its key performance indicators. During the first half of 2018, the Group's contracted sales of completed properties amounted to approximately RMB7.36 billion, representing a substantial increase of approximately 90% as compared to the same period in 2017. Contracted sales area amounted to approximately 719,000 sq.m., representing an increase of approximately 54% as compared to the same period in 2017. Revenue of the Group increased by approximately 42% to approximately RMB4.13 billion as compared to the same period in 2017. Profit attributable to the owners of the Company increased by approximately 89% from approximately RMB515 million in the first half of 2017 to approximately RMB973 million in the first half of 2018. The Group's basic earnings per share amounted to approximately RMB39.70 cents for the six months ended 30 June 2018, representing an increase of approximately 48% as compared with approximately RMB26.91 cents in the corresponding period in 2017. As at 30 June 2018, the Group's land bank occupied approximately 9.8 million sq.m., and its property portfolio comprised 41 properties in various major cities in the PRC, comprising 29 residential complexes and 12 commercial complexes covering major cities in Jiangsu Province, city cluster in the Guangdong-Hong Kong-Macau Bay Area and other key provincial capital cities.

During the first half of 2018, the Group further expanded its business footprint in the city cluster in the Guangdong-Hong Kong-Macau Bay Area by venturing into certain key cities with high growth through merger and acquisition, tender and bidding in the public market, joint development and so on. Examples included the acquisition of three property development projects in Hong Kong and the upgrade and renovation of the Jiayuan Didu Hot Spring project. Apart from that, the Group remains its focus on the Yangtze River Delta, and has obtained certain premium projects in Jiangsu Province and Shanghai during the period. Meanwhile, the Group has succeeded in expanding its business coverage to key provincial capital cities, such as Guiyang and Urumqi and made its first attempt to enter Cambodia, signifying a new milestone for the Group's international development.

## **Prospects for the Second Half of 2018**

In the second half of 2018, the Group expects the macroeconomy of the PRC will maintain a steady growth and property prices are expected to stabilise gradually as the central government of the PRC continues to increase land supply and implement policies in the property market. On the other hand, the Group believes that there will be more merger and acquisition opportunities in the future and robust financial conditions will facilitate the Group in seizing more market resources. In the long run, the Group believes that urbanisation will continue to take root in the PRC while the housing demand in the first-tier provincial capital cities and certain second-tier and third-tier key cities in the PRC will remain robust.

The Group will persist in a sound fiscal policy, accelerate the contracted sales and sales proceeds, ensure the construction quality and staff safety of its projects and strictly control its various costs and expenses, so as to secure the operating cash flow and maintain stable investment returns. Last but not least, the Group will commit to adhering to the strategic goal of “expansion and strengthening” (「做大做強」), and will leverage on the existing key development opportunities to fully enhance its professional level and competitiveness in each segment of the property value chain. The Group will continue to pursue a sustainable growth strategy in order to maximise shareholders’ value.

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 2018 and 2017:

Project	Six months ended 30 June 2018			Six months ended 30 June 2017		
	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. Nantong Jiayuan Metropolis 南通佳源都市	23	2,273	10,195	820	109,211	7,508
2. Nanjing Zijin Mansion 南京紫金華府	181	4,589	39,337	765	23,617	32,366
3. Yangzhou Jiayuan Centurial City 揚州佳源世紀天城	814	92,173	8,830	623	67,487	9,228
4. Taizhou Venice Metropolis 泰州威尼斯城	733	87,371	8,393	524	76,369	6,855
5. Zhenjiang Jiayuan Paris Metropolis 鎮江佳源巴黎都市	324	40,258	8,052	253	32,567	7,780
6. Taizhou Jiayuan Central Plaza 泰州佳源中心廣場	22	2,615	8,585	236	44,260	5,335
7. Suqian Rome Metropolis 宿遷羅馬都市	81	17,242	4,668	192	46,049	4,176
8. Suqian The Bund Number One 宿遷外灘壹號	346	46,845	7,377	–	–	–
9. Suzhou Jiayuan Metropolis (Harbourview) 蘇州佳源都市(海藝豪庭)	776	46,669	16,627	–	–	–
10. Yangzhou Jiayuan Westmount Villa 揚州佳源西峰玖墅	1,052	72,828	14,449	–	–	–
11. Yangzhou Centurial Honour Mansion 揚州世紀天城榮御府	1,001	110,822	9,030	–	–	–
12. Yangzhou Jiayuan Yurun Guifu 揚州佳源雨潤桂府	959	77,635	12,353	–	–	–
13. Yangzhou Jiayuan Yurun Huafu 揚州佳源雨潤華府	593	53,441	11,105	–	–	–
14. Others	452	64,655	6,988	460	66,994	6,871
<b>Total</b>	<b>7,357</b>	<b>719,416</b>	<b>10,226</b>	<b>3,873</b>	<b>466,554</b>	<b>8,301</b>



## Property Projects

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 30 June 2018, the Group had investment properties with a total GFA of approximately 0.6 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 50.0% of the commercial properties; and retain the ownership of 50.0% of the commercial properties for investment properties.

## Investment Properties

The following table sets out a summary of the Group's investment properties (excluding car parks) as at 30 June 2018:

Project	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income For the six months ended 30 June	
			2018 (RMB million) (unaudited)	2017 (RMB million) (unaudited)
<b>Yangzhou</b>				
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	0.4	0.6
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	-	-	-
6. Jiayuan Yurun Guifu 佳源雨潤桂府	1,588	-	-	-
<b>Taizhou</b>				
7. Jiayuan Central Plaza 佳源中心廣場	47,567	47,567	0.9	0.9
8. Venice Metropolis 威尼斯城 (Note)	101,883	-	-	-
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	-
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	10,028	1.2	1.2
14. Guxi Jiayuan Central Plaza 古溪佳源中心廣場 (Note)	39,228	-	-	-
<b>Suqian</b>				
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	
			2018 (RMB million) (unaudited)	2017 (RMB million) (unaudited)
<b>Changzhou</b>				
16. Jiayuan Central Plaza 佳源中心廣場	49,777	49,777	2.2	–
<b>Nanjing</b>				
17. Zijin Mansion 紫金華府	55,289	–	–	–
<b>Total</b>	<b>568,131</b>	<b>230,937</b>	<b>12.6</b>	<b>9.3</b>

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 2018:

Project	Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %
<b>Yangzhou</b>							
1. Jiayuan Centurial City 佳源世紀天城	Jiangdu District, Yangzhou City, Jiangsu Province	Under development	2019 Q2	Mixed-use	176,234	561,819	100%
2. Centurial Honour Mansion 世紀天城榮御府	Jiangdu District, Yangzhou City, Jiangsu Province	Under development	2019 Q2	Mixed-use	128,795	496,147	100%
3. Jiayuan Westmount Villa 佳源西峰玖墅	Hanjiang District, Yangzhou City, Jiangsu Province	Under development	2019 Q2	Residential	143,822	225,966	70%
4. Jiayuan Centurial Villa 佳源世紀豪園	Jiangdu District, Yangzhou City, Jiangsu Province	Completed	–	Residential	391,088	1,803	100%
5. Jiayuan Centurial Garden 佳源世紀花園	Jiangdu 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	Jiangdu 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	2019 Q2	Residential	119,973	290,026	100%
9. Jiayuan Yurun Huafu 佳源雨潤華府	Guangling District, Yangzhou City, Jiangsu Province	Under development	2019 Q2	Residential	91,722	235,592	100%

Project	Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %	
<b>Nanjing</b>								
10.	Zijin Mansion 紫金華府	Xuanwu District, Nanjing City, Jiangsu Province	Under development	2018 Q4	Residential	339,008	106,020	100%
<b>Taizhou</b>								
11.	Youyou Huafu 優優華府	Urban area of Taixing City, Taizhou City, Jiangsu Province	Proposed for development	2022 Q4	Residential	56,910	141,645	100%
12.	Venice Metropolis 威尼斯城	Urban area of Taixing City, Taizhou City, Jiangsu Province	Under development	2022 Q3	Residential	660,576	1,400,180	100%
13.	Taixing Jiayuan Central Plaza 泰興佳源中心廣場	Huangqiao Town, Taixing City, Jiangsu Province	Under development	2018 Q4	Mixed-use	81,887	7,181	100%
14.	Jiayuan Mingfu 佳源名府	Huangqiao Town, Taixing City, Jiangsu Province	Under development	2018 Q4	Mixed-use	42,054	13,483	100%
15.	Jiayuan New World 新天地	Taixing City, Taizhou City, Jiangsu Province	Under development	2018 Q4	Mixed-use	190,802	291,665	100%
16.	Qiangxi Garden 羌溪花苑	Taixing City, Taizhou City, Jiangsu Province	Under development	2018 Q4	Residential	69,486	5,846	100%
17.	Guxi Jiayuan Central Plaza 古溪佳源中心廣場	Guxi Town, Taixing City, Jiangsu Province	Under development	2018 Q4	Mixed-use	83,048	148,347	100%
18.	Oriental Bright City 東方不夜城	Jiangyan District, Taizhou City, Jiangsu Province	Completed	-	Residential	77,021	34,419	100%
19.	Oriental Paris City 東方巴黎城	Jiangyan District, Taizhou City, Jiangsu Province	Under development	2018 Q4	Residential	231,702	69,515	100%
20.	Quexiandao Number One 鵲仙島一號	Jiangyan Qinhu scenic area, Taizhou City, Jiangsu Province	Completed	-	Residential	68,330	10,028	100%
21.	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%
<b>Suzhou</b>								
22.	Jiayuan Metropolis (Harbourview) 佳源都市 (海藝豪庭)	Taicang County, Suzhou City, Jiangsu Province	Under development	2018 Q4	Residential	52,988	168,118	100%
<b>Suqian</b>								
23.	Elite International Garden 名人國際花園	Sucheng District, Suqian City, Jiangsu Province	Completed	-	Residential	53,970	389	90%
24.	Park Number One 公園一號	Sucheng District, Suqian City, Jiangsu Province	Completed	-	Residential	126,183	33,206	90%
25.	Paris Metropolis 巴黎都市	Siyang County, Suqian City, Jiangsu Province	Under development	2019 Q4	Residential	220,520	538,373	90%
26.	Rome Metropolis 羅馬都市	Siyang County, Suqian City, Jiangsu Province	Under development	2020 Q4	Residential	302,505	713,336	100%
27.	The Bund Number One 外灘一號	Siyang County, Suqian City, Jiangsu Province	Under development	2019 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 %	
<b>Changzhou</b>								
28.	Jiayuan Central Plaza 佳源中心廣場	Xueyan Town, Changzhou City, Jiangsu Province	Completed	–	Mixed-use	<b>58,601</b>	50,508	100%
29.	Junchen Fu 君宸府	Tianning District, Changzhou City, Jiangsu Province	Proposed for development	2020 Q4	Residential	<b>26,768</b>	77,075	50.5%
<b>Nantong</b>								
30.	Jiayuan Metropolis 佳源都市	Tongzhou District, Nantong City, Jiangsu Province	Under development	2019 Q2	Residential	<b>198,434</b>	449,288	100%
<b>Zhengjiang</b>								
31.	Jiayuan Paris Metropolis 佳源巴黎都市	Runzhou District, Zhenjiang City, Jiangsu Province	Under development	2019 Q2	Residential	<b>119,607</b>	266,382	100%
<b>Shenzhen</b>								
32.	Shenzhen Dingxi 深圳鼎曦	Luohu District, Shenzhen, Guangdong Province	Proposed for development	2022 Q2	Mixed-use	<b>4,940</b>	40,790	100%
33.	Shenzhen Songling 深圳松齡	Poan District, Shenzhen, Guangdong Province	Proposed for development	2020 Q2	Mixed-use	<b>4,281</b>	38,100	100%
<b>Macau</b>								
34.	Macau Taipa 澳門氹仔	Taipa District, Macau	Proposed for development	2022 Q4	Residential	<b>5,597</b>	60,969	100%
<b>Jiangmen</b>								
35.	Jiayuan Didu Hot Spring 佳源帝都溫泉山莊	Enping County, Jiangmen City, Guangdong Province	Proposed for development	2022 Q4	Residential	<b>553,336</b>	1,180,000	90%
<b>Cambodia</b>								
36.	Cambodia, Phnom Penh 柬埔寨金邊	Chroy Changvar District, Phnom Penh, Cambodia	Proposed for development	2022 Q4	Residential	<b>608,140</b>	608,140	100%
<b>Urumqi</b>								
37.	Jiayuan Metropolis 佳源都市	Economic and Technological Development District, Urumqi City, Xinjiang	Proposed for development	2021 Q4	Residential	<b>74,000</b>	344,120	90%
<b>Guiyang</b>								
38.	Heng Feng Jia Yuan 恒豐佳源	Nanming District, Guiyang City, Guizhou Province	Proposed for development	2023 Q1	Residential	<b>120,000</b>	856,375	61%

Project	Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %	
<b>Hong Kong</b>								
39.	San Hop Lane 新合里	Nos.1 and 3 San Hop Lane, Tuen Mun, New Territories, Hong Kong	Under development	2018Q4	Mixed-use	<b>1,793</b>	26,437	70.1%
40.	Success Centre 成功中心	Nos. 26-38 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong	Under development	2019Q4	Mixed-use	<b>1,394</b>	22,168	70.1%
41.	T-plus 菁雋	Tseng Choi Street, Area 4, Tuen Mun, New Territories, Hong Kong	Under development	2019Q1	Residential	<b>2,202</b>	13,854	70.1%
<b>Total</b>						<b>5,958,644</b>	<b>9,771,546</b>	

## FINANCIAL REVIEW

### Operating Results

#### *Revenue*

Revenue of the Group mainly consists of revenue derived from (i) property development and (ii) property investment. For the six months ended 30 June 2018, revenue of the Group amounted to approximately RMB4,130 million, representing an increase of approximately 42% from approximately RMB2,908 million in the corresponding period in 2017. Profit and total comprehensive income for the period attributable to the owners of the Company for the six months ended 30 June 2018 was approximately RMB973 million, representing an increase of approximately 89% from approximately RMB515 million as compared to the corresponding period in 2017.

#### *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 42% to approximately RMB4,114 million for the six months ended 30 June 2018 from approximately RMB2,897 million for the six months ended 30 June 2017. The increase was mainly due to the delivery of properties pre-sold under Jiayuan Centurial City in Yangzhou upon its completion in first half of 2018.

### *Property Investment*

The Group's property investment mainly consisted of leasing of commercial properties (including predominantly shopping arcades, retail shops, office properties and car parks). Revenue generated from property investment increased by approximately 45% to approximately RMB16 million for the six months ended 30 June 2018 from approximately RMB11 million for the six months ended 30 June 2017. The increase was primarily due to an increase of monthly rental income generated from leasing contracts of the property investments during the period.

### *Gross Profit and Margin*

Gross profit increased by approximately 35% to approximately RMB1,370 million for the six months ended 30 June 2018 from approximately RMB1,013 million in the corresponding period in 2017, while the Group's gross profit margin decreased to 33.2% for the six months ended 30 June 2018 as compared to the gross profit margin of 34.8% in the corresponding period in 2017. The decrease in gross profit margin was due to the lower construction cost incurred for the six months ended 30 June 2017.

### *Other Income, Gains and Losses*

The Group had other income of approximately RMB95 million and other losses of approximately RMB205 million for the six months ended 30 June 2018, totalling approximately RMB110 million at a loss. The Group had other income of approximately RMB15 million and other gains of approximately RMB16 million for the six months ended 30 June 2017, totalling approximately RMB30 million at a gain. The significant change of other income, gains and losses was mainly attributable to foreign exchange loss of approximately RMB205 million for the six months ended 30 June 2018 from foreign exchange gain of approximately RMB16 million for the six months ended 30 June 2017, which was mainly as a result of the depreciation of RMB against USD that contributed to the appreciation of the value of the Group's USD-denominated senior notes.

### *Change in Fair Value of Investment Properties*

The Group's change in fair value of investment properties increased to approximately RMB470 million for the six months ended 30 June 2018 from approximately RMB133 million for the six months ended 30 June 2017. The increase by approximately 253% was mainly due to the inclusion of new investment properties under construction in the first half of 2018 such as Venice Metropolis and Guxi Jiayuan Central Plaza in Taizhou.

### *Distribution and Selling Expenses*

The distribution and selling expenses increased to approximately RMB94 million for the six months ended 30 June 2018 from approximately RMB58 million for the six months ended 30 June 2017. The increase by approximately 62% was mainly attributable to an increase in sales commission which was in line with the increase in sales for the six months ended 30 June 2018.

### *Administrative Expenses*

The Group's administrative expenses increased by approximately 142% to approximately RMB121 million for the six months ended 30 June 2018 from approximately RMB50 million for the six months ended 30 June 2017, 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 increased to approximately RMB67 million for the six months ended 30 June 2018 from approximately RMB43 million for the six months ended 30 June 2017. The increase in finance cost of approximately 56% was attributable to the increase in senior notes issued. The effect was partially offset by the decrease of the average borrowing rate for the six months ended 30 June 2018.

### *Income Tax Expense*

The Group's income tax expense decreased to approximately RMB489 million for the six months ended 30 June 2018 from approximately RMB502 million for the six months ended 30 June 2017. The Group's income tax expense included payments and provisions made for EIT and LAT less deferred taxation during the period. The decrease by approximately 3% was due to the decrease in LAT and the effect was partially offset by the increase in deferred tax expense for the six months ended 30 June 2018.

### *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 89% to approximately RMB973 million for the six months ended 30 June 2018 from approximately RMB515 million for the six months ended 30 June 2017 which was in line with the expansion of the Group's operation in 2018.

## **Liquidity, Financial and Capital Resources**

### *Cash Position*

As at 30 June 2018, the Group had an aggregate of pledged/restricted bank deposits and bank balances and cash of approximately RMB9,984 million (as at 31 December 2017: approximately RMB6,717 million), representing an increase of approximately 49% as compared to that as at 31 December 2017. As at 30 June 2018, bank deposits of approximately RMB502 million (as at 31 December 2017: approximately RMB838 million) were pledged to secure bank borrowings raised by the Group.

The Group had restricted bank deposits of approximately RMB835 million as at 30 June 2018 (as at 31 December 2017: approximately RMB137 million) that were restricted for use in specific property development projects.

### *Borrowings and the Group's Pledged Assets*

As at 30 June 2018, the Group had bank and other borrowings of approximately RMB9,950 million (as at 31 December 2017: approximately RMB10,924 million). Amongst the borrowings, approximately RMB3,330 million (as at 31 December 2017: approximately RMB3,233 million) will be repayable within one year and approximately RMB6,620 million (as at 31 December 2017: approximately RMB7,691 million) will be repayable after one year.

As at 30 June 2018, bank and other borrowings of approximately RMB9,950 million (as at 31 December 2017: approximately RMB10,924 million) were secured by bank balances, land use rights and properties of the Group. As at 30 June 2018, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB16,850 million (as at 31 December 2017: approximately RMB16,832 million).

### *Senior Notes*

In September 2016, the Company issued senior secured notes with a principal amount of US\$100,000,000 due in 2018 (the “2018 Senior Notes”) which are listed on the Stock Exchange (Stock Code: 4329). The 2018 Senior Notes, bearing interest at a fixed rate of 9.75% per annum with interest payable semi-annually in arrears, will mature in September 2018.

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, will mature in April 2019.

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, will mature in May 2019.

In October 2017, the Company issued senior secured notes with a principal amount of US\$160,000,000 due in 2018 (the “October 2018 Senior Notes”). The October 2018 Senior Notes, bearing interest at a fixed rate of 8.0% per annum with interest payable semi-annually in arrears, will mature in October 2018.

In November 2017, the Company issued senior secured notes with a principal amount of US\$300,000,000 due in 2018 (the “November 2018 Senior Notes”) which are listed on the Stock Exchange (Stock Code: 5016). The November 2018 Senior Notes, bearing interest at a fixed rate of 8.25% per annum with interest payable semi-annually in arrears, will mature in November 2018.

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”) which are listed on the Stock Exchange (Stock Code: 5088). The January 2019 Senior Notes, bearing interest at a fixed rate of 8.125% per annum with interest payable semi-annually in arrears, will mature in January 2019.



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 the US\$250,000,000 8.125% January 2019 Senior Notes issued in January 2018) (the “April 2019 Senior Notes”) which are listed on the Stock Exchange (Stock Code: 5088). The April 2019 Senior Notes, bearing interest at a fixed rate of 8.125% per annum with interest payable semi-annually in arrears, will mature in January 2019.

#### *Net Gearing Ratio*

The net gearing ratio of the Group improved significantly as at 30 June 2018, the ratio dropped significantly to 85% as at 30 June 2018 from 126% as at 31 December 2017. The net gearing ratio was measured by net debt (bank and other borrowings and senior notes as mentioned above 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 China. Other than the foreign currency denominated bank deposits, deposits paid for a life insurance policy, borrowings and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. During the six months ended 30 June 2018, though RMB depreciated against U.S. dollar and Hong Kong dollar, the Directors expect that any fluctuation of RMB’s exchange rate will not have material adverse effect on the operation of the Group.

The Group will closely monitor the exchange rate risk regularly and make foreign exchange hedging arrangement when necessary. The Group considers that no foreign exchange hedging arrangement is needed currently.

#### *Commitments*

As at 30 June 2018, the Group had committed payment for the construction and land development expenditure amounting to approximately RMB2,931 million (as at 31 December 2017: approximately RMB3,474 million).

#### *Contingent Liabilities*

As at 30 June 2018, the Group had provided guarantees amounting to approximately RMB4,802 million (as at 31 December 2017: approximately RMB4,587 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 of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. 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 2018 as the possibility of default by the purchasers of the Group’s properties is remote.

### *Material Acquisitions and Disposals*

On 8 March 2018, the Group and Guizhou Hengfeng entered into the cooperation agreement, pursuant to which the parties agreed to (a) form a joint venture company on 61:39 basis for the purpose of investing into the shanty town redevelopment project in respect of a parcel of land located at Nanming District, Guiyang City, Guizhou Province in the PRC, and (b) regulate their respective rights and obligations in Guiyang JV. The contribution to the registered capital and the project capital of Guiyang JV by the Group shall be in an aggregate amount of RMB3,739,300,000. Currently, Guiyang JV has been established which is owned as to 61% and 39% by the Group and Guizhou Hengfeng respectively and it is accounted for as a non-wholly owned subsidiary of the Company. The Guiyang JV is principally engaged in acquisition of the target land, project financing, investment, development and sale of the Guiyang Project. Please refer to the Company's announcement dated 8 March 2018 for further details.

On 24 May 2018, the Group and Mr. Tang Shing Bor entered into the sale and purchase agreement, whereby the Group agreed to acquire 70.1% of the entire issued share capital of a target company, which indirectly holds (a) properties located at Nos. 1 and 3 San Hop Lane, Tuen Mun, New Territories, Hong Kong; (b) property located in Nos. 26–38 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong; and (c) property located in No. 2 Tsing Min Path, Tuen Mun, New Territories, Hong Kong, for a consideration of HK\$2,620,256,684 subject to adjustment to the consideration. Please refer to the Company's announcement dated 24 May 2018 for further details.

On 5 June 2018, the Group entered into the sale and purchase agreement with Mr. Shum, pursuant to which the Group agreed to acquire project companies which will hold 90% equity interest in certain property development projects located in Shanghai of the PRC after reorganisation, for a consideration of HK\$693,628,828. As at the date of this announcement, certain conditions precedent to the closing have not been completed yet. Details of the transaction are set out in the circular of the Company dated 26 July 2018. It is currently expected that the closing of the transaction will take place by end of September 2018.

Save as disclosed above, the Group did not have any material acquisitions and disposals during the six months ended 30 June 2018.

### *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 did 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 2018:

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 27 March 2018 (being the date of the 2017 Annual Report)	Actual utilisation as at 30 June 2018
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 utilized in accordance with the intended uses of the net proceeds as disclosed in the announcement.
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 unutilized (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 utilized in accordance with the intended uses of the net proceeds as disclosed in the announcement.</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 shareholders and to enhance 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 2018.

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 2018.

## **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 2018.

The consolidated interim financial statements of the Group for the six months ended 30 June 2018 have not been audited but have been reviewed by the Company’s independent auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## **INTERIM DIVIDEND**

The Board is committed to maintaining a stable dividend policy to ensure sustainable and steady returns for shareholders. After considering the composition of the profit and cash flows of the Group, the Board has declared an interim dividend of HK10 cents per share for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil), representing a dividend payout ratio of approximately 22%.

The Board has resolved that the interim dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the interim dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the “Scrip Dividend Scheme”). The Scrip Dividend Scheme is subject to the granting the listing of and permission to deal in the new shares to be issued pursuant thereto by the Stock Exchange.

## **CLOSURE OF REGISTER OF MEMBERS**

To ensure the entitlement to the interim dividend, the register of members of the Company will be closed on the following dates:

### **For ascertaining shareholders’ entitlement to the interim dividend:**

Latest time to lodge transfers	:	4:30 p.m. on Tuesday, 11 September 2018
Book closure dates:	:	Wednesday, 12 September 2018 to Thursday, 13 September 2018 (both days inclusive)
Record date	:	Thursday, 13 September 2018
Payment date of the interim dividend:	:	on or about Wednesday, 31 October 2018

To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than the aforementioned latest time.

## **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 2018.

## **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](http://www.hkexnews.hk) and the Company at [www.jiayuanintl.com](http://www.jiayuanintl.com). The 2018 Interim Report for the six months ended 30 June 2018 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 27 August 2018

*As at the date of this announcement, the non-executive Director of the Company is Mr. Shum Tin Ching; the executive Directors of the Company are Mr. Huang Fuqing, Ms. Cheuk Hiu Nam and Mr. Wang Jianfeng; and the independent non-executive Directors of the Company are Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang.*