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五礦地產有限公司
MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 230)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Minmetals Land Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 together with the comparative figures of the corresponding period in 2017.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF MINMETALS LAND LIMITED
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Minmetals Land Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 38, which comprise the condensed consolidated statement of financial position as at 30 June 2018 and the related condensed consolidated statement of profit or loss, 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 six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue	4	5,953,007	4,375,868
Cost of sales		(3,582,778)	(2,750,145)
Gross profit		2,370,229	1,625,723
Other income, other gains and losses	5	58,984	35,099
Fair value changes on investment properties	11	73,100	43,000
Selling and marketing expenses		(63,904)	(74,442)
Administrative and other expenses		(210,778)	(186,115)
Impairment losses, net of reversal		(5,621)	-
Finance income		98,668	66,418
Finance costs	6	(86,234)	(33,808)
Share of results of associates		(5,349)	127
Share of results of joint ventures		(195)	-
Profit before tax		2,228,900	1,476,002
Income tax expense	7	(959,478)	(723,682)
Profit for the period	8	1,269,422	752,320
Profit for the period attributable to:			
Equity holders of the Company		713,281	395,424
Holders of perpetual capital instruments		74,073	-
Non-controlling interests		482,068	356,896
		1,269,422	752,320
Earnings per share for profit attributable to equity holders of the Company, in HK cents			
Basic	10	21.32	11.82
Diluted	10	21.31	11.82

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Profit for the period	1,269,422	752,320
Other comprehensive (expense)/income:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	(189,822)	394,457
Fair value gains/(losses) on hedging instruments in cash flow hedges	17,705	(68,373)
Share of other comprehensive (expense)/income of associates	(10,204)	34,974
Share of other comprehensive expense of joint ventures	(838)	-
	(183,159)	361,058
Item that will not be reclassified subsequently to profit or loss:		
Fair value gain on financial assets at fair value through other comprehensive income	115,234	260,431
Other comprehensive (expense)/income for the period	(67,925)	621,489
Total comprehensive income for the period	1,201,497	1,373,809
Total comprehensive income for the period attributable to:		
Equity holders of the Company	703,251	950,574
Holders of perpetual capital instruments	51,570	-
Non-controlling interests	446,676	423,235
	1,201,497	1,373,809

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	189,442	190,025
Investment properties	11	1,887,313	1,814,294
Interests in associates	12	1,202,890	1,218,443
Interests in joint ventures	13	98,032	99,065
Financial assets at fair value through other comprehensive income	14	908,051	792,817
Other financial assets	15	93,790	76,085
Deferred tax assets		904,861	1,096,579
		5,284,379	5,287,308
Current assets			
Inventories	16	26,304,511	25,353,243
Amounts due from customers for contract work		-	119,020
Prepayments, trade and other receivables	17	11,323,748	12,003,147
Contract assets	18	306,783	-
Contract costs		3,750	-
Cash and bank deposits, restricted		392,043	623,774
Cash and bank deposits, unrestricted		4,356,507	5,631,889
		42,687,342	43,731,073
Total assets		47,971,721	49,018,381
EQUITY			
Share capital	19	334,565	334,503
Reserves	20	8,520,904	8,018,174
Equity attributable to equity holders of the Company		8,855,469	8,352,677
Perpetual capital instruments	21	4,000,095	2,393,903
Non-controlling interests		3,302,634	2,855,958
Total equity		16,158,198	13,602,538

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AS AT 30 JUNE 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	22	12,118,603	10,770,064
Deferred tax liabilities		178,133	168,431
Other liabilities		223	223
		12,296,959	10,938,718
Current liabilities			
Borrowings	22	1,962,373	3,978,151
Other financial liabilities	15	-	41,960
Trade and other payables	23	9,718,012	9,516,785
Contract liabilities		7,496,389	-
Deferred revenue		8,259	10,383,976
Taxation payable		331,531	556,253
		19,516,564	24,477,125
Total liabilities		31,813,523	35,415,843
Total equity and liabilities		47,971,721	49,018,381
Net current assets		23,170,778	19,253,948
Total assets less current liabilities		28,455,157	24,541,256

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to equity holders of the Company			Perpetual capital	Non-controlling	
	Share capital	Reserves	Total	instruments	interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Unaudited)	(Unaudited) (Note 20)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2018	334,503	8,018,174	8,352,677	2,393,903	2,855,958	13,602,538
Profit for the period	-	713,281	713,281	74,073	482,068	1,269,422
Other comprehensive expense for the period	-	(10,030)	(10,030)	(22,503)	(35,392)	(67,925)
Total comprehensive income for the period, net of tax	-	703,251	703,251	51,570	446,676	1,201,497
Issue of shares	62	218	280	-	-	280
Issue of perpetual capital instruments	-	-	-	1,554,622	-	1,554,622
Dividends paid to shareholders of the Company	-	(200,739)	(200,739)	-	-	(200,739)
	62	(200,521)	(200,459)	1,554,622	-	1,354,163
At 30 June 2018	334,565	8,520,904	8,855,469	4,000,095	3,302,634	16,158,198
At 1 January 2017	334,444	6,247,680	6,582,124	-	1,967,748	8,549,872
Profit for the period	-	395,424	395,424	-	356,896	752,320
Other comprehensive income for the period	-	555,150	555,150	-	66,339	621,489
Total comprehensive income for the period, net of tax	-	950,574	950,574	-	423,235	1,373,809
Capital reduction paid to a non-controlling shareholder of a subsidiary	-	-	-	-	(10,098)	(10,098)
Dividends paid to shareholders of the Company	-	(133,777)	(133,777)	-	-	(133,777)
	-	(133,777)	(133,777)	-	(10,098)	(143,875)
At 30 June 2017	334,444	7,064,477	7,398,921	-	2,380,885	9,779,806

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(1,642,687)	(2,582,823)
Net cash used in investing activities		
Purchase of property, plant and equipment	(4,192)	(5,874)
Proceed on disposal of property, plant and equipment	116	1,222
Advances to associates	(432,929)	(129,389)
Repayment from/(advance to) a non-controlling shareholder of a subsidiary	123,990	(33,823)
Loan to a non-controlling shareholder of a subsidiary	-	(157,358)
Interests received	98,668	66,418
	(214,347)	(258,804)
Net cash from financing activities		
Proceeds from issue of shares	280	-
Capital reduction paid to a non-controlling shareholder of a subsidiary	-	(10,098)
Advance from a non-controlling shareholder of a subsidiary	62,902	-
Repayment to non-controlling shareholders of subsidiaries	-	(82,745)
(Repayment to)/advance from a fellow subsidiary	(116,104)	2,507,681
Repayment to associates	-	(114,157)
Issue of perpetual capital instruments	1,554,622	-
New borrowings	2,681,004	4,709,575
Repayment of borrowings	(3,355,581)	(1,220,233)
Dividends paid to shareholders of the Company	(200,739)	(133,777)
	626,384	5,656,246
Net (decrease)/increase in cash and cash equivalents	(1,230,650)	2,814,619
Cash and cash equivalents at beginning of the period	5,631,889	5,431,519
Effect of foreign exchange rate changes	(44,732)	148,934
Cash and cash equivalents at end of the period	4,356,507	8,395,072
Analysis of balances of cash and cash equivalents		
Cash and bank deposits, unrestricted	4,356,507	8,395,072

1. GENERAL INFORMATION

Minmetals Land Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in real estate development, specialised construction, property investment and securities investment. The People's Republic of China is the major market for the Group's businesses.

The Company is a limited liability company incorporated in Bermuda. The Company is listed on The Stock Exchange of Hong Kong Limited. Its immediate holding company is June Glory International Limited (incorporated in the British Virgin Islands) and its ultimate holding company is China Minmetals Corporation (incorporated in Mainland China).

These condensed consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated, which is also the functional currency of the Company. These condensed consolidated financial statements have been approved for issue by the Board of Directors of the Company on 30 August 2018.

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (the "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 adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

3. PRINCIPAL ACCOUNTING POLICIES - continued

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 the 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
Amendments to HKAS 40	Transfers of Investment Property

The 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 period. HKFRS 15 superseded HKAS 18 *Revenue,* HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- Sales of properties
- Provision of specialised construction services
- Leasing of properties and provision of property management services

3. PRINCIPAL ACCOUNTING POLICIES - continued

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

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 (or other components of equity, as appropriate) 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*, HKAS 11 *Construction Contracts* and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

3. PRINCIPAL ACCOUNTING POLICIES - continued

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

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 - continued

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

<u>Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation</u>

Input method: The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depicts the Group's performance in transferring control of goods or services.

<u>Existence of significant financing component</u>

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

<u>Incremental costs of obtaining a contract</u>

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. PRINCIPAL ACCOUNTING POLICIES - continued

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

3.1.2 Summary of effects arising from initial application of HKFRS 15

There was no material impact of transition to HKFRS 15 on the retained earnings at 1 January 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018*
		HK$'000	HK$'000	HK$'000
Current assets				
Amounts due from customers for contract work	(a)	119,020	(119,020)	-
Contract assets	(a)	-	119,020	119,020
Current liabilities				
Contract liabilities	(b)	-	10,375,641	10,375,641
Deferred revenue	(b)	10,383,976	(10,375,641)	8,335

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

(a) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to the date of initial application of HKFRS 15. HK$119,020,000 of amounts due from customers for contract work were reclassified to contract assets.

(b) At the date of initial application, included in the total deferred revenue, HK$10,375,641,000 related to the consideration received in advance from sales of properties to customers. The balance was reclassified to contract liabilities upon application of HKFRS 15.

3. PRINCIPAL ACCOUNTING POLICIES - continued

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

3.1.2 Summary of effects arising from initial application of HKFRS 15 - continued

The following tables summarise the impact of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Current assets			
Amounts due from customers for contract work	-	306,783	306,783
Contract assets	306,783	(306,783)	-
Contract costs	3,750	(3,750)	-
Equity			
Reserves	8,520,904	(3,750)	8,517,154
Current liabilities			
Contract liabilities	7,496,389	(7,496,389)	-
Deferred revenue	8,259	7,496,389	7,504,648

Impact on the condensed consolidated statement of profit or loss

	Note	As reported	Adjustment	Amount without Application of HKFRS 15
		HK$'000	HK$'000	HK$'000
Selling and marketing expenses	(a)	63,904	3,750	67,654

Note:

(a) The Group incurred incremental commission paid/payable in connection with obtaining sales of properties contracts with customers. These amounts were previously expensed as incurred. Based on the assessment by the directors of the Company (the "Directors"), at the date of initial application of HKFRS 15, it had no material impact on the opening retained earnings and the related deferred tax.

3. PRINCIPAL ACCOUNTING POLICIES - continued

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 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, lease receivables, contract assets and financial guarantee contracts) and 3) general hedge accounting.

The Group has early adopted the 2010 version of HKFRS 9 on 1 January 2011.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the 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 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.

In addition, the Group applied the hedge accounting prospectively.

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

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

<u>Impairment under ECL model</u>

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, lease receivables, contract assets, cash and bank deposits and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, lease receivables and contract assets. The ECL are assessed individually for debtors with specific risks and collectively for the rest using a provision matrix with appropriate groupings.

For all other instruments (including other receivables, cash and bank deposits and financial guarantee contracts), the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES - continued

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

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 - continued

Impairment under ECL model - continued

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term way, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instruments for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

3. PRINCIPAL ACCOUNTING POLICIES - continued

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

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 - continued

<u>Impairment under ECL model</u> - continued

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 *Leases*.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments except for financial guarantee contracts by recognising the corresponding adjustment through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

3. PRINCIPAL ACCOUNTING POLICIES - continued

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

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 - continued

Impairment under ECL model - continued

Measurement and recognition of ECL - continued

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets, contract assets, lease receivables and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

Hedge accounting

The Group has elected to adopt the new general hedge accounting in HKFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group applies the hedge accounting requirements of HKFRS 9 prospectively. As at 1 January 2018, the Directors reviewed and assessed the Group's hedging relationship in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3. PRINCIPAL ACCOUNTING POLICIES - continued

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

3.2.2 Summary of effects arising from initial application of HKFRS 9

Based on the Directors' assessment, the implementation of the standard did not have a material effect on the Group's condensed consolidated financial statements.

3.3 Impacts and changes in accounting policies of application on Amendments to HKAS 40 *Transfers of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction. (i.e. change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date, there is no impact on the classification at 1 January 2018.

Except as described above, the application of amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue (represents turnover) comprised the following:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Sales of properties	5,491,482	3,858,724
Revenue from specialised construction contracts	427,507	484,152
Rental and management fee income from investment properties	34,018	32,992
	5,953,007	4,375,868

The chief operating decision maker has been identified as the executive directors. The executive directors review the Group's internal financial reports in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports as follows:

Real estate development:	Development and sales of residential and commercial properties
Specialised construction:	Design, installation and selling of curtain walls and aluminum windows, doors and other materials
Property investment:	Holding of properties to generate rental income and/or to gain from the appreciation in properties' values in the long-term
Securities investment:	Investment of securities

No operating segments identified by the executive directors have been aggregated in arriving at the reportable segments of the Group.

4. REVENUE AND SEGMENT INFORMATION - continued

Segment revenue and results

	Real estate development		Specialised construction		Property investment		Securities investment		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE										
Total segment revenue	5,491,482	3,858,724	491,247	484,565	36,555	35,493	-	-	6,019,284	4,378,782
Inter-segment revenue	-	-	(63,740)	(413)	(2,537)	(2,501)	-	-	(66,277)	(2,914)
Sales to external customers	5,491,482	3,858,724	427,507	484,152	34,018	32,992	-	-	5,953,007	4,375,868
RESULTS										
Segment results	2,191,109	1,420,138	(31,268)	20,071	102,559	72,259	41,484	20,736	2,303,884	1,533,204
Unallocated corporate expenses, net									(81,874)	(89,939)
									2,222,010	1,443,265
Finance income									98,668	66,418
Finance costs									(86,234)	(33,808)
Share of results of associates									(5,349)	127
Share of results of joint ventures									(195)	-
Profit before tax									2,228,900	1,476,002

Segment assets

	Real estate development		Specialised construction		Property investment		Securities investment		Total	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	41,432,672	41,568,430	902,842	929,363	1,961,754	1,912,047	949,536	811,636	45,246,804	45,221,476
Unallocated corporate assets									2,724,917	3,796,905
Total assets									47,971,721	49,018,381

5. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Government subsidies	6	3,046
Dividend income	41,485	20,742
Management fee income from an intermediate holding company and the ultimate holding company	7,678	16,909
Fair value changes on other financial liabilities	(609)	(15,145)
Others	10,424	9,547
	58,984	35,099

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	359,137	251,652
Less: Amount capitalised in properties under development	(272,903)	(217,844)
	86,234	33,808

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit for the period (30 June 2017: Nil).

The PRC enterprise income tax has been calculated on the estimated assessable profit for the period derived in Mainland China at the rate of 25% (30 June 2017: 25%).

Land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land and development and construction expenditures.

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax - Mainland China		
Enterprise income tax	355,333	491,778
Land appreciation tax	416,352	369,796
Deferred tax	187,793	(137,892)
	959,478	723,682

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Depreciation	4,522	3,978
Cost of properties sold (note (i))	3,152,076	2,307,494
Cost of specialised construction	424,972	437,323
Direct out-goings arising from investment properties that generated rental income	5,730	5,328
Operating lease charges - minimum lease payment in respect of land and buildings	7,383	6,613
Net foreign exchange (gain)/loss	(3,564)	17,004
Legal and professional fees	17,350	5,397
Employee benefit expense (including directors' emoluments) (note (ii))	107,299	84,725

Notes:

(i) Included in cost of properties sold are interest expenses of HK$239,557,000 (30 June 2017: HK$181,288,000).

(ii) Employee benefit cost capitalised in properties under development is HK$20,372,000 (30 June 2017: HK$19,822,000).

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

During the current interim period, a final dividend of HK6.0 cents per ordinary share in respect of the year ended 31 December 2017 (30 June 2017: HK4.0 cents per ordinary share in respect of the year ended 31 December 2016) was declared and paid to the shareholders of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK$200,739,000 (30 June 2017: HK$133,777,000).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of share options granted under the Company's share option schemes.

10. EARNINGS PER SHARE - continued

	Six months ended 30 June	
	2018	2017
	(Thousands)	(Thousands)
Weighted average number of ordinary shares in issue	3,345,394	3,344,438
Adjustment for share options	2,174	2,171
Weighted average number of ordinary shares for diluted earnings per share	3,347,568	3,346,609

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

	Property, plant and equipment	Investment properties
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
At 1 January 2018	190,025	1,814,294
Additions	4,192	-
Increase in fair value recognised in the profit or loss (note (i))	-	73,100
Disposals	(116)	-
Depreciation	(4,522)	-
Exchange differences	(137)	(81)
At 30 June 2018	189,442	1,887,313
At 1 January 2017	186,661	1,662,326
Additions	5,874	-
Increase in fair value recognised in the profit or loss (note (i))	-	43,000
Disposals	(1,222)	-
Depreciation	(3,978)	-
Exchange differences	457	283
At 30 June 2017	187,792	1,705,609

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES - continued

Note:

(i) The investment properties were fair-valued at 30 June 2018 by Vigers Appraisal & Consulting Limited, independent valuers. The valuation for completed investment properties was arrived at by considering the income capitalisation of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions as direct comparison. In estimating the fair value of the properties, the highest and best use of the properties is their current use. A fair value gain of HK$73,100,000 (30 June 2017: HK$43,000,000) was recognised directly in profit or loss during the current interim period.

12. INTERESTS IN ASSOCIATES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
At beginning of the period/year	1,218,443	1,141,052
Share of results of associates	(5,349)	(2,495)
Exchange differences	(10,204)	79,886
At end of the period/year	1,202,890	1,218,443

Note:

Interests in associates represent the Group's 50% equity interest in 廊坊萬恒盛業房地產開發有限公司 (Langfang Wanheng Shengye Property Development Co., Ltd.) and 51% equity interest in 北京五礦萬科置業有限公司 (Beijing Minmetals Vanke Real Estate Co., Ltd.). The Group accounts for its investments in these companies as associates as it only exercises significant influence over them by minority representation in the board of directors.

13. INTERESTS IN JOINT VENTURES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
At beginning of the period/year	99,065	-
Investments in joint ventures	-	98,292
Gain on deemed disposal	-	227
Share of results of joint ventures	(195)	(2,610)
Exchange differences	(838)	3,156
At end of the period/year	98,032	99,065

Note:

Interests in joint ventures represent the Group's 33.9% equity interest in 葛礦利南京房地產開發有限公司(Gekuangli Nanjing Property Development Co. Ltd.) and 39.8% equity interest in 南京礦利金房地產開發有限公司(Kuanglijin Property Development Co. Ltd.). The Group accounts for its investments in these companies as joint ventures as it exercises joint control over the investees through its voting rights, as unanimous consent is required for the relevant activities.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Listed investments:		
Listed equity securities in Hong Kong	908,051	792,817

15. OTHER FINANCIAL ASSETS / LIABILITIES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Other financial assets		
Derivatives under hedge accounting		
Cash flow hedges - Interest rate swap contracts (a)	93,790	76,085
Other financial liabilities		
Other derivatives (not under hedge accounting)		
Foreign currency forward contracts (b)	-	41,960

(a) Cash flow hedges:

At the end of the reporting period, the Group had the following interest rate swap contracts designated as highly effective hedging instruments in order to manage the Group's interest rate exposure in relation to the bank borrowings on a floating interest rate basis.

The terms of the interest rate swap contracts have been negotiated to match the terms of the respective designated hedged items. The major terms of these contracts are as follows:

Notional amount	Maturity	Swaps
HK$3,600,000,000	Approximate 4 years	From floating rates to fixed interest rates

During the current interim period, fair value gains of HK$17,705,000 (30 June 2017: fair value losses of HK$68,373,000) have been recognised in other comprehensive income and accumulated in equity.

(b) Other derivatives (not under hedge accounting):

During 2017, the Group had signed certain foreign exchange forward contracts with upper and lower strike prices in the aggregate notional amount of United States dollar ("US$") 80,000,000 as an economic hedge of its exposure to exchange rate risks while converting RMB to US$. During the current interim period, the foreign exchange forward contracts have been settled and fair value changes of HK$609,000 (30 June 2017: HK$15,145,000) have been recognised in profit or loss.

16. INVENTORIES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Properties under development - located in Mainland China	18,435,140	17,595,853
Properties under development - located in Hong Kong	4,263,321	4,158,708
	22,698,461	21,754,561
Properties held for sale - located in Mainland China	3,606,050	3,598,682
	26,304,511	25,353,243

As at 30 June 2018, properties under development with carrying amounts of approximately HK$12,493,669,000 (31 December 2017: HK$6,165,669,000) have been pledged as collaterals for bank borrowings.

17. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

The following is an aging analysis of trade receivables (net of allowance for impairment) at the end of the reporting period based on due date for rental receivables, date of properties delivered to purchasers and billing date of construction services certified:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
0 to 90 days	96,351	321,052
91 to 180 days	12,642	83,580
181 days to 1 year	125,414	50,740
1 year to 2 years	67,558	92,465
Over 2 years	65,090	55,678
	367,055	603,515

18. CONTRACT ASSETS

	30 June 2018 HK$'000 (Unaudited)
Construction services	306,783

The contract assets primarily relate to the Group's right to consideration for works completed and not billed because the rights are conditioned on the verification by customers for the works performed. The contract assets are transferred to trade receivables when the rights become unconditional.

19. SHARE CAPITAL

	30 June 2018		31 December 2017	
	Number of shares '000	Amount HK$'000 (Unaudited)	Number of shares '000	Amount HK$'000 (Audited)
Authorised:				
Ordinary shares of HK$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
Balance at beginning of the period/year	3,345,027	334,503	3,344,438	334,444
Exercise of share options	623	62	589	59
Balance at end of the period/year	3,345,650	334,565	3,345,027	334,503

20. RESERVES

	Share premium HK$'000 (Unaudited)	Contributed surplus HK$'000 (Unaudited)	Capital redemption reserve HK$'000 (Unaudited)	Employee share-based compensation reserve HK$'000 (Unaudited)	Investments revaluation reserve HK$'000 (Unaudited)	Cash flow hedging reserve HK$'000 (Unaudited)	Revaluation reserve HK$'000 (Unaudited)	Other reserve HK$'000 (Unaudited)	Exchange reserve HK$'000 (Unaudited)	Retained earnings HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
At 1 January 2018	4,273,883	515,336	769	1,183	235,080	76,085	4,359	(311,448)	(342,622)	3,565,549	8,018,174
Profit for the period	-	-	-	-	-	-	-	-	-	713,281	713,281
Other comprehensive income/(expense) for the period	-	-	-	-	115,234	17,705	-	-	(142,969)	-	(10,030)
Total comprehensive income/(expense) for the period	-	-	-	-	115,234	17,705	-	-	(142,969)	713,281	703,251
Issue of shares	427	-	-	(209)	-	-	-	-	-	-	218
2017 final dividend paid	-	-	-	-	-	-	-	-	-	(200,739)	(200,739)
At 30 June 2018	4,274,310	515,336	769	974	350,314	93,790	4,359	(311,448)	(485,591)	4,078,091	8,520,904
At 1 January 2017	4,270,004	515,336	769	35,484	(76,055)	115,637	4,359	(311,448)	(1,262,190)	2,955,784	6,247,680
Profit for the period	-	-	-	-	-	-	-	-	-	395,424	395,424
Other comprehensive income/(expense) for the period	-	-	-	-	260,431	(68,373)	-	-	363,092	-	555,150
Total comprehensive income/(expense) for the period	-	-	-	-	260,431	(68,373)	-	-	363,092	395,424	950,574
2016 final dividend paid	-	-	-	-	-	-	-	-	-	(133,777)	(133,777)
At 30 June 2017	4,270,004	515,336	769	35,484	184,376	47,264	4,359	(311,448)	(899,098)	3,217,431	7,064,477

21. PERPETUAL CAPITAL INSTRUMENTS

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Perpetual loan (a)	2,431,933	2,393,903
Perpetual securities (b)	1,568,162	-
	4,000,095	2,393,903

21 PERPETUAL CAPITAL INSTRUMENTS - continued

Notes:

(a) On 28 December 2017, a wholly-owned subsidiary of the Company (the "Borrower"), a fellow subsidiary and a bank (the "Bank") have entered into an entrustment loan agreement (the "Perpetual Loan Agreement"), pursuant to which the fellow subsidiary shall entrust the Bank to lend RMB2,000 million (equivalent to approximately HK$2,392,600,000) (the "Perpetual Loan") to the Borrower. The Perpetual Loan bears interest at the benchmark interest rate for loans over five years as quoted by the People's Bank of China per annum. Interest payments on the Perpetual Loan are paid annually in arrears from 28 December 2017 and can be deferred at the discretion of the Borrower. Neither the fellow subsidiary nor the Bank could request for repayment of the principal and accrued interest save and except for when the Borrower elects to repay the principal and accrued interest at its sole discretion, or in the event of liquidation. Under the Perpetual Loan Agreement, no guarantee of any kind is required to be given by any member of the Group to either the fellow subsidiary or the Bank for the Perpetual Loan. As the Group has the right to defer the repayment of the principal and accrued interest at its sole discretion, it has no direct or indirect contractual financial obligation to pay cash or other financial asset in respect of the Perpetual Loan, thus, the instrument is therefore classified as equity in the condensed consolidated statement of financial position. During the period, no interest related to the Perpetual Loan was paid to the fellow subsidiary.

(b) On 17 May 2018 ("Issue Date"), a wholly-owned subsidiary of the Company (the "Issuer") issued US$ denominated senior perpetual capital securities (the "Perpetual Securities") with an aggregate principal amount of US$200,000,000 (equivalent to approximately HK$1,570,000,000). The Perpetual Securities were issued at par value with initial distribution rate of 7.00% per annum. The Perpetual Securities were recorded as equity, after netting off related issuance costs of approximately US$1,800,000 (equivalent to approximately HK$14,100,000).

The Perpetual Securities confer to the holders a right to receive distribution at the applicable distribution rate from the Issue Date semi-annually in arrears in equal instalments on 17 May and 17 November of each year, commencing on 17 November 2018, and may be deferred at the discretion of the Issuer unless compulsory distribution payment events (including distributions to shareholders of the Company) have occurred. The distribution rate shall be (i) in respect of the period from, and including, the Issue Date to, but excluding 17 May 2021, (the "First Call Date"), at 7.00 % per annum and (ii) in respect of the periods (A) from and including the First Call Date to, but excluding the immediately following reset date and (B) from, and including, each reset date falling after the First Call Date to, but excluding, the immediately following reset date, the sum of (a) the initial spread of 4.338%, (b) the treasury rate and (c) 5% per annum. A reset date is defined as each of the First Call Date and each day falling on the expiry of every three calendar years after the First Call Date.

As the Group has the right to defer the repayment of the principal and accrued interest at its sole discretion, it has no direct or indirect contractual financial obligation to pay cash or other financial asset in respect of the Perpetual Securities, thus, the Perpetual Securities are therefore classified as equity in the condensed consolidated statement of financial position.

During the period, no distribution related to the Perpetual Securities was made.

22. BORROWINGS

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Non-current		
Bank borrowings, secured	11,141,925	9,801,029
Guaranteed bonds, unsecured	976,678	969,035
	12,118,603	10,770,064
Current		
Bank borrowings, secured	1,692,225	2,224,416
Bank borrowings, unsecured	270,148	-
Guaranteed bonds, unsecured	-	1,753,735
	1,962,373	3,978,151
	14,080,976	14,748,215

On 26 April 2013, the Group issued the Guaranteed bonds (the "Guaranteed Bonds") with a principal amount of US$225,000,000 and US$125,000,000 bearing interest at the coupon rate of 5.50% and 6.50%, per annum, respectively, the Guaranteed Bonds of US$125,000,000 will be matured on 26 April 2023. The Guaranteed Bonds with a principal amount of US$225,000,000 were matured on 26 April 2018 and repaid accordingly. The Guaranteed Bonds were guaranteed by the Company and have the benefit of a keepwell deed from China Minmetals Corporation, the ultimate controlling shareholder of the Company. Upon the occurrence of a change of control triggering event, the bondholders will have the right, at the bondholders' option, to require the Group to redeem all, but not some only, of the outstanding Guaranteed Bonds at 101% of their principal amounts, together with accrued interest. If the Group would be obliged to pay additional tax amounts in respect of Guaranteed Bonds as a result of any change in, or amendment to, specified tax laws or regulations, all outstanding Guaranteed Bonds may be redeemed at the Group's option, in whole but not in part, at their principal amounts together with interest accrued up to but excluding the redemption date.

The Group may at its option redeem the Guaranteed Bonds at any time, in whole but not in part, at a Make Whole Price as of, and accrued and unpaid interest, if any, to (but excluding), the redemption date.

"Make Whole Price" means with respect to the Guaranteed Bonds at any redemption date, the greater of (1) the present value of the principal amount of the Guaranteed Bonds, plus all required remaining scheduled interest payments due on such Guaranteed Bonds from the optional redemption date to the maturity date (but excluding accrued and unpaid interest to the option redemption date), computed using a discount rate, which the rate per annum equal to the semi-annual equivalent yield in maturity of the comparable treasury issue, plus 0.50 per cent, and (2) the principal amount of such Guaranteed Bonds.

Early redemption options are regarded as embedded derivatives not closely related to the host debt instrument. The Directors consider that the fair value of the above early redemption options is insignificant on initial recognition, as at 30 June 2018 and 31 December 2017.

22. BORROWINGS - continued

The effective interest rates of the Guaranteed Bonds at the end of the reporting period was 6.73% for US$125,000,000 as at 30 June 2018 and 31 December 2017.

The remaining borrowings with a carrying amount of HK$13,104,298,000 (31 December 2017: HK$12,025,445,000) carry interest at variable rates ranging from 3.41% to 6.00% per annum at 30 June 2018 (31 December 2017: 2.36% to 5.29%).

23. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade, bill and contract payables at the end of the reporting period based on invoice date:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
0 to 90 days	641,473	149,314
91 to 180 days	290,863	7,220
181 days to 1 year	142,523	473,659
1 year to 2 years	27,177	182,947
Over 2 years	52,581	84,606
	1,154,617	897,746

24. SHARE-BASED PAYMENTS

The Company's share option scheme was adopted pursuant to resolutions passed on 29 May 2003 (the "2003 Share Option Scheme") which had expired on 28 May 2013. On 7 June 2013, the Company adopted a new share option scheme (the "2013 Share Option Scheme") with the same terms under the 2003 Share Option Scheme. The schemes would expire in 10 years from the date of adoption. The primary purpose of the schemes is to provide incentives to Directors and eligible persons. Notwithstanding the expiry of the 2003 Share Option Scheme, the share options which had been granted during the life of the 2003 Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect. No share options have been granted by the Company pursuant to the 2013 Share Option Scheme. The existing share options were granted on 1 December 2008 pursuant to the 2003 Share Option Scheme.

24. SHARE-BASED PAYMENTS - continued

The table below discloses movement of the Company's share options held by the Company's Directors and eligible persons:

	Number of share options Six months ended 30 June	
	2018 (Thousands)	2017 (Thousands)
Balance at beginning of the period	3,525	49,884
Exercised	(623)	-
Lapsed	-	(1,600)
Balance at end of the period	2,902	48,284

25. COMMITMENTS

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Contracted but not provided for		
- Expenditure in respect of properties under development	2,651,228	2,011,831

26. FINANCIAL GUARANTEES

As at 30 June 2018, guarantees given to banks for mortgage facilities granted to certain purchasers of the Group's properties amounted to HK$10,828,143,000 (31 December 2017: HK$13,142,935,000). Such guarantees will terminate upon the earlier of (i) the issuance of the property ownership certificate which will generally be available within one year after the purchasers take possession of the relevant properties; or (ii) the repayment of mortgage loans by the purchasers. After taking into account the net realisable value of the related properties and the low default rate, the Directors consider that the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant.

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's financial assets and financial liabilities that are measured at fair value on a recurring basis are set out below:

The Group's equity securities investment, interest rate swap contracts and foreign currency forward contracts are measured at fair value at the end of each reporting period.

	Fair value as at		Fair value	Valuation
	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)	hierarchy	technique(s) and key input(s)
Financial assets				
Financial assets at fair value through other comprehensive income - Listed equity securities in Hong Kong	908,051	792,817	Level 1	Quoted prices in an active market.
Other financial assets - interest rate swap contracts	93,790	76,085	Level 2	Discounted cash flow. Future cash flows are based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Financial liabilities				
Other financial liabilities - foreign currency forward contracts	-	41,960	Level 2	Option pricing model. The model incorporates the constant price variation, the time value of money, the strike price and the time to the option's expiry.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

28. RELATED PARTY TRANSACTIONS

The Directors consider the Company's immediate holding company to be June Glory International Limited, a private company incorporated in the British Virgin Islands; its intermediate holding companies to be China Minmetals H.K. (Holdings) Limited ("Minmetals HK"), a company incorporated in Hong Kong, and China Minmetals Corporation Limited, a joint stock company with limited liability incorporated in Mainland China; and its ultimate holding company to be China Minmetals Corporation ("China Minmetals"), a state-owned enterprise established in Mainland China and controlled by the PRC government.

28. RELATED PARTY TRANSACTIONS - continued

The Group itself is part of a larger group of companies under China Minmetals, which is controlled by the PRC government. The Group conducts businesses with entities directly or indirectly owned or controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities") in the ordinary course of business. The Directors consider those entities other than China Minmetals and its subsidiaries are independent third parties as far as the Group's business transactions with them are concerned. In establishing its pricing strategies and approval process for transactions with other government-related entities, the Group does not differentiate whether the counterparty is a government-related entity or not. The Group is of the opinion that it has provided, in the best of its knowledge, adequate and appropriate disclosure of related party transactions in the condensed consolidated financial statements.

The Group has entered into various transactions, including sales, purchases, borrowings and other operating expenses with other government-related entities during the period in which the Directors are of the opinion that it is impracticable to ascertain the identity of the counterparties and accordingly whether the counterparties are government-related entities.

Other than disclosed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions and balances with related parties, which were carried out in the ordinary and normal course of business of the Group:

(a) Transactions with related parties

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Construction costs to fellow subsidiaries for real estate development projects (note (ii))	598,130	74,180
Rental income from fellow subsidiaries (note (iii))	3,118	3,118
Rental expense to a fellow subsidiary (note (iii))	1,589	1,496
Loan interest expense to a fellow subsidiary (note (iv))	81,102	29,420
Loan interest income from a non-controlling shareholder of a subsidiary (note (vi))	80,035	53,052
Management fee income from an intermediate holding company and the ultimate holding company (note (vii))	7,678	16,909
Interest income from a fellow subsidiary (note (ix))	1,192	172

28. RELATED PARTY TRANSACTIONS - continued

(b) Balances with related parties

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Specialised construction costs payable to a fellow subsidiary (note (i))	55,742	69,923
Contract payable to fellow subsidiaries for real estate development projects (note (ii))	91,489	48,856
Interest expense payable to a fellow subsidiary (note (iv))	27,511	-
Amounts due from associates (note (v))	526,794	94,674
Amounts due from joint ventures (note (v))	4,710,128	4,750,871
Amounts due to an associate (note (v))	959,537	967,788
Amounts due from a non-controlling shareholder of a subsidiary (note (v))	-	125,058
Amounts due to non-controlling shareholders of subsidiaries (note (v))	130,433	68,112
Loan to a non-controlling shareholder of a subsidiary (note (vi))	3,716,644	3,748,606
Management fee receivable from an intermediate holding company and the ultimate holding company (note (vii))	42,996	35,889
Amounts due to a fellow subsidiary (note (viii))	3,165,789	3,310,162
Current deposits placed in a fellow subsidiary (note (ix))	1,240,891	2,148,537

(c) Key management compensation

	Six months ended 30 June 2018 HK$'000 (Unaudited)	Six months ended 30 June 2017 HK$'000 (Unaudited)
Salaries and short-term employee benefits	4,692	5,022
Pension costs - defined contribution plans	201	223
	4,893	5,245

(d) The Guaranteed Bonds and Perpetual Securities were guaranteed by the Company and have the benefit of a keepwell deed from China Minmetals Corporation, the ultimate controlling shareholder of the Company.

28. RELATED PARTY TRANSACTIONS - continued

Notes:

(i) Specialised construction costs payable to a fellow subsidiary of the Company are unsecured, interest-free and repayable on demand.

(ii) Construction costs to fellow subsidiaries of the Company and a non-controlling shareholder of a subsidiary for real estate development projects were based on terms mutually agreed by both parties.

(iii) Rental income/expense received from/paid to fellow subsidiaries of the Company were based on the terms in the agreements entered into between the parties involved.

(iv) Loan interest expense to a fellow subsidiary was based on terms in the agreements entered into between both parties.

(v) The amounts due from/(to) associates, joint ventures and non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

(vi) The loan to a non-controlling shareholder of a subsidiary is unsecured, bearing interest at the benchmark interest rate for a one-year loan quoted by the People's Bank of China per annum and repayable on demand.

(vii) Management fee income and receivable from an intermediate holding company and the ultimate holding company were based on the terms in the agreements entered into between the parties involved.

(viii) The amounts due to a fellow subsidiary are unsecured, interest-free and repayable on demand.

(ix) The interest rate of the current deposits placed in a fellow subsidiary was 0.3% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's operating results for the first half of 2018 continued to improve with consolidated revenue amounting to HK$5,953.0 million, representing an increase of 36.0% compared to HK$4,375.9 million for the corresponding period last year. Real estate development operating segment recorded a revenue growth of 42.3% to HK$5,491.5 million (30 June 2017: HK$3,858.7 million) as a result of the increase in area and average selling price of the properties delivered to buyers. Specialised construction operating segment recorded a revenue drop of 11.7% to HK$427.5 million (30 June 2017: HK$484.2 million), which was attributed to the completion of MGM Cotai project in Macau. Revenue from property investment operating segment grew 3.0% to HK$34.0 million (30 June 2017: HK$33.0 million).

During the period under review, overall gross profit margin has improved from 37.2% to 39.8% as a result of revenue recognition of higher-margin products. As market valuation for comparable asset class has grown significantly in the first half of 2018, especially for LKF 29, there was an increase in valuation gain in our Hong Kong investment properties of HK$73.1 million (30 June 2017: HK$43.0 million).

Selling expenses recorded a slight decrease to HK$63.9 million (30 June 2017: HK$74.4 million) as sales of new projects will largely be launched in the second half of the year, causing a slowdown in sales related expense. Administrative and other expenses rose to HK$210.8 million (30 June 2017: HK$186.1 million) due to an increasing team size from new projects which lead to higher employee benefit expenses.

Finance costs charged to the profit or loss for the first half of 2018 increased by 155.0% to HK$86.2 million (30 June 2017: HK$33.8 million) after capitalisation of HK$272.9 million (30 June 2017: HK$217.8 million) into properties under development. Such significant increase was primarily attributable to the increase in borrowing amounts and costs during the period and lower portion of interest expenses were capitalised into properties under development in the first half of 2018.

Profit attributable to equity holders of the Company improved 80.4% to HK$713.3 million from HK$395.4 million for the corresponding period last year and basic earnings per share grew to HK21.32 cents (30 June 2017: HK11.82 cents). The Board has made thorough evaluation of the Group's financial position and the funding requirements for the projects currently undertaken and contemplated, and considers to be in the long term interest of the Group and of the shareholders as a whole, not to declare an interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

As at 30 June 2018, the Group's net assets increased by 18.8% to HK$16,158.2 million (31 December 2017: HK$13,602.5 million) mainly caused by the issuance of senior perpetual capital securities in the sum of HK$1,554.6 million and appreciation of financial assets at fair value through other comprehensive income in the sum of HK$115.2 million during the period. The financial position of the Group remained healthy with gearing ratio of 66.3% (31 December 2017: 72.3%), net gearing ratio of 57.8% (31 December 2017: 62.4%) and the net current assets increased 20.3% to HK$23,170.8 million (31 December 2017: HK$19,253.9 million). In addition, receipt in advance from property sales that accounted for 38.4% of current liabilities dropped by 27.7% to HK$7,496.4 million (31 December 2017: HK$10,375.6 million). It will be recognised as the Group's revenue in future when presold properties are completed and delivered.

MARKET OVERVIEW AND BUSINESS OUTLOOK

In the first half of 2018, market policy across different cities followed through the general tone of the year before with a sustained tightening directional goal. Statistics show that more than 160 property regulatory policies were introduced in the first half of 2018 across the country. The scope of cities subject to tightening regulation has been extended from tier 1 and tier 2 cities in 2017 to tier 3 and tier 4 cities with a more targeted approach. Policy adjustments were applied instantly on those cities which display rapid price rally, overheated market and speculative activities, so as to emphasise the nature of property's residential usage and to guide the sector towards virtuous development whilst hold fast to the principle of "houses are built to be inhabited, not for speculation". It is expected that in the second half of the year, the main focus is to maintain a stable development, and market regulatory policies will not be substantially loosened. As the current regulation cycle prolongs, the varying city-specific policy adjustments will carry on. The overall direction of property market regulation will not be distinctly relaxed and restrictions applied on purchasing and bank borrowings will remain as key regulatory measure, but the extent of such restrictions may be adjusted to accommodate reasonable demand in housing purchase.

Regarding commodity property sales, despite the introduction of numerous property regulations and restrictions in the first half of the year, nation-wide property sales both in terms of area and value have reached all-time high. With price limitation policy in place, first hand property prices are set at a level below second hand prices in selected tier 1 and tier 2 cities, which has fuelled a buying sentiment and led to sell-out upon sales launch. Lottery draw system has also been put in place to ensure fair treatment amongst overwhelming buying demands. In addition, on a national scale, property sector has ended the era of inventory backlog as nation-wide property inventory has been reduced to a comparatively low level, with many cities' inventory level sitting at a reasonable level of 12 months or below. The Group's contracted sales in the first six months of 2018 is comparable to last year. As a large portion of project sales will be launched in the second half of 2018 according to pre-sale planning schedule, the Group will strive to achieve its 2018 annual contracted sales target.

In respect of the land market, many municipalities have pushed for increasing land sales and nation-wide land supply increased in the first half of the year. Land supply for commodity houses was at similar level to the corresponding period in 2017, whilst land supply for leasing properties and shared-title properties increased. However, developers reacted cautiously in land acquisition with sliding project completion pace due to the limitations imposed on pricing, planning, development and pre-sale conditions that restrained profit margin. On the other side, developers stay wary of land acquisitions due to macro environment with credit tightening that slowed down cash collection from sales and tightened fund supply. In the first half of the year, the Group participated in multiple land auctions in tier 1 and core tier 2 cities, as well as land bidding in Hong Kong. However, under the turbulent land market at the moment, the Group adopted a relatively prudent investment principle and was not aggressive in land auctions. As such, the Group has yet to ascertain any land parcels. It is anticipated that the growth in property investment will continue to slow down in the second half of the year. Property developers' cautious approach in land acquisition shall remain and the land market will further cool down and differentiate. The Group will also monitor the land market closely and capture premium investment opportunities involving high quality land parcel with reasonable land cost.

On the liquidity front, property sector is facing a more difficult financing environment onshore due to the macroeconomic policy of "deleveraging and stricter supervision". Meanwhile, as US treasury rate hike and property developers hit a major offshore bond refinancing cycle, bond price declines as a result of oversupply that further weakens investor sentiment. The rising property prices had eroded purchasing power in most hotspot cities and credits continue to shrink. Seeing the increasingly tightened financing environment, many market players chose to accelerate cash return, increase turnover rate and reduce leverage and seize the timing for debt financing to issue bond as soon as possible. The Group will continue to closely monitor cash collection rate and improve project turnover rate to maintain the debt ratio at a relatively reasonable level. It is expected that the stability and neutrality of the monetary policy will remain unchanged in the second half of the year and the structural de-leverage measures will continue. In a nutshell, there will be severe financing control on real estate enterprises.

OPERATIONS REVIEW

The tables below set out the total revenue and results of the Group by operating segments for the six months ended 30 June 2018, together with the comparative figures for the corresponding period last year.

Segment Revenue

	For the six months ended 30 June				**Year-on-year**
	2018		2017		**change**
	HK$ million	**%**	HK$ million	%	**%**
Real estate development	**5,491.5**	**92.2**	3,858.7	88.2	**+42.3**
Specialised construction	**427.5**	**7.2**	484.2	11.1	**-11.7**
Property investment	**34.0**	**0.6**	33.0	0.7	**+3.0**
Total	**5,953.0**	**100.0**	4,375.9	100.0	**+36.0**

Segment Results

	For the six months ended 30 June				**Year-on-year**
	2018		2017		**change**
	HK$ million	**%**	HK$ million	%	**%**
Real estate development	**2,191.1**	**95.1**	1,420.1	92.6	**+54.3**
Specialised construction	**(31.3)**	**-1.4**	20.1	1.3	**N/A**
Property investment	**102.6**	**4.5**	72.3	4.7	**+41.9**
Securities investment	**41.5**	**1.8**	20.7	1.4	**+100.5**
Total	**2,303.9**	**100.0**	1,533.2	100.0	**+50.3**

REAL ESTATE DEVELOPMENT

Land Bank

As at 30 June 2018, the Group had a land bank developable in gross floor area of approximately 4.25 million square metres across 20 real estate development projects in 11 cities located in mainland China, including Beijing, Yingkou, Langfang, Tianjin, Nanjing, Changsha, Wuhan, Huizhou, Foshan, Guangzhou and Hong Kong.

Contracted Sales *

In the first half of 2018, the Group's total contracted sales reached RMB2,812 million (30 June 2017: RMB2,757 million) and the gross floor area contracted for sale amounted to 187,000 square metres (30 June 2017: 145,000 square metres) over 2,736 units (30 June 2017: 1,954 units). The average selling price slid to approximately RMB15,100 (30 June 2017: RMB19,000) per square metre due to majority of the contracted sales in gross floor area were derived from tier 2 and tier 3 cities.

The table below provides an analysis of contracted sales by projects for the first half of 2017 and 2018:

	Six months ended 30 June					
	2018			2017		
Project	**Contracted amount (RMB million)**	**Contracted GFA (sq.m.)**	**ASP (RMB/sq.m.)**	Contracted amount (RMB million)	Contracted GFA (sq.m.)	ASP (RMB/sq.m.)
Beijing Fortune Garden	**969**	**12,809**	**75,628**	1,539	21,230	72,514
Yingkou Platinum Bay	**274**	**40,566**	**6,757**	55	12,064	4,574
Langfang Minmetals Vanke City	**–**	**–**	**–**	510	42,628	11,972
Nanjing Sello Royale	**21**	**931**	**22,448**	–	–	–
Nanjing Academic Royale	**125**	**2,814**	**44,287**	27	–	–
Nanjing Yan Shan Ju #	**92**	**1,114**	**82,225**	42	1,210	34,884
Changsha LOHAS International Community #	**137**	**5,208**	**26,260**	242	38,797	6,229
Changsha Scotland Town	**25**	**2,830**	**8,819**	49	5,568	8,714
Changsha Qin Royale #	**1,023**	**108,746**	**9,410**	72	5,044	14,283
Huizhou Hallstatt See	**146**	**11,556**	**12,633**	221	18,265	12,110
Total	**2,812**	**186,574**	**15,066**	2,757	144,806	19,039

* “Contracted Sales” means sales contracts entered into between the Group and purchasers pursuant to the Administrative Measures on the Sales of Commodity Buildings promulgated by the Ministry of Housing and Urban-rural Development on 4 April 2001 and implemented on 1 June 2001. Sale of commodity buildings included both pre-completion sales (pre-sale) and post-completion sales, and included sales from residential, commercial and car park units.

\# The difference in contracted ASP for the first half of 2017 and 2018 was mainly due to the change in the portion of sales attributable to car park.

Project Profiles

Location/Project	Attributable interest to the Group	Site Area (sq.m.)	Estimated GFA (sq.m.)	GFA completed (sq.m.)	GFA under development (sq.m.)	GFA held for future development (sq.m.)
Pan Bohai Rim						
1. Beijing Fortune Garden	51.0%	139,000	414,000	414,000	–	–
2. Yingkou Platinum Bay	100.0%	396,000	390,000	158,000	168,000	64,000
3. Langfang Minmetals Vanke City	50.0%	433,000	1,256,000	284,000	–	972,000
4. Tianjin Minmetals International	100.0%	21,000	183,000	183,000	–	–
Yangtze River Delta						
5. Nanjing Sello Royale	100.0%	179,000	270,000	270,000	–	–
6. Nanjing Academic Royale	100.0%	136,000	482,000	403,000	79,000	–
7. Nanjing Yan Shan Ju	100.0%	91,000	203,000	203,000	–	–
8. Nanjing Enchanté Oasis	100.0%	95,000	255,000	–	255,000	–
9. Nanjing Enchanté Cove	100.0%	68,000	144,000	–	144,000	–
10. Nanjing Pukou Project	39.8%	83,400	283,000	–	283,000	–
11. Nanjing Hexi Project	33.9%	43,000	230,000	–	–	230,000
Central China						
12. Changsha LOHAS International Community	100.0%	643,000	1,084,000	926,000	158,000	–
13. Changsha Scotland Town	100.0%	333,000	442,000	442,000	–	–
14. Changsha Qin Royale	100.0%	150,000	560,000	128,000	187,000	245,000
15. Wuhan Enchanté Crest	100.0%	61,000	178,000	–	–	178,000
16. Wuhan Scenery Cove	100.0%	52,400	215,000	–	–	215,000
Pearl River Delta						
17. Huizhou Hallstatt See	100.0%	984,000	1,138,000	194,000	99,000	845,000
18. Foshan Academic Royale	100.0%	42,500	208,800	–	188,000	20,800
19. Guangzhou Greenery Terrace	100.0%	30,600	29,000	–	29,000	–
20. Hong Kong Yau Tong Project	100.0%	10,500	53,000	–	53,000	–

Beijing Fortune Garden

Fortune Garden is a residential development project located at Xibeiwang Town, Haidian District, Beijing. It occupies an aggregate site area of approximately 139,000 square metres and has an aggregate planned gross floor area of approximately 414,000 square metres. The project received the "International Award" granted by the British Association of Landscape Industries in recognition of its outstanding landscape design. The project is comprised of two phases. Whilst Phase I was completed and delivered, Phase II has been delivered to buyers in the second quarter of 2018. During the first half of 2018, this project achieved a contracted sales of 12,809 square metres.

Yingkou Platinum Bay

Platinum Bay is a residential development project comprises villas and apartments. Located at Liaoning (Yingkou) Coastal Industrial Base, Yingkou City, Liaoning Province, the project occupies an aggregate site area of approximately 396,000 square metres and has an aggregate planned gross floor area of approximately 390,000 square metres. The project is comprised of five phases. Development of Phases I to III was completed. Part I of Phase IV is expected to complete construction by the end of 2018. Part II of Phase IV commenced pre-sale in the second quarter of 2018 and it is expected to complete construction by the end of 2019. Construction of Part III of Phase IV was launched in March 2018 and pre-sale was launched in April 2018. Phase V will be comprised of high-rise units, the construction schedule of which will be dependent on market condition. The expected construction completion date for the entire project is subject to further analysis. During the first half of 2018, this project achieved a contracted sales of 40,566 square metres.

Langfang Minmetals Vanke City

Minmetals Vanke City is a residential development project comprises villas and high-rise units. Located in Jiangxintun Town, Xianghe County, Langfang City, Hebei Province, the project occupies an aggregate site area of approximately 433,000 square metres and has an aggregate planned gross floor area of approximately 1,256,000 square metres. Phase I of the project was completed and delivered in 2016. High-rise units of Phase II have been delivered to buyers at the end of 2017. The remaining part of the project is currently under planning and the expected construction completion date for the entire project is subject to further analysis.

Tianjin Minmetals International

Minmetals International is a mixed commercial and residential development project located at the east of Yingbin Main Road and south of Tuochang Road, Tanggu District, Tianjin. The project is comprised of office space, apartments, retail stores as well as car-parking spaces. It occupies an aggregate site area of approximately 21,000 square metres and has an aggregate gross floor area of approximately 183,000 square metres. So far, 96% of the gross saleable floor area was sold.

Nanjing Sello Royale

Sello Royale is a residential development project located at the south of Hongjing Road, Science Park, Jiangning District, Nanjing, Jiangsu Province. The project is comprised of villas and low-rise apartments. It occupies an aggregate site area of approximately 179,000 square metres and has an aggregate gross floor area of approximately 270,000 square metres. The project was awarded the “Best Residential Development in 2014 (East & Central China)” at the first China Property Awards held by Ensign Media. So far, 99% of the gross saleable floor area was sold. During the first half of 2018, this project achieved a contracted sales of 931 square metres.

Nanjing Academic Royale

Academic Royale is a residential development project located at Tian He Road, southern part of Hexi, Jianye District, Nanjing, Jiangsu Province. It is approximately 5 kilometres from the Nanjing Olympic Sports Centre, the main stadium for the Nanjing 2014 Summer Youth Olympic Games. The project is situated in the Nanjing Hexi New City Zone, a district of key future development with a construction plan of becoming a comfortable living Eco-City. The project is designed as a high-quality residential community with low density. It occupies an aggregate site area of approximately 136,000 square metres and has an aggregate planned gross floor area of approximately 482,000 square metres. The project is comprised of four phases. Development of Phase I and Phase II was completed in 2015 and 2016 respectively. Phase III commenced construction in January 2015 and was delivered to buyers with full refurbishment in July 2018. Phase IV commenced construction in April 2016 and is expected to deliver to buyers with full refurbishment in the second quarter of 2019. During the first half of 2018, this project achieved a contracted sales of 2,814 square metres.

Nanjing Yan Shan Ju

Yan Shan Ju is a residential development project located in the established prime residential area at the southeast of Zijin Mountains in Nanjing Xuanwu District, Nanjing, Jiangsu Province where land supply is limited. It occupies an aggregate site area of approximately 91,000 square metres and has an aggregate planned gross floor area of approximately 203,000 square metres. There are well developed transportation facilities and the project is in close proximity to the Ninghang Expressway and Subway Line No. 2. In addition, it enjoys excellent surrounding environment and neighbours a number of educational and research institutions. The project is designed as a high-end low-density residential community comprises low-rise apartments for first time buyers and upgraders from the local district and the Nanjing city. It is comprised of two phases. Development of Phase I has delivered to buyers with full refurbishment in 2017 and development of Phase II has delivered to buyers with full refurbishment in June 2018. During the first half of 2018, this project achieved a contracted sales of 1,114 square metres.

Nanjing Enchanté Oasis
Enchanté Oasis is a residential development project located within the core centre of Zijin Technology Entrepreneurial Special Zone at the junction of Shuanglong Avenue and Xuelindong Road, Jiangning District, Nanjing, Jiangsu Province and to the west of Shangqinhuai Wetland Park, the largest wetland park in China. It occupies an aggregate site area of approximately 95,000 square metres and has an aggregate planned gross floor area of approximately 255,000 square metres. The project is comprised of two phases. Development of Phase I has commenced in the second quarter of 2017 and is expected to be delivered to buyers by the end of 2019. Development of Phase II has commenced in January 2018 and is expected to be delivered to buyers by the second quarter of 2020.

Nanjing Enchanté Cove
Enchanté Cove is a residential development project located in the south-eastern corner of Fangshan, Jiangning District, Nanjing, Jiangsu Province within the Jiangning University Town at the junction of Fangqian Avenue and Wushi Road. It occupies an aggregate site area of approximately 68,000 square metres and has an aggregate planned gross floor area of approximately 144,000 square metres. Development of the project that commenced in the second quarter of 2017 is expected to reach completion in the third quarter of 2018 for sales and to be delivered to buyers by the third quarter of 2019.

Nanjing Pukou Project
Pukou Project is a residential development project located at the junction of Guangming Road and Lixin Road, Pukou District, Nanjing, Jiangsu Province with close proximity to Metro Line No. 10 Yushan Road Station and is equipped with well-established facilities. It occupies an aggregate site area of approximately 83,400 square metres and has an aggregate planned gross floor area of approximately 283,000 square metres. Development of the project that commenced in December 2017 is expected to reach completion in the fourth quarter of 2018 for sales and to be delivered to buyers by the second quarter of 2020.

Nanjing Hexi Project
Hexi Project is a residential and commercial development project located in Gulou District, the northern part of Hexi, Nanjing, Jiangsu Province. The site enjoys an array of transportation, commercial and educational resources. It occupies an aggregate site area of approximately 43,000 square metres and has an aggregate planned gross floor area of approximately 230,000 square metres. Development of the project is expected to commence in the third quarter of 2018 and reach completion in the third quarter of 2019 for sales and to be delivered to buyers by the second quarter of 2021.

Changsha LOHAS International Community
LOHAS International Community is a large-scale residential development project with ancillary facilities such as clubhouse, shops, car-parking lots, schools and landscaped garden. Located at Gaoyun Road, Muyun Town, Changsha County, Hunan Province, the project occupies an aggregate site area of approximately 643,000 square metres, including a private lake of 30,000 square metres, and has an aggregate planned gross floor area of approximately 1,084,000 square metres. The project is comprised of five phases. Whilst development of Phases I to IV was completed during the years from 2010 to 2014, the development of Part I of Phase V was completed in 2015. Development of Part II of Phase V has commenced in 2016 and is expected to complete in the fourth quarter of 2018. During the first half of 2018, this project achieved a contracted sales of 5,208 square metres.

Changsha Scotland Town
Scotland Town is a residential development project located at Yuntang Village and Yuetang Village, Muyun Town, Changsha County, Hunan Province and is adjacent to LOHAS International Community. It occupies an aggregate site area of approximately 333,000 square metres and has an aggregate gross floor area of approximately 442,000 square metres. So far, 98% of the gross saleable floor area was sold. During the first half of 2018, this project achieved a contracted sales of 2,830 square metres.

Changsha Qin Royale

Qin Royale is a residential and commercial development project located at Fu Yuan West Road, Kaifu District, Changsha County, Hunan Province which is within a comfortable living Eco-City zone under planning, with close proximity to the Kaifu District Administration Centre. It occupies an aggregate site area of approximately 150,000 square metres and has an aggregate planned gross floor area of approximately 560,000 square metres. Whilst the residential portion of the project will be developed into a quality residential community for first home buyers and upgraders, the commercial portion will be developed as an entertainment complex with a studio in the center of the development surrounded by office buildings, hotel, shopping malls, and food and beverage facilities. The project is comprised of four phases. Development of Phase I which is comprised of villas and selected high-rise units was completed in 2016. Phase II commenced development in the first quarter of 2017 and launched pre-sale in the first quarter of 2018, and it is expected to be delivered to buyers in the third quarter of 2019. Development and pre-sale of commercial properties of Phase III that commenced in the fourth quarter of 2017 is expected to be delivered to buyers in the fourth quarter of 2021. Residential units of Phase IV commenced development in the second quarter of 2018, and pre-sale is expected to be launched in the third quarter of 2018. The expected construction completion date for the project is in the fourth quarter of 2021. During the first half of 2018, this project achieved a contracted sales of 108,746 square metres.

Wuhan Enchanté Crest

Enchanté Crest is a residential development project located in Huangpi District, Wuhan, Hubei Province in the Panlongcheng Economic Development Zone situated at the junction of Songjiagang East Road and Huayun Road. It occupies an aggregate site area of approximately 61,000 square metres and has an aggregate planned gross floor area of approximately 178,000 square metres. The project is designed as a high-end residential community comprises low-rise apartments for first home buyers and upgraders. Development of the project that commenced in the fourth quarter of 2017 is expected to commence pre-sale in the third quarter of 2018 and reach completion by the second quarter of 2020.

Wuhan Scenery Cove

Wuhan Scenery Cove is a residential development project located in between the south of Third Ring and Fourth Ring of Wuhan, Hubei Province with close proximity to Huangjiahu University Town and the 2019 Military World Game Stadium. The site is well equipped with transportation, social and lifestyle facilities, including the nearby Metro Line No. 8 Stadium Station. It occupies an aggregate site area of approximately 52,400 square metres and has an aggregate planned gross floor area of approximately 215,000 square metres. The project is comprised of two phases. Development of the villa portion commenced in the second quarter of 2018 with pre-sale to be launched in the third quarter of 2018 and delivery to buyers in the third quarter of 2019. Development of the high-rise portion commenced in the second quarter of 2018 with pre-sale to be launched in the fourth quarter of 2018 and delivery to buyers in the first quarter of 2021.

Huizhou Hallstatt See

Hallstatt See is a large-scale residential development project located at Mai Tian Ling, Boluo County, Huizhou City, Guangdong Province with close proximity to many amenities including golf course. Surrounded by hills and a 20-acre lake, the project occupies an aggregate site area of approximately 984,000 square metres and has an aggregate planned gross floor area of approximately 1,138,000 square metres. The project received 4A tourist attraction rating by China National Tourism Administration in 2015, and was given an award for its innovative cultural and resort real estate model in the 10th Annual Real Estate Billboard event hosted by China Commercial Real Estate Commission. The project is comprised of seven phases. Development of Phase I and part of Phase II was completed and delivered to buyers. Construction of the majority of Phase II and Phase III was completed in November 2015, whilst the high rise portion of Phase II will launch sales in the third quarter of 2018 and is expected to deliver to buyers in the third quarter of 2020. During the first half of 2018, this project achieved a contracted sales of 11,556 square metres.

Foshan Academic Royale

Foshan Academic Royale is a residential development project located at Lujingdong Road, Chancheng District, Foshan. Being situated in the Guangzhou-Foshan Urban Integration Development Region, the project is located at the junction of the Central Nanhai District and Chancheng District, within half an hour drive to Guangzhou and the core districts of Foshan. It occupies an aggregate site area of approximately 42,500 square metres and has an aggregate planned gross floor area of approximately 208,800 square metres. The project that comprises mainly high-rise buildings will be developed into a quality residential community for first home buyers and upgraders. The project is comprised of two phases. Development of Phase I that commenced in the first quarter of 2017 is expected to launch pre-sale in the third quarter of 2018 with expected completion for delivery to buyers in the fourth quarter of 2020. Development of Phase II commenced in the second quarter of 2018 with pre-sale to be launched in the second quarter of 2019 and delivery to buyers in the second quarter of 2021.

Guangzhou Greenery Terrace

Greenery Terrace is a residential development project located at Xingnan Avenue, Nancun County, Panyu District, Guangzhou within the Huanan New Town Zone. Being one of the few low-density sites located in the Huanan New Zone, the close proximity to Metro Line No. 7 and the various developments and facilities in the Wanbo Commercial Area in the near future will add tremendous value to the project. It occupies an aggregate site area of approximately 30,600 square metres and has an aggregate planned gross floor area of approximately 29,000 square metres. The project will be developed into a high-end low-density villa community. Development of the project that commenced in the third quarter of 2017 is expected to launch pre-sale in the third quarter of 2018 with expected completion for delivery to buyers in the fourth quarter of 2019.

Hong Kong Yau Tong Project

Yau Tong Project is a residential development project located at the junction of Shung Shun Street and Yan Yue Wai, Yau Tong, Kowloon, Hong Kong. With idyllic and unobstructed view of the Victoria Harbour, the development offers stylish and relaxing living environment. It occupies an aggregate site area of approximately 10,500 square metres and has an aggregate planned gross floor area of approximately 53,000 square metres. The project is comprised of 4 high-rise blocks with 688 units which are mostly small to medium-sized, to meet owner occupier and upgrade demand from single and expanding families. It also provides three and four-bedroom units for self-use and upgrade demand. Development of the project has commenced in the fourth quarter of 2017 with pre-sale scheduled to commence in 2020. The construction of the project is expected to complete in 2022.

SPECIALISED CONSTRUCTION

The Group is engaged in the business of specialised construction mainly encompassing the services of design, production and installation of curtain walls system and associated metal works via Minmetals Condo (Shanghai) Construction Co., Ltd. ("Condo Shanghai") for the PRC market and Minmetals Condo (Hong Kong) Engineering Company Limited ("Condo Hong Kong") for the Hong Kong market. In the first half of 2018, revenue derived from this operating segment showed a decrease of 11.7% to HK$427.5 million (30 June 2017: HK$484.2 million) and its operating results, net of intra-group transactions, showed an operating loss of HK$31.3 million (30 June 2017: operating profit of HK$20.1 million).

During the first half of 2018, Condo Shanghai has secured new tenders amounting to approximately RMB405.7 million with projects on hand amounting to approximately RMB490.6 million as at the end of June 2018. Condo Hong Kong's active participation in both private development and public sector over the years has earned itself positive market recognition within the construction sector, which has led to an increase in project bidding invitation. In view of the shortage of skilled labour, rising trend in direct and indirect costs, Condo Hong Kong implemented a relatively conservative bidding strategy and underwent tight risk management measures.

PROPERTY INVESTMENT

The Group's investment property portfolio in Hong Kong comprises two commercial office buildings, namely China Minmetals Tower in Tsimshatsui and LKF 29 in Central, together with four residential units, all of which are located in Hong Kong with a total gross floor area of 15,826 square metres. In the first half of 2018, LKF 29 experienced a positive note in rental revenue reversion as well as uptake of rental spaces. Revenue from this operating segment recorded modest growth of 3.0% to HK$34.0 million (30 June 2017: HK$33.0 million). As at 30 June 2018, the occupancy rates of LKF 29 was 100.0% (31 December 2017: 87.4%) while China Minmetals Tower was 90.2% occupied (31 December 2017: 95.0%).

ENTRUSTED ASSET MANAGEMENT

During the period under review, the Group has recorded RMB6.3 million in management fee income according to the entrusted management service agreement whereby China Minmetals entrusted the Company with the management of non-listed assets within its real estate development and construction division. The entrusted assets include real estate development and management projects in Beijing, Tianjin, Shenyang, Liaoning, Shandong, Qinghai, Jiangsu, Hunan and Guangdong.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2018, the Group's operations were financed mainly by cash flows generated internally from business operations as well as borrowings.

As at 30 June 2018, cash and bank deposits (excluding restricted cash and bank deposits) of the Group amounted to HK$4,356.5 million (31 December 2017: HK$5,631.9 million).

The Group had utilised financing to supplement internal resources to finance the acquisition of new projects and the development of existing projects. As at 30 June 2018, the total borrowings of the Group stood at HK$14,081.0 million (31 December 2017: HK$14,748.2 million) and the gearing ratio of net borrowings to total equity of the Group was 57.8% (31 December 2017: 62.4%).

The unutilised banking facilities of the Group as at 30 June 2018 amounted to HK$6,366.2 million (31 December 2017: HK$4,544.5 million).

As at 30 June 2018, the weighted average borrowing costs of the Group maintained at a low level of around 4.26% (31 December 2017: 3.81%).

The maturity profile of the Group's borrowings is as follows:

	30 June 2018		31 December 2017	
	HK$ million	**%**	HK$ million	%
Within one year	**1,962.4**	**13.9**	3,978.2	27.0
In the second year	**8,341.2**	**59.3**	35.9	0.2
In the third to fifth year	**3,777.4**	**26.8**	9,765.1	66.2
Beyond five years	**-**	**-**	969.0	6.6
Total	**14,081.0**	**100.0**	14,748.2	100.0

The currency profile of the Group's borrowings is as follows:

	30 June 2018		31 December 2017	
	HK$ million	**%**	HK$ million	%
Renminbi	**1,447.5**	**10.3**	143.5	1.0
Hong Kong Dollar	**11,656.8**	**82.8**	11,882.0	80.6
United States Dollar	**976.7**	**6.9**	2,722.7	18.4
Total	**14,081.0**	**100.0**	14,748.2	100.0

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Exchange Rate Risk

The Group's principal business is located in Mainland China where external financing is denominated in Hong Kong dollar and revenue is denominated in Renminbi primarily. The Group is exposed to exchange rate risk on transactions that are denominated in a currency other than Hong Kong dollar, the reporting and functional currency of the Company. The Group has been closely monitoring the fluctuation in Renminbi exchange rate and has adopted necessary measures to minimise the impact arising from adverse currency fluctuation including adjustment to the proportion of borrowings in foreign currency and utilisation of foreign exchange hedging instruments such as forward foreign exchange contracts or capped forward contracts. During the period under review, the Group has entered capped foreign exchange contracts with certain banks in order to hedge against exchange rate risk at an aggregate nominated sum of US$80 million, which was settled by end of February 2018.

Interest Rate Risk

The Group is also exposed to interest rate risk resulting from fluctuation in interest rates. Most of the borrowings of the Group was on a floating rate basis and therefore, an increase in interest rate would raise the Group's interest cost. In order to mitigate the interest rate risk, the Group entered into interest rate swap contracts in which the Group would receive interest of one-month HIBOR and pay monthly interest at a fixed rate based on the notional amount of HK$3.6 billion. As at 30 June 2018, approximately 32.5% (31 December 2017: 42.9%) of the Group's borrowings was on a fixed rate basis after hedging with the remainder on a floating rate basis.

As at 30 June 2018, save as disclosed above, the Group had not possessed any kind of financial instruments for hedging and speculative purposes.

CHARGES ON GROUP ASSETS

As at 30 June 2018, certain assets of the Group were pledged to secure certain banking facilities granted to the Group and mortgage loan facilities to the purchasers of the Group's properties, and these pledged assets of the Group included:

i. inventories with carrying amounts of approximately HK$12,493,669,000 (31 December 2017: HK$6,165,669,000); and

ii. 100% equity interests in subsidiaries.

FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

As at 30 June 2018, guarantees given to banks for mortgage facilities granted to certain purchasers of the Group's properties amounted to HK$10,828.1 million (31 December 2017: HK$13,142.9 million). Such guarantees will terminate upon the earlier of (i) the issuance of the property ownership certificate which will generally be available within one year after the purchasers taken the possession of the relevant properties; or (ii) the repayment of mortgaged loans by the purchasers. After taking into account the net realisable value of the related properties and the low default rate, the Directors consider that the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant.

EMPLOYEES

The total number of staff of the Group, including the Directors, increased 9.4% to 826 as at 30 June 2018 (30 June 2017: 755). The Group will continue to adopt a remuneration policy in line with local market practice and standards. The total remuneration and benefits for the Directors and staff of the Group for the first half of 2018 were approximately HK$127.7 million (30 June 2017: HK$104.5 million).

CORPORATE GOVERNANCE

Corporate Governance Code

In the opinion of the Directors, throughout the six months ended 30 June 2018, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the following deviation:

1. Code provision A.4.2 requires that all directors appointed to fill a casual vacancy in listed companies be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   Instead of having elected at the first general meeting, Directors (save for the Chairman and the Managing Director of the Company) appointed by the Company to fill a casual vacancy are subject to election at the first annual general meeting after their appointment. Besides, Directors are subject to retirement by rotation in the manner as set out in the said code provision save for the Chairman and the Managing Director of the Company where they are not required to do so pursuant to the private company act 1991 by which the Company was incorporated.

2. Code provision E.1.2 requires that the chairman of the board and the chairman of all the board committees of listed companies to attend and answer questions at the annual general meeting.

   Mr. Li Fuli, the Chairman of the Board and of the Nomination Committee, was not available for the Company's annual general meeting for 2018 due to ad hoc business commitment. Accordingly, Mr. He Jianbo, the Deputy Chairman, Managing Director and a member of the nomination committee, took the chair of the said meeting.

Code for Securities Transactions by Directors

The Company has established a set of guidelines as its own "Rules and Procedures for Directors and Relevant Employees of the Company in respect of Dealings in Securities of the Company" (the "Rules for Securities Transactions") on terms no less exacting than those contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries of all Directors, they had confirmed in writing that they had complied with the Rules for Securities Transactions throughout the six months ended 30 June 2018.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018, which have also been reviewed by the Company's independent auditor, Messrs. 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.

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.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises eight Directors, namely Mr. Li Fuli as the Chairman and a non-executive Director, Mr. He Jianbo as the Deputy Chairman, Managing Director and an executive Director, Ms. He Xiaoli, Mr. Liu Zeping and Mr. Yang Shangping as executive Directors, and Mr. Selwyn Mar, Mr. Lam Chung Lun, Billy and Ms. Law Fan Chiu Fun, Fanny as independent non-executive Directors.

By order of the Board
He Jianbo
Deputy Chairman and Managing Director

Hong Kong, 30 August 2018

website: www.minmetalsland.com