Jiayuan International Group Limited
佳源國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2768)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

RESULTS HIGHLIGHTS

- The Group recorded unaudited contracted sales of approximately RMB3,872.8 million for the six months ended 30 June 2017 with a total sales area of approximately 466,554 sq.m., representing a period-on-period increase of approximately 93.0% and 164.4%, respectively.
- The Group's recognised revenue for the six months ended 30 June 2017 was RMB2,907.8 million, representing an increase of approximately RMB809.2 million or 38.6% as compared to the corresponding period in 2016.
- The gross profit of the Group increased by approximately 44.7% to approximately RMB1,012.6 million and the gross profit margin was 34.8% in the first half of 2017.
- The net profit of the Group for the six months ended 30 June 2017 amounted to approximately RMB522.0 million.
- The basic earnings per share was RMB26.91 cents in the first half of 2017.
- The bank balances and cash and restricted/pledged bank deposits as at 30 June 2017 were approximately RMB3,344.9 million, representing an increase of approximately 136.1% as compared with approximately RMB1,416.4 million as at 31 December 2016.
- Completed placing and subscription of 352,500,000 new shares at HKD3.35 on 19 June 2017, receiving net proceeds of approximately RMB1,020 million so as to strengthen financial position and for land acquisition.
- On 30 June 2017, the Group completed the acquisition of the entire equity interest in 揚州嘉聯置業發展有限公司 (Yangzhou Jialian Property Development Co., Limited*) ("Yangzhou Jialian"). Yangzhou Jialian holds a mixed-use property development project under construction located at Yangzhou City, Jiangsu Province, the PRC.

* *For identification purpose only*

The board (the "Board") of directors (the "Directors") of Jiayuan International Group Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017 together with comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue		**2,907,794**	2,098,644
Cost of sales		**(1,895,156)**	(1,398,624)
Gross profit		**1,012,638**	700,020
Other income	*5*	**14,824**	33,014
Other gains and losses	*5*	**15,619**	33,616
Change in fair value of investment properties		**132,969**	106,741
Change in fair value upon transfer from inventories of properties to investment properties		**–**	15,412
Distribution and selling expenses		**(58,450)**	(59,539)
Administrative expenses		**(49,687)**	(44,083)
Other expenses		**(383)**	(12,186)
Finance costs		**(43,219)**	(57,318)
Share of results of an associate		**(1)**	–
Profit before taxation		**1,024,310**	715,677
Income tax expense	*6*	**(502,268)**	(335,558)
Profit and total comprehensive income for the period	*7*	**522,042**	380,119
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**515,034**	380,727
Non-controlling interests		**7,008**	(608)
		522,042	380,119
Earnings per share			
Basic (RMB cents)	*9*	**26.91**	22.81
Diluted (RMB cents)	*9*	**26.91**	22.81

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2017

	NOTES	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
NON-CURRENT ASSETS			
Investment properties		**2,537,019**	2,173,368
Property and equipment		**84,588**	85,507
Interest in an associate		**14,999**	–
Available-for-sale investment		**52,200**	53,820
Prepayment and deposit paid for a life insurance policy		**9,478**	9,513
Deposits for acquisition of subsidiaries		**1,610,000**	1,400,000
Deferred tax assets		**278,227**	216,673
		4,586,511	3,938,881
CURRENT ASSETS			
Inventories of properties			
– held for sale		**1,315,898**	730,211
– under development		**10,751,025**	9,836,441
Amounts due from customers for contract work		**109,170**	110,580
Trade and other receivables, deposits and prepayments	*10*	**1,630,277**	1,168,969
Held-to-maturity investment		**125,889**	129,796
Prepaid income tax		**139,551**	66,400
Amounts due from related parties		**625**	3,934
Restricted/pledged bank deposits		**729,343**	438,795
Bank balances and cash		**2,615,593**	977,653
		17,417,371	13,462,779
CURRENT LIABILITIES			
Trade and other payables and accrued expenses	*11*	**1,807,999**	1,052,061
Pre-sale deposits received		**5,972,127**	5,167,027
Tax payable		**1,032,806**	700,563
Amount due to a related party		**668**	140
Bank and other borrowings			
– due within one year		**2,150,373**	3,385,640
		10,963,973	10,305,431
NET CURRENT ASSETS		**6,453,398**	3,157,348
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,039,909**	7,096,229

	NOTE	30.6.2017	31.12.2016
		RMB'000	*RMB'000*
		(unaudited)	(audited)
CAPITAL AND RESERVES			
Share capital		**18,625**	15,558
Reserves		**4,802,767**	3,191,752
Equity attributable to owners of the Company		**4,821,392**	3,207,310
Non-controlling interests		**25,680**	107,942
TOTAL EQUITY		**4,847,072**	3,315,252
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year		**4,019,221**	2,314,420
Deferred income	*11*	**447,448**	436,341
Deferred tax liabilities		**367,808**	334,566
Senior notes		**1,358,360**	695,650
		6,192,837	3,780,977
		11,039,909	7,096,229

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION AND PRESENTATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the 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. SEGMENT INFORMATION

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

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

1. Property development – development and sales of office premises, shopping arcade and residential properties

2. Property investment – leasing of office premises, hotel, shopping arcade and carparks

3. Development services – development of resettlement properties and other public facilities

There is no revenue generated from the development services during the six months periods ended 30 June 2017 and 2016 respectively. The Group would continue to engage in the provision of development services in the future.

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

Information regarding the above segments is reported below.

Segment revenue and results

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

	Segment revenue		**Segment profit**	
	Six months ended 30 June		**Six months ended 30 June**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Property development	**2,896,531**	2,088,081	**904,975**	589,868
Property investment	**11,263**	10,563	**11,263**	10,563
Total	**2,907,794**	2,098,644	**916,238**	600,431
Other gains and losses			**15,619**	33,616
Interest income			**12,723**	32,750
Central administration costs			**(10,019)**	(5,981)
Change in fair value of investment properties			**132,969**	106,741
Change in fair value upon transfer from inventories of properties to investment properties			**–**	15,412
Other expenses			**–**	(9,974)
Finance costs			**(43,219)**	(57,318)
Share of results of an associate			**(1)**	–
Profit before taxation			**1,024,310**	715,677

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, other gains and losses, interest income, certain other expenses, change in fair value of investment properties, change in fair value upon transfer from inventories of properties to investment properties and finance costs. This is the measure reported to the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the periods reported.

Other segment information

	Depreciation of property and equipment Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Amount included in the measure of segment profit or loss:		
Property development	**2,372**	1,542

Geographical information

The following tables set out information about the Group's revenue from external customers by cities in the People's Republic of China (the "PRC"), based on the location at which the properties are sold and properties are invested. Information about its non-current assets is analysed by geographical location of assets.

	Revenue from external customers Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Changzhou	**147,673**	242,617
Nanjing	**1,556,365**	1,253,571
Suqian	**299,043**	149,588
Taixing	**898,677**	416,038
Taizhou	**4,351**	35,001
Yangzhou	**1,685**	1,829
	2,907,794	2,098,644

	Non-current assets	
	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Changzhou	**363,093**	314,948
Hong Kong	**76,810**	77,772
Nanjing	**4,799**	5,451
Nantong	**228**	309
Shenzhen	**79**	–
Suqian	**222,516**	218,173
Taicang	**168**	–
Taixing	**824,484**	831,341
Taizhou	**423,609**	418,540
Yangzhou	**705,209**	392,165
Zhenjiang	**612**	176
	2,621,607	2,258,875

Note: Non-current assets excluded interest in an associate, available-for-sale investment, prepayment and deposit paid for a life insurance policy, deposits for acquisition of subsidiaries and deferred tax assets.

Information about major customers

There were no customers individually contributing over 10% of the total sale amounts for the periods reported.

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other income		
Interest income on bank deposits	**2,126**	7,520
Interest income on entrusted loans receivable	**–**	25,230
Interest income on available-for-sale investment	**7,491**	–
Interest income on held-to-maturity investment	**3,106**	–
Others	**2,101**	264
	14,824	33,014
Other gains and losses		
Gain on disposal of property and equipment	**18**	–
Foreign exchange gain	**15,601**	33,616
	15,619	33,616

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
Enterprise Income Tax ("EIT") in the PRC	**284,862**	134,169
Land Appreciation Tax ("LAT")	**245,717**	147,086
	530,579	281,255
Deferred tax	**(28,311)**	54,303
	502,268	335,558

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

No provision for Hong Kong Profits Tax has been recognised in the condensed consolidated financial statements during both periods as the Group does not have income which arises in, or is derived from Hong Kong.

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

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994 and amended on 8 January 2012, and the Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995 (collectively referred to the "LAT Regulations"), all gains arising from the sale or transfer of real estate in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and expenses for the development of the land or for construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of properties held for sale recognised as expenses	**1,895,156**	1,398,624
Depreciation of property and equipment	**3,035**	1,558
Less: Capitalised in properties under development	**(663)**	(16)
	2,372	1,542
Listing expenses (included in other expenses)	**–**	8,639

8. DIVIDEND

No dividend has been paid or proposed by the Company during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**515,034**	380,727
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,914,240**	1,668,832
Effect of dilutive potential ordinary shares:		
Over-allotment option	**–**	305
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,914,240**	1,669,137

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Rental receivables	**42,604**	38,212
Prepaid construction costs	**636,697**	494,151
Prepaid business and other taxes	**239,568**	218,002
Deposits for acquisition of land use rights	**125,786**	1,466
Projects related deposits	**122,766**	99,156
Deposits for trust financing arrangement *(Note i)*	**4,800**	4,800
Other deposits	**66,232**	20,368
Bills receivables	**2,500**	700
Advances to staff	**8,896**	22,411
Other loan receivable *(Note ii)*	**250,000**	–
Other receivables *(Note iii)*	**130,428**	269,703
	1,630,277	1,168,969

Notes:

(i) The amount is deposited in a trust financing company for raising trust loan to a subsidiary of the Group. The deposit will be refunded to the Group upon final repayment of the trust loan.

(ii) Other loan receivable represents a loan to an independent third party which is unsecured and interest bearing at 12% per annum.

(iii) Other receivables mainly represent temporary payments made to contractors and advances to contractors.

The Group allows an average credit period of 30 days to its trade customers. No trade receivable is noted at 30 June 2017 and 31 December 2016.

No allowance for doubtful debts on trade and other receivables is noted at 30 June 2017 and 31 December 2016.

11. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**363,505**	405,118
Business and other taxes payable	**86,065**	18,889
Accrued charges *(Note i)*	**28,125**	123,892
Deferred income *(Note ii)*	**452,254**	442,629
Payables for acquisition of land	**–**	39,143
Deposits related to sales of properties	**32,015**	49,222
Deposits and other payables *(Note iii)*	**313,483**	224,987
Consideration payable for acquisition of subsidiaries	**980,000**	98,052
Other unsecured interest-free advances	**–**	86,470
	2,255,447	1,488,402
Less: Non-current portion of deferred income	**(447,448)**	(436,341)
Current portion	**1,807,999**	1,052,061

Notes:

(i) Accrued charges mainly include construction cost accrued based on construction progress.

(ii) Deferred income comprises (i) deferred rental income from the Group's investment properties and (ii) deferred income arising from transfer of land use right of underground carparks which no building ownership certificate has been obtained by the Group. The income arising from sales of underground carparks is released to profit or loss as rental income and amortised on a straight line basis over the period of the land use right.

(iii) Deposits and other payables mainly represent accrued loan interest and various deposits received from contractors in relation to tendering and execution of construction contracts.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

Jiayuan International Group Limited is an established property developer of large-scale residential and commercial complex projects in the PRC. Looking backing to the first half of 2017, regulatory policies were tightened in the major cities of the PRC and housing prices in first-tier and second-tier cities were curbed but sales volume in third-tier and fourth-tier cities were maintained at a high growth rate due to robust housing demand. This showed that the destocking policies of the government were effective.

Group Review

Although sales performance in different regions showed divergence under the influence of the regulatory policies, the overall transaction volume and price of the PRC's property market continued to rise in the first half of 2017. The Group has completed a number of significant transactions in 2016 by way of mergers and acquisitions, among which some residential projects have been launched for sales since the first half of 2017 and their sales performance was satisfactory.

To sustain the strong growth in contracted sales and replenish quality land resources for the Group's long-term development, during the first half of 2017, the Group successfully acquired two residential projects located in Hanjiang District, Yangzhou and core district of Taicang, and a parcel of land for residential and commercial uses in Siyang through tender, auction and listing. As at 30 June 2017, the Group's property portfolio comprised 29 properties in various major cities in the PRC, with land reserve of more than 6.88 million sq.m., covering most of the major cities of Jiangsu Province. Apart from continuous expansion in the Yangtze River Delta Region, the Group will also continue to make investment in the Pearl River Delta Metropolitan Circle in response to the development plan for a city cluster in the Guangdong-Hong Kong-Macau Bay Area. The Group believes that investment value and development potential in the region are increasingly prominent, which will be conducive to enhancing the influence of "Jiayuan" brand in the Pearl River Delta Region.

Prospects

The Group expects that the economy of the PRC will continue to maintain steady growth. The central government will uphold policy that facilitates the demand for owner-occupied residential property and speed up the introduction of a long-term mechanism to promote the healthy and stable development of the industry while reasonably increasing the land supply. This is favourable to the development of the industry in the long run. The Group believes that given the enormous size of real estate industry and the new urbanization of the nation, the status of the real estate industry as a pillar supporting the healthy and stable development of the national economy will not be affected.

Looking forward to the second half of 2017, the Group will continue to focus on Jiangsu Province while at the same time attending to the development dynamics of the property market in other provinces such as Hainan Province. To echo with the strategic development of the Group, focus will be laid on the expansion of the Pearl River Delta Region by actively engaging in urban redevelopment projects so as to acquire quality land reserves and enhance the market share of the Group in the PRC. In addition, the Group will position Hong Kong as a business development center, and target to develop quality projects in countries such as Vietnam and Australia as well as in Hong Kong and Macau in order to increase its quality land reserves in overseas, thereby achieving parallel development in both domestic and overseas markets. The Group will flexibly respond to market changes and continue to pay attention to market risks, so as to maximize the value for its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Looking back to the first half of 2017, under the central government's classification-based and specific localized regulatory measures, the domestic property market was on a rational track with a steady growth rate, but the sales volume remained relatively high. According to the data from the National Bureau of Statistics of the PRC, from January to June 2017, sold area of commodity properties in the PRC amounted to 750 million sq.m., representing an increase of 16.1%, as compared to the same period last year. The sales amount reached RMB5.9 trillion, representing an increase of 21.5%, as compared to the same period last year.

Noticeable divergence was observed in the property policies and market performances in different cities. In certain first-tier and second-tier hot spot cities, regulatory policies have been introduced successively to cool down the heating property market. In third-tier and fourth-tier cities, trading volume in the property market remained high due to the extended destocking policy in such cities, as well as the overflow of capital diverged from the property market of the first-tier and second-tier cities. The Group captured the opportunities brought about by this round of regulatory measures, and sustained a steady growth in terms of property sales amount in the second-tier and third-tier cities by adopting a proactive sales approach.

Results Performance

During the first half of this year, the Group upheld its region-focused policy and achieved significant growth in major operating indicators. For the six months ended 30 June 2017, the Group's contracted sales of completed properties amounted to approximately RMB3.87 billion, representing a dramatic increase of approximately 93.0% as compared to the same period in 2016. Contracted sold area of properties amounted to approximately 467,000 sq.m., representing a significant growth of approximately 164.4% as compared to the same period in 2016. Revenue of the Group increased by approximately 38.6% to approximately RMB2.91 billion as compared to the same period in 2016. Profit attributable to shareholders increased by approximately 35.3% from approximately RMB381 million in the first half of 2016 to approximately RMB515 million. Earnings per share was approximately RMB26.91 cents, representing an increase of approximately 18% as compared to the same period in 2016.

Property Development

As at 30 June 2017, the Group's land bank occupied more than 6.88 million sq.m., and its property portfolio comprised 29 properties in various major cities in the PRC, comprising 21 residential complexes and 8 commercial complexes, located in Shenzhen, Nanjing, Yangzhou, Taicang, Nantong and Zhenjiang and covered most of the major cities in Jiangsu Province.

Well-Established Investor Relations

In the first half of 2017, the Group organized a 3-day investor tour to visit the Group's new development projects, including Zhenjiang Paris Metropolis, Yangzhang Centurial City and Nantong Jiayuan Metropolis, for on-site inspection of operation performance and construction quality of these projects. The outstanding performance of the such projects has been highly recognised by the visiting investors whose confidence in the Group's prospects in Hong Kong capital market are therefore reinforced. In addition, the Group regularly participated in exchange conferences, roadshows and investment forums on Hong Kong stocks organized by domestic investment research institutions, and met with institutional investors from the PRC and Hong Kong to illustrate the Company's capital market plan in the future with a view to laying a solid foundation for future cooperation.

Fully Recognized by the Industry

The share price of the Group achieved over 80% accumulated increase since its listing in March 2016. In the first half of 2017, the market capitalization of the Group has reached HKD10.0 billion for the first time. The Group's remarkable performance was recognised by the industry and the Group received various industry accolades, including New Shares Growth Momentum Award jointly awarded by Tencent Network and Finance Society and the "Certificate of Excellence" awarded by the Hong Kong Investor Relations Association. In addition, the project companies of the Group also performed outstandingly and projects such as Jiayuan Centurial City and Nantong Jiayuan Metropolis were awarded the Yangzhou Best-selling Real Estate 2016 and Nantong Potential Real Estate 2017 respectively by Tencent Network.

Prospects for the Second Half of 2017

Under the macro-economic environment, the Group believes that market stability will be the focus of the PRC's property market for the second half of 2017. The policy will remain focused on cooling down the overheating market in first-tier and second-tier cities within the booming metropolitan circle, and speeding up the destocking process in the underperformed second-tier and third-tier cities within the non-major metropolitan circle. It is expected that there would neither be significant increase in property prices nor change in policies. As compared to 2016, a slight increase in the total sales volume in the PRC's property market is expected this year. In the long run, the housing demand in the PRC's key first-tier and second-tier cities will remain robust. The property industry remains to be a pillar industry in the PRC, and the government policies would change from time to time depending on the prevailing circumstances.

In addition to the continuous development of new projects in the major cities of Jiangsu Province, the Group will also actively develop high quality projects in the Pearl River Delta Region. Currently, the business footprint of the Group's property business has been expanded into Shenzhen and will be further expanded to other cities in Guangdong Province. Focusing on exploring prime land in the economic circles of Guangdong-Hong Kong-Macau and the Pearl River Estuary, the Group will acquire quality land reserves through participating in urban redevelopment projects so as to enhance its market share in the PRC. Furthermore, in response to the strategic planning of "One Belt One Road", the Group will position Hong Kong as a business development center and develop quality projects in peripheral countries such as Vietnam and Australia, with a view to gradually increasing overseas land reserves and achieving parallel development in both domestic and overseas markets.

Jiayuan has witnessed and gone through various fluctuation and cycles in the property market. Jiayuan always sticks to its core business of property and gives impetus to the development of urbanization. The Group will keep pursuing a sustainable and balanced growth strategy with due care to risks in order to create values for its shareholders.

The following table sets out the breakdown of the Group's contracted sales, contracted total gross floor area ("GFA") and contracted average selling price ("ASP") by projects for the six months ended 30 June 2017 and 2016:

	Six months ended 30 June 2017			Six months ended 30 June 2016		
Project	**Contracted Sales** ***RMB (million) (approx.) (unaudited)***	**Contracted GFA** ***(sq.m.)***	**Contracted ASP** ***(RMB per sq.m.)***	Contracted Sales *RMB (million) (approx.) (unaudited)*	Contracted GFA *(sq.m.)*	Contracted ASP *(RMB per sq.m.)*
1. Jiayuan Metropolis 佳源都市	820	109,211	7,508	–	–	–
2. Zijin Mansion 紫金華府	765	23,617	32,366	1,181	45,187	26,136
3. Jiayuan Centurial City 佳源世紀天城	623	67,487	9,228	–	–	–
4. Venice Metropolis 威尼斯城	524	76,369	6,855	131	19,869	6,583
5. Zhenjiang Paris Metropolis 鎮江巴黎都市	253	32,567	7,780	–	–	–
6. Huangqiao Jiayuan Central Plaza 黃橋佳源中心廣場	236	44,260	5,335	110	18,858	5,823
7. Rome Metropolis 羅馬都市	192	46,049	4,176	57	13,113	4,339
8. Jiayuan New World 新天地	188	17,235	10,922	228	20,280	11,257
Others	272	49,759	5,468	299	59,128	5,057
Total	3,873	466,554	8,301	2,006	176,435	11,371

Property Projects

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 30 June 2017, the Group had investment properties with a total GFA of approximately 0.4 million sq.m.. Certain portions of these investment properties are located in the integrated commercial complexes developed by the Group, in which the Group will retain control over the central management of the shopping arcades in order to enable the Group to select tenants and determine industry composition. The Group's operational model for such integrated commercial complexes is to sell all of the residential properties and 50.0% of the commercial properties; and retain the ownership of 50.0% of the commercial properties for investment properties.

Investment Properties

The following table sets out a summary of the Group's investment properties (excluding car parks) as at 30 June 2017:

Project	Project Type	Total GFA Held for Investment *(sq.m.)*	Leased GFA *(sq.m.)*	Total Rental Income For the six months ended 30 June 2017 ***(RMB million)*** **(unaudited)**	2016 *(RMB million)* (unaudited)
Yangzhou					
1. Yangzhou Park Number One 揚州公園一號	Residential	721	721	0.1	0.1
2. Jiayuan Centurial Garden 世紀花園	Residential	8,653	8,653	0.6	0.6
3. Jiayuan Centurial City 佳源世紀天城 *(Note 1)*	Mixed-use	127,002	–	–	–
Taixing					
1. Huangqiao Jiayuan Central Plaza 黃橋佳源中心廣場	Mixed-use	47,567	43,601	0.9	0.7
2. Jiayuan New World 新天地	Mixed-use	25,191	20,643	1.7	1.7
3. Qiangxi Garden 羌溪花苑	Residential	3,046	3,046	0.3	–
Taizhou					
1. Oriental Bright City 東方不夜城	Residential	34,419	34,303	2.9	2.9
2. Quexiandao Number One 鵲仙島一號	Residential	10,028	9,939	1.2	1.2

Project	Project Type	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income For the six months ended 30 June 2017 (RMB million) (unaudited)	2016 (RMB million) (unaudited)
Siyang					
1. Rome Metropolis 羅馬都市	Residential	43,886	37,534	1.6	1.4
Changzhou					
1. Xueyan Jiayuan Central Plaza 雪堰佳源中心廣場 *(Note 2)*	Mixed-use	49,849	3,818	–	–
Total		350,362	162,258	9.3	8.6

Note 1: The project is currently under construction.

Note 2: Part of the project is currently under construction.

Land Reserves

The following table sets out a summary of the Group's land reserves by project as at 30 June 2017:

Project	Project Type	Site Area (sq.m.)	Land Reserve Area (sq.m.)	Ownership Interest %
Yangzhou				
1 Jiayuan Centurial City 佳源世紀天城	Mixed–use	214,206	717,691	100%
2 Centurial Honour Mansion 世紀天城榮御府	Mixed–use	167,810	573,803	100%
3 Jiayuan Centurial Rose Garden 世紀玫瑰園	Residential	143,822	239,056	70%
4 Jiayuan Centurial Villa 世紀豪園	Residential	391,088	1,803	100%
5 Jiayuan Centurial Garden 世紀花園	Residential	234,671	4,317	100%
Nanjing				
6 Zijin Mansion 紫金華府	Residential	339,008	174,907	100%

Project		Project Type	Site Area *(sq.m.)*	Land Reserve Area *(sq.m.)*	Ownership Interest *%*
Taixing					
7	Venice Metropolis 威尼斯城	Residential	660,576	1,536,020	100%
8	Huangqiao Jiayuan Central Plaza 黃橋佳源中心廣場	Mixed–use	81,887	72,103	100%
9	Huangqiao Jiayuan Mingfu 黃橋佳源名府	Mixed–use	42,054	69,822	100%
10	Jiayuan New World 新天地	Mixed–use	190,802	355,436	100%
11	Qiangxi Garden 羌溪花苑	Residential	69,486	7,917	100%
12	Guxi Jiayuan Central Plaza 古溪佳源中心廣場	Mixed–use	83,048	148,347	100%
Taizhou					
13	Oriental Bright City 東方不夜城	Residential	77,021	44,487	100%
14	Oriental Paris City 東方巴黎城	Residential	231,702	80,365	100%
15	Quexiandao Number One 鵲仙島一號	Residential	68,330	18,686	100%
16	Taizhou Jiayuan Central Plaza 泰州佳源中心廣場	Mixed–use	15,702	15,702	100%
Taicang					
17	Jiayuan Harbourview 海藝豪庭	Residential	52,988	168,118	100%
Suqian					
18	Elite International Garden 名人國際花園	Residential	53,970	687	90%
19	Suqian Park Number One 宿遷公園一號	Residential	126,183	133,022	90%
Siyang					
20	Paris Metropolis 巴黎都市	Residential	220,520	563,915	90%
21	Rome Metropolis 羅馬都市	Residential	302,505	767,193	100%
22	The Bund Number One 外灘一號	Residential	83,991	218,245	100%
Changzhou					
23	Xueyan Jiayuan Central Plaza 雪堰佳源中心廣場	Mixed–use	58,601	77,167	100%
Nantong					
24	Jiayuan Metropolis 佳源都市	Residential	198,434	518,500	100%

Project	Project Type	Site Area *(sq.m.)*	Land Reserve Area *(sq.m.)*	Ownership Interest *%*
Zhenjiang				
25 Jiayuan Paris Metropolis 佳源巴黎都市	Residential	119,607	280,981	100%
Shenzhen				
26 Shenzhen Dingxi 深圳鼎曦	Residential	4,940	55,514	100%
27 Shenzhen Songling 深圳松齡	Residential	4,280	38,100	49%
Total		**4,237,234**	**6,881,904**	

FINANCIAL REVIEW

Operating Results

Revenue

Revenue of the Group mainly consists of revenue derived from (i) property development and (ii) property investment. For the six months ended 30 June 2017, revenue of the Group amounted to approximately RMB2,907.8 million, representing an increase of approximately 38.6% from approximately RMB2,098.6 million in first half of 2016. Profit and total comprehensive income for the period attributable to the owners of the Group was approximately RMB515.0 million, representing an increase of approximately 35.3% from approximately RMB380.7 million in the first half of 2016.

Property Development

The Group's revenue from property development included the sale of residential and commercial properties. The Group recognised revenue from the sale of properties when the significant risks and rewards of ownership have been transferred to the purchaser, i.e. when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue derived from property development increased by approximately 38.6% to approximately RMB2,896.5 million for the six months ended 30 June 2017 from approximately RMB2,088.1 million in the first half of 2016. The increase was mainly due to the delivery of properties pre-sold under Zijin Mansion project upon its completion stage.

Property Investment

The Group's property investment mainly consisted of leasing of commercial properties (including predominantly shopping arcades, retail shops, office properties and carparks). Revenue generated from property investment increased by approximately 6.6% to approximately RMB11.3 million for the six months ended 30 June 2017 from approximately RMB10.6 million in the first half of 2016. The increase was primarily due to increase of monthly rental income generated from leasing contracts of the property investments during the period.

Gross Profit and Margin

Gross profit increased by approximately 44.7% to approximately RMB1,012.6 million for the six months ended 30 June 2017 from approximately RMB700.0 million in the first half of 2016, while the Group's gross profit margin increased to 34.8% in first half of 2017 as compared to a gross profit margin of 33.4% in the first half of 2016. The increase in gross profit margin was mainly attributable to the delivery of projects including Zijin Mansion project and Jiayuan New World which contributed a comparatively higher gross profit margin to the Group.

Other Income, Gains and Losses

We had other income and gains of approximately RMB30.4 million and approximately RMB66.6 million for the six months ended 30 June 2017 and 2016 respectively. The sharp decrease of other income and gains was mainly attributable to a decrease in foreign exchange gain to approximately RMB15.6 million for the six months ended 30 June 2017 from approximately RMB33.6 million for the six months ended 30 June 2016, which was mainly as a result of the appreciation of RMB that contributed to the depreciation of the value of the Group's HKD-denominated bank balances and cash.

Change in Fair Value upon Transfer from Inventories of Properties to Investment Properties/ of Investment Properties

The Group's change in fair value of investment properties increased to approximately RMB133.0 million for the six months ended 30 June 2017 from approximately RMB122.2 million for the six months ended 30 June 2016. The increase by approximately 8.9% was mainly due to that some of the property investments were nearly completed during the period which enables their values to be reflected in 2017.

Distribution and Selling Expenses

The distribution and selling expenses decreased to approximately RMB58.5 million for the six months ended 30 June 2017 from approximately RMB59.5 million for the six months ended 30 June 2016. The decrease by approximately 1.8% was mainly attributable to a decrease in sales commission in the first half of 2017.

Administrative Expenses

The Group's administrative expenses increased by approximately 12.7% to approximately RMB49.7 million for the six months ended 30 June 2017 from approximately RMB44.1 million for the six months ended 30 June 2016, which was mainly attributable to an increase of staff salaries and allowances resulting from the expansion of operation scale of the Group.

Other Expenses

The Group's other expenses decreased sharply to approximately RMB0.4 million for the six months ended 30 June 2017 from approximately RMB12.2 million for the six months ended 30 June 2016. Such expenses decreased by approximately 96.9% as no non-recurring listing expenses was incurred in the first half of 2017 as compared to the first half of 2016.

Finance Costs

The Group's finance costs decreased to approximately RMB43.2 million for the six months ended 30 June 2017 from approximately RMB57.3 million for the six months ended 30 June 2016. The decrease of approximately 24.6% was mainly due to the decrease of the average borrowing interest rate.

Income Tax Expense

The Group's income tax expense increased to approximately RMB502.3 million for the six months ended 30 June 2017 from approximately RMB335.6 million for the six months ended 30 June 2016. The increase of approximately 49.7% was mainly due to an increase in profit before taxation, leading to an increase in taxable profit.

Profit and Total Comprehensive Income attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased by approximately 35.3% to approximately RMB515.0 million for the six months ended 30 June 2017 from approximately RMB380.7 million for the six months ended 30 June 2016.

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2017, the Group had an aggregate of pledged/restricted bank deposits and bank balances and cash of approximately RMB3,344.9 million (as at 31 December 2016: approximately RMB1,416.4 million), representing an increase of approximately 136.1% as compared to that as at 31 December 2016. As at 30 June 2017, bank deposits of approximately RMB17.9 million (as at 31 December 2016: approximately RMB107.6 million) were pledged to secure bank borrowings raised by the Group.

The Group had restricted bank deposits of approximately RMB686.0 million as at 30 June 2017 (as at 31 December 2016: approximately RMB305.4 million) that were restricted for use in specific property development projects.

Borrowings and the Group's Pledged Assets

As at 30 June 2017, the Group had bank and other borrowings of approximately RMB6,169.6 million (as at 31 December 2016: approximately RMB5,700.1 million). Amongst the borrowings, approximately RMB2,150.4 million (as at 31 December 2016: approximately RMB3,385.6 million) will be repayable within one year and approximately RMB4,019.2 million (as at 31 December 2016: approximately RMB2,314.4 million) will be repayable after one year.

As at 30 June 2017, bank and other borrowings of approximately RMB6,168.6 million (as at 31 December 2016: approximately RMB5,668.7 million) were secured by bank balances, land use rights and properties of the Group. As at 30 June 2017, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB10,002.4 million (as at 31 December 2016: approximately RMB10,721.8 million).

Senior Notes

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

On the redemption date, the Group may at any time redeem the 2018 Senior Notes, in whole but not in part, at redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the redemption date. The Group may at any time redeem the 2018 Senior Notes, in whole or in part, at any time and from time to time on or after 15 September 2017, at a redemption price equal to 105% of the principal amount of the 2018 Senior Notes, plus accrued and unpaid interest, if any, to the redemption date. The Group must make an offer to repurchase all 2018 Senior Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of a change of control triggering event or a delisting event as set out in the offering circular.

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

The Group may redeem the April 2019 Senior Notes upon giving not less than 15 days' nor more than 60 days' notice, in whole and not in part, at redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the redemption date. The Group may redeem the April 2019 Senior Notes, in whole or in part, at any time and from time to time on or after 7 April 2018, at a redemption price equal to 105% of the principal amount of the April 2019 Senior Notes, plus accrued and unpaid interest, if any, to the redemption date. The Group must make an offer to repurchase all April 2019 Senior Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of a change of control triggering event as set out in the note purchase agreement.

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

The Group may redeem the May 2019 Senior Notes upon giving not less than 15 days' nor more than 60 days' notice, in whole and not in part, at redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the redemption date. The Group may at any time redeem the May 2019 Senior Notes, in whole or in part, at any time and from time to time on or after 19 May 2018, at a redemption price equal to 105% of the principal amount of the May 2019 Senior Notes, plus accrued and unpaid interest, if any, to the redemption date. The Group must make an offer to repurchase all May 2019 Senior Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of a change of control triggering event as set out in the note purchase agreement.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

Net Gearing Ratio

The net gearing ratio of the Group improved significantly, the ratio dropped significantly from 150.2% as at 31 December 2016 to 86.3% as at 30 June 2017. The net gearing ratio was measured by net debt (bank and other borrowings and senior notes as mentioned above net of bank balances and cash and pledged/restricted bank deposits) over the total equity.

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank deposits, borrowings and deposits paid for a life insurance policy, the Group does not have any other material direct exposure to foreign exchange fluctuations. During the six months ended 30 June 2017, though the exchange rates of RMB against U.S. dollar and Hong Kong dollar decreased, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

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

Commitments

As at 30 June 2017, the Group had committed payment for the construction and land development expenditure amounting to approximately RMB2,818.0 million (as at 31 December 2016: approximately RMB3,696.9 million).

Contingent Liabilities

As at 30 June 2017, the Group had provided guarantees amounting to approximately RMB3,608.3 million (as at 31 December 2016: approximately RMB3,376.4 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee will be released upon the purchaser obtaining the relevant building ownership certificate and completion of the relevant mortgage registration. In the opinion of the Directors, no provision for the guarantee contracts was recognised in the financial statements for the six months ended 30 June 2017 as the possibility of default by the purchasers of the Group's properties is remote.

Material Acquisitions and Disposals

For the six months ended 30 June 2017, the Group completed the acquisition of the entire equity interest in Yangzhou Jialian, which holds a mixed-use property development project under construction located at Yangzhou City, Jiangsu Province, the PRC. Please refer to the Company's announcement dated 30 June 2017 (the "Announcement") for further details.

Save as disclosed in the Announcement, the Group did not have any material acquisitions and disposals during the six months ended 30 June 2017.

Future Plans for Material Investments

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

The Company has complied with all the code provisions as set out in the CG Code for the six months ended 30 June 2017.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2017.

REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited consolidated interim results of the Group for the six months ended 30 June 2017.

The consolidated interim financial statements of the Group for the six months ended 30 June 2017 have not been audited but have been reviewed by the Company's independent auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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 2017.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This interim results announcement has been published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.jiayuanintl.com. The 2017 Interim Report for the six months ended 30 June 2017 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 23 August 2017

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