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POWERLONG REAL ESTATE HOLDINGS LIMITED

寶龍地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1238)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

RESULTS HIGHLIGHTS

For the six months ended 30 June 2021

- Contracted sales amounted to approximately RMB53,039 million, representing an increase of approximately 68.2% as compared with the corresponding period in 2020;
- Revenue amounted to approximately RMB20,730 million, representing an increase of approximately 20.7% over the corresponding period in 2020;
- Rental income and income from provision of commercial operational services and residential property management services amounted to approximately RMB1,848 million, representing an increase of approximately 20.5% over the corresponding period in 2020;
- Profit for the period was approximately RMB5,077 million, representing an increase of approximately 45.3% over the corresponding period in 2020;
- Profit attributable to the owners of the Company was approximately RMB3,908 million, representing an increase of approximately 76.1% over the corresponding period in 2020;
- Core earnings attributable to the owners of the Company was approximately RMB2,549 million, representing an increase of approximately 41.8% over the corresponding period in 2020;
- The Board declared an interim dividend of HK\$18 cents per ordinary share for the six months ended 30 June 2021, representing an increase of approximately 50.0% over the corresponding period in 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of Powerlong Real Estate Holdings Limited (the “**Company**” or “**Powerlong**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020, as follows:

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2021 Unaudited RMB’000	31 December 2020 Audited RMB’000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property and equipment		5,359,652	5,221,769
Investment properties	3	64,808,781	58,243,338
Intangible assets		5,209	5,420
Goodwill		20,640	20,640
Investments accounted for using the equity method		8,607,026	7,642,200
Deferred income tax assets		1,008,596	800,680
Financial assets at fair value through profit or loss		313	313
Financial assets at fair value through other comprehensive income		351,944	439,057
Prepayments		606,770	1,269,164
		80,768,931	73,642,581
Current assets			
Properties under development		61,362,871	48,719,297
Completed properties held for sale		17,227,170	14,589,666
Contract assets		540,852	406,338
Trade receivables	4	4,098,217	2,163,838
Other receivables		18,443,415	16,027,938
Prepayments		6,917,087	10,131,446
Prepaid taxes		1,193,052	865,430
Financial assets at fair value through profit or loss		356,493	308,983
Restricted cash		4,006,074	2,937,270
Cash and cash equivalents		22,515,199	25,338,726
		136,660,430	121,488,932
Total assets		217,429,361	195,131,513

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
	<i>Note</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		36,795	36,795
Other reserves		1,738,598	1,582,187
Retained earnings		37,384,761	34,601,884
		39,160,154	36,220,866
Perpetual Capital Instruments		500,625	519,781
Non-controlling interests		17,995,228	15,060,519
Total equity		57,656,007	51,801,166
LIABILITIES			
Non-current liabilities			
Borrowings	5	50,799,029	45,899,678
Lease liabilities		654,802	675,920
Other payables	6	215,095	182,167
Deferred income tax liabilities		7,715,751	7,242,444
		59,384,677	54,000,209
Current liabilities			
Borrowings	5	20,600,805	20,667,678
Trade and other payables	6	42,652,494	35,229,517
Contract liabilities		25,380,718	22,757,332
Current income tax liabilities		11,587,779	10,462,611
Lease liabilities		166,881	213,000
		100,388,677	89,330,138
Total liabilities		159,773,354	143,330,347
Total equity and liabilities		217,429,361	195,131,513

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2021	2020
	Note	Unaudited RMB'000	Unaudited RMB'000
Revenue	2	20,730,092	17,169,969
Cost of sales		(13,437,686)	(10,807,043)
Gross profit		7,292,406	6,362,926
Fair value gains on investment properties – net	3	1,177,436	1,205,186
Selling and marketing costs		(587,589)	(445,561)
Administrative expenses		(1,014,039)	(650,818)
Net impairment losses on financial assets		(95,858)	(52,267)
Other income and gains – net		729,561	215,965
Operating profit		7,501,917	6,635,431
Finance costs – net	7	(356,383)	(992,159)
Share of profit of investments accounted for using the equity method		598,418	371,683
Profit before income tax		7,743,952	6,014,955
Income tax expense	8	(2,666,858)	(2,520,170)
Profit for the period		5,077,094	3,494,785
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		(1,830)	3,937
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation gains on property and equipment transferred to investment properties		–	70,159
Changes in the fair value of financial assets at fair value through other comprehensive income		(78,085)	(22,204)
Total other comprehensive income for the period, net of tax		(79,915)	51,892
Total comprehensive income for the period		4,997,179	3,546,677

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	<i>Note</i>	Six months ended 30 June	
		2021	2020
		Unaudited	Unaudited
		RMB'000	RMB'000
Profit attributable to:			
Owners of the Company		3,907,789	2,219,545
Holders of Perpetual Capital Instruments		18,844	30,323
Non-controlling interests		1,150,461	1,244,917
		5,077,094	3,494,785
Total comprehensive income attributable to:			
Owners of the Company		3,827,874	2,271,437
Holders of Perpetual Capital Instruments		18,844	30,323
Non-controlling interests		1,150,461	1,244,917
		4,997,179	3,546,677
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	9		
– Basic		94.3	53.6
– Diluted		94.3	53.6

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 Basis of preparation and accounting policies

The interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*”. The interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements, except for the adoption of new and amended standards and interpretation as described below.

(a) Amended standards adopted by the Group

Amendments to HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The adoption of the amended standards did not have any material impact on the interim financial information.

(b) New standards, amendments, interpretation and accounting guideline not yet adopted

The following new standards, amendments, interpretation to standards and accounting guideline have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Amendments to HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1, HKFRS Practice Statement 2 and HKAS 8	Disclosure of Accounting Policies	1 January 2023
Amendment to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The impact of new and amended standards, interpretation and accounting guideline above is still under assessment by the Group.

2 Segment information

The executive directors, as the chief operating decision-makers (“CODM”) of the Group review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, commercial operation and residential property management and other property development related businesses. Other property development related business are mainly operations of hotels. As the CODM consider most of the Group’s consolidated revenue and results are attributable to the market in the PRC and the Group’s consolidated assets are substantially located in the PRC, no geographical information is presented.

Segment results represent profit earned by each segment without fair value losses on financial assets, unallocated operating costs, finance costs – net and income tax expense.

The segment results and other segment items for the six months ended 30 June 2021 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Six months ended 30 June 2021						
(Unaudited)						
Gross segment revenue	18,421,460	924,590	1,170,561	475,054	–	20,991,665
Inter-segment revenue	–	(64,705)	(182,746)	(14,122)	–	(261,573)
Revenue	<u>18,421,460</u>	<u>859,885</u>	<u>987,815</u>	<u>460,932</u>	<u>–</u>	<u>20,730,092</u>
Share of post-tax profit/(losses) of joint ventures and associates	597,645	–	823	(50)	–	598,418
Segment results	6,370,469	2,124,778	197,185	(83,091)	–	8,609,341
Fair value losses on FVPL						(3,490)
Unallocated operating costs						(505,516)
Finance costs – net (Note 7)						<u>(356,383)</u>
Profit before income tax						7,743,952
Income tax expense						<u>(2,666,858)</u>
Profit for the period						<u>5,077,094</u>
Depreciation and amortisation recognised as expenses	34,580	–	2,074	107,525	–	144,179
Fair value gains/(losses) on investment properties – net (Note 3)	<u>–</u>	<u>1,211,810</u>	<u>(34,374)</u>	<u>–</u>	<u>–</u>	<u>1,177,436</u>

The segment results and other segment items for the six months ended 30 June 2020 are as follows:

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Commercial operation and residential property management <i>RMB'000</i>	Other property development related businesses <i>RMB'000</i>	Elimination <i>RMB'000</i>	Group <i>RMB'000</i>
Six months ended 30 June 2020						
(Unaudited)						
Gross segment revenue	15,343,046	793,227	868,621	304,610	–	17,309,504
Inter-segment revenue	–	(44,342)	(84,656)	(10,537)	–	(139,535)
Revenue	<u>15,343,046</u>	<u>748,885</u>	<u>783,965</u>	<u>294,073</u>	<u>–</u>	<u>17,169,969</u>
Share of post-tax profit/(losses) of joint ventures and associates	373,436	–	(1,481)	(272)	–	371,683
Segment results	5,636,834	1,705,065	182,906	(88,398)	–	7,436,407
Unallocated operating costs						(645,258)
Other income and gains – net						215,965
Finance costs – net (<i>Note 7</i>)						<u>(992,159)</u>
Profit before income tax						6,014,955
Income tax expense						<u>(2,520,170)</u>
Profit for the period						<u>3,494,785</u>
Depreciation recognised as expenses	53,179	–	2,811	91,586	–	147,576
Fair value gains/(losses) on investment properties – net (<i>Note 3</i>)	<u>–</u>	<u>1,265,733</u>	<u>(60,547)</u>	<u>–</u>	<u>–</u>	<u>1,205,186</u>

Segment assets and liabilities as at 30 June 2021 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
At 30 June 2021 (Unaudited)						
Segment assets	126,265,182	65,880,607	4,773,216	6,242,444	(3,458,231)	199,703,218
Other assets						<u>17,726,143</u>
Total assets						<u>217,429,361</u>
Segment assets include:						
Interests in joint ventures and associates	8,558,044	–	3,334	45,648	–	8,607,026
Segment liabilities	51,700,652	1,734,788	1,986,353	5,495,493	(3,458,231)	57,459,055
Other liabilities						<u>102,314,299</u>
Total liabilities						<u>159,773,354</u>
Capital expenditure	<u>13,179</u>	<u>4,942,806</u>	<u>2,494</u>	<u>267,825</u>	<u>–</u>	<u>5,226,304</u>

Segment assets and liabilities as at 31 December 2020 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
At 31 December 2020 (Audited)						
Segment assets	114,108,767	59,670,436	4,461,571	6,850,757	(5,461,981)	179,629,550
Other assets						<u>15,501,963</u>
Total assets						<u>195,131,513</u>
Segment assets include:						
Interests in joint ventures and associates	7,593,991	–	2,511	45,698	–	7,642,200
Segment liabilities	43,797,373	1,739,480	2,259,492	4,701,951	(5,461,981)	47,036,315
Other liabilities						<u>96,294,032</u>
Total liabilities						<u>143,330,347</u>
Capital expenditure (six months ended 30 June 2020) (unaudited)	29,183	1,737,811	203,429	180,906	–	<u>2,151,329</u>

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the Board is measured in a manner consistent with that in the interim condensed consolidated statement of comprehensive income.

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the interim condensed consolidated balance sheet. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, investment properties, properties under development, completed properties held for sale, contract assets, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment and investment properties.

3 Investment properties

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Six months ended 30 June 2021 (Unaudited)			
Opening amount as at 1 January 2021	52,519,420	5,723,918	58,243,338
Additions	–	4,942,806	4,942,806
Transfers from completed properties held for sale	445,201	–	445,201
Transfers	785,900	(785,900)	–
Fair value gains – net	548,295	629,141	1,177,436
Closing amount as at 30 June 2021	<u>54,298,816</u>	<u>10,509,965</u>	<u>64,808,781</u>
Six months ended 30 June 2020 (Unaudited)			
Opening amount as at 1 January 2020	46,578,183	4,506,458	51,084,641
Additions	496,817	1,440,895	1,937,712
Transfer from property and equipment	74,719	–	74,719
Revaluation gains upon transfer from property and equipment	93,545	–	93,545
Transfers	935,240	(935,240)	–
Fair value gains – net	362,848	842,338	1,205,186
Closing amount as at 30 June 2020	<u>48,541,352</u>	<u>5,854,451</u>	<u>54,395,803</u>

4 Trade receivables

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade receivables (<i>Note (a)</i>)	4,262,519	2,259,611
– Third parties	4,163,156	2,218,069
– Related parties	99,363	41,542
Less: loss allowance (<i>Note (b)</i>)	(164,302)	(95,773)
	4,098,217	2,163,838

- (a) The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts.

As at 30 June 2021 and 31 December 2020, the ageing analysis of trade receivables of the Group based on revenue recognition date was as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Within one year	4,058,569	2,099,969
Over one year	203,950	159,642
	4,262,519	2,259,611

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2021, a provision of RMB164,302,000 was made for trade receivables (31 December 2020: RMB95,773,000).

5 Borrowings

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Borrowings included in non-current liabilities:		
Senior notes	12,802,096	13,765,707
Corporate bonds	11,683,146	11,928,398
Commercial mortgage backed securities	2,353,351	2,341,364
Assets-backed securities	1,272,506	1,269,231
Bank borrowings	35,337,390	32,965,056
– secured	35,254,182	32,819,276
– unsecured	83,208	145,780
Other borrowings – secured	521,500	350,000
Less: amounts due within one year	(13,170,960)	(16,720,078)
	50,799,029	45,899,678
Borrowings included in current liabilities:		
Senior notes	1,285,475	–
Bank borrowings – secured	2,729,720	2,384,600
Other borrowings – secured	2,974,650	763,000
Short-term commercial papers	440,000	800,000
Current portion of long-term borrowings	13,170,960	16,720,078
	20,600,805	20,667,678
Total borrowings	71,399,834	66,567,356

6 Trade and other payables

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade payables (<i>Note (a)</i>)	13,579,902	13,183,955
– Related parties	15,535	25,800
– Third parties	12,838,221	12,890,578
– Notes payable – third parties	726,146	267,577
Other payables	23,054,549	17,500,555
– Related parties	9,537,818	10,986,310
– Non-controlling interests	7,785,210	3,824,565
– Third parties	5,731,521	2,689,680
Value-added tax received in advance from customers	1,692,581	1,928,838
Dividend payables	1,165,564	148,880
Payables for retention fee	1,353,424	823,415
Interest payable	1,043,247	1,068,161
Other taxes payable	947,573	734,129
Payables for acquisition of land use rights	30,749	23,751
	42,867,589	35,411,684
Less: non-current portion		
Other payables – third parties	(215,095)	(182,167)
Current portion	42,652,494	35,229,517

- (a) As at 30 June 2021 and 31 December 2020, the ageing analysis of trade payables of the Group based on invoice date was as follows:

	30 June 2021	31 December 2020
	Unaudited	Audited
	RMB'000	RMB'000
Within one year	12,236,555	12,725,272
Over one year	1,343,347	458,683
	13,579,902	13,183,955

7 Finance costs – net

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest expense:		
– Borrowings	2,637,819	1,965,055
– Lease liabilities	22,525	15,298
	2,660,344	1,980,353
Less: capitalised	(1,901,249)	(1,137,204)
Foreign exchange (gains)/losses on financing activities – net	(267,573)	300,975
Finance costs	491,522	1,144,124
Finance income	(135,139)	(150,820)
Gains of early redemption of senior note	–	(1,145)
Finance costs – net	356,383	992,159

8 Income tax expense

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax:		
– PRC corporate income tax	1,546,597	1,200,559
– PRC land appreciation tax	927,761	1,028,601
	<u>2,474,358</u>	<u>2,229,160</u>
Deferred income tax:		
– PRC corporate income tax	227,397	292,362
– PRC withholding income tax	–	70,000
– PRC land appreciation tax	(34,897)	(71,352)
	<u>192,500</u>	<u>291,010</u>
	<u>2,666,858</u>	<u>2,520,170</u>

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in the PRC (“**PRC subsidiaries**”) is 25% according to the Corporate Income Tax Law of the People’s Republic of China effective on 1 January 2008.

PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax (“LAT”)

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Group's direct subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the Interim financial information as the Group did not have assessable profit in Hong Kong for the period. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

9 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Profit attributable to shareholders of the Company (RMB'000)	<u>3,907,789</u>	<u>2,219,545</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>4,142,403</u>	<u>4,142,903</u>
Basic earnings per share (RMB cents per share)	<u>94.3</u>	<u>53.6</u>

(b) Diluted

Since there was no dilutive potential ordinary shares during the six months ended 30 June 2021, diluted earnings per share is equal to basic earnings per share (30 June 2020: same).

10 Dividends

On 18 August 2021, the Company declared an interim dividend of HK\$18 cents per ordinary share in form of cash for the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$12.0 cents per ordinary share). Total amount of interim dividend would be HK\$745,633,000 (equivalent to RMB620,426,000) which was calculated according to the number of ordinary shares in issue as at 30 June 2021. This interim dividend has not been recognised as liabilities in this interim financial information.

The 2020 final cash dividend amounting to HK\$1,366,993,000 (equivalent to RMB1,124,912,000) (2019: final cash dividend and special dividend of HK\$1,284,145,000, equivalent to RMB1,174,094,000) was approved by the shareholders at the annual general meeting of the Company held on 11 June 2021 and was paid on 18 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the six months ended 30 June 2021, the real estate market of the People's Republic of China (the “**PRC**”) remained stable in general, amidst the global economic recovery. On policy front, apart from the introduction of the “Three Red Lines” policy in the fourth quarter of 2020, austerity measures adopted by the PRC government further augmented, with tightened credit and broadened restrictions, as austerity was enhanced with the introduction of various new measures. For the land market in the PRC, under the influence of centralized residential land supply, total grant of floor area decreased and average floor prices rose to historic high, with the Yangtze River Delta region registering the most prominent increase. Overall speaking, despite the substantial increase in transaction volume recorded in the PRC real estate market in the first half of 2021, the pace of increase demonstrated was somewhat slowed down, as seasonal market fluctuation came into play. Along with the stable market environment and tightened governmental austerity, property developers took a proactive role in responding to the changes in market conditions, adopted prudent operations and guarded themselves against risks, securing the stable and healthy development of the real estate market of the PRC.

BUSINESS REVIEW

For the six months ended 30 June 2021, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) commercial operational and residential property management; and (iv) other property development related businesses. During the period under review, property development remained as the main revenue stream of the Group.

Property Development

For the six months ended 30 June 2021, the contracted sales of the Group together with its associates and joint ventures reached approximately RMB53,039 million (for the six months ended 30 June 2020: RMB31,529 million), representing an increase of approximately 68.2% as compared with the corresponding period in 2020. For the six months ended 30 June 2021, the contracted sales area of the Group together with its associates and joint ventures amounted to approximately 3,385,793 square meters (for the six months ended 30 June 2020: 2,047,327 square meters), representing an increase of approximately 65.4% as compared with the corresponding period in 2020.

During the period under review, the Group's contracted sales experienced a significant year-on-year increase, which was mainly attributable to a combination of, (i) the Group's commitment to the “369” development model and its proactive enhancement of operational efficiency and expedition of construction, sales and collection of sales proceeds, thereby mitigating the impact of the COVID-19 epidemic on project development; (ii) the Group's adherence to the “1+1+N” development strategy, focusing on Yangtze River Delta and the Guangdong-Hong Kong-Macau Bay Area; and (iii) the Group's abundant deployment in Yangtze River Delta and the Guangdong-Hong Kong-Macau Bay Area, with precise product positioning, emphasis on quality and customer experience, and availability of products that cater to market needs. During the period under review, the key contributing projects of the Group together with its associates and joint ventures were located in Ningbo, Nanjing, Hangzhou, Jinhua and Wenzhou.

Set forth below is the distribution of contracted sales of the Group during the six months ended 30 June 2021:

Distribution	For the six months ended 30 June 2021		
	Sales area <i>sq.m.</i>	Sales amount <i>RMB million</i>	Average selling price <i>RMB/sq.m.</i>
Commercial	345,969	4,725	13,657
Residential	3,039,824	48,314	15,894
Total	<u>3,385,793</u>	<u>53,039</u>	<u>15,665</u>

Property Investment and Commercial Operational and Residential Property Management

To generate a stable and recurring income, the Group also retained and operated certain commercial properties for leasing. As at 30 June 2021, the Group had an aggregate gross floor area (“GFA”) of approximately 6,154,944 square meters (as at 31 December 2020: approximately 5,642,485 square meters) held as investment properties (including completed properties and properties under construction), representing an increase of approximately 9.1% as compared with that as at 31 December 2020.

During the six months ended 30 June 2021, the Group (together with its associates and joint ventures) has completed and commenced operation of three new shopping malls. Both Wenling Powerlong Plaza and Zhuji Powerlong Plaza successfully commenced operation on 11 June 2021; and Zhoushan Powerlong Plaza successfully commenced operation on 25 June 2021.

As at 30 June 2021, the Group held and managed 51 shopping malls and managed 6 asset-light shopping malls, with the number of shopping malls in operation held and the floor area in operation and management both being amongst the forefront of the industry.

Hotel Business

The Group continued to develop its hotel business as a source of its long-term recurring income with core businesses in operating international brand hotels and self-operated brand chain hotels.

As at 30 June 2021, the Group owned seven international brand hotels, namely Le Meridien Shanghai Minhang (上海閔行寶龍艾美酒店), Radisson Blu Shanghai Pudong Jinqiao (上海寶龍麗笙酒店), Radisson Exhibition Center Shanghai (上海國展寶龍麗筠酒店), Four Points by Sheraton Taicang Suzhou (蘇州太倉寶龍福朋喜來登酒店), Four Points by Sheraton Qingdao, Chengyang (青島城陽寶龍福朋喜來登酒店), Aloft Yancheng (鹽城雅樂軒酒店) and Wyndham Grand Plaza Royale Powerlong Fuyang (阜陽寶龍溫德姆至尊豪廷大酒店), and also owned and operated twelve self-owned brand chain hotels, namely ARTELS Qingdao (青島寶龍藝築酒店), ARTELS Anxi Quanzhou (泉州安溪寶龍藝築酒店), ARTELS+ Huaian Jiangsu (淮安藝悅酒店), ARTELS+ Fuyang Hangzhou (杭州富陽藝悅酒店), ARTELS+ Collection Lingang Shanghai (上海臨港藝悅精選酒店), ARTELS+ Collection Hechuan Chongqing (重慶合川藝悅精選酒店), ARTELS+ Wujing Shanghai (上海吳淞藝悅酒店), JUNTELS Binjiang Hangzhou (杭州濱江藝珺酒店), JUNTELS Penglai Yantai (煙台蓬萊藝珺酒店), ARTELS+ Penglai Yantai (煙台蓬萊藝悅酒店), ARTELS+ Xinxiang (新鄉藝悅酒店) and JUNTELS Tai'an (泰安寶龍藝珺酒店).

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own property development pipeline for the forthcoming three to five years. In the future, the Group will adhere to the "1+1+N" development strategy, focusing on Yangtze River Delta and the Guangdong-Hong Kong-Macau Bay Area while exploring other premium regions that offer opportunities; and to precisely lay out strategic plans and grasp the policy directions in a timely manner, in strict adherence to the principle of value investment.

As at 30 June 2021, the Group had a quality land bank amounting to a total GFA of approximately 37.8 million square meters, of which approximately 26.3 million square meters were properties under development and construction and approximately 11.5 million square meters were properties held for future development. The land bank under development will be used for the development of large-scale commercial and residential properties, quality residential properties, serviced apartments, office buildings and hotels. As at 30 June 2021, nearly 70% of the Group's land bank is located in the Yangtze River Delta region.

During the six months ended 30 June 2021, the Group upheld cautious and stringent standards on land investment decision, and the following prime land parcels were added to the Group's land bank:

Newly acquired land parcels in 2021 (as at 30 June 2021)

Project Name	Land Nature	Site Area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Zhongshan Qijiang Xincheng Project (中山岐江新城項目)	Commercial/ residential	167.3	538.0	50.6%
Shaoxing Pingshui 2020-03 Land Lot Project (紹興平水2020-03地塊項目)	Residential	24.2	36.2	26.5%
Shaoxing Pingshui 2020-06 Land Lot Project (紹興平水2020-06地塊項目)	Residential	33.8	48.9	26.5%
Fuzhou Lianjiang Phase 2 Project (福州連江二期項目)	Commercial/ residential	29.2	64.3	39.7%
Nanjing Qixia District Xinshengwei Station Project (南京栖霞區新生圩站項目)	Commercial/ residential	87.9	187.8	65.0%
Wenzhou Rui'an Jinzishan Project (溫州瑞安巾子山項目)	Commercial/ residential	193.5	431.0	39.0%
Taizhou Wenling Chengxi Zhonghua Road Land Lot Project (台州溫嶺城西中華路地塊項目)	Residential	18.2	30.4	39.0%
Bozhou Nanhu Municipal Park North Side Land Lot Project (亳州南湖市政公園北側地塊項目)	Commercial/ residential	245.3	470.6	89.2%
Taizhou Wenling Daxi Town Tielu New Area Land Lot Project (台州溫嶺市大溪鎮鐵路新區地塊項目)	Commercial/ residential	39.5	138.3	23.4%
Chuzhou Tianchang Project (滁州天長項目)	Commercial/ residential	147.9	261.7	100.0%
Wuhan Qiaokou Project (武漢礄口項目)	Commercial	37.5	212.4	77.9%
Xuancheng Wanlinghu South Side Land Lot Project (宣城宛陵湖南側地塊項目)	Commercial/ residential	199.4	398.8	46.7%
Quanzhou Luojiang District Majia Town No. LJ2018-04-01 Land Lot Project (泉州市洛江區馬甲鎮LJ2018-04-01號 地塊項目)	Residential	54.3	108.5	25.0%
Quanzhou Luojiang District Majia Town No. LJ2018-04-02 Land Lot Project (泉州市洛江區馬甲鎮LJ2018-04-02號 地塊項目)	Residential	58.1	116.2	25.0%

Project Name	Land Nature	Site Area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Luoyang Longmen Road No. 31 Land Lot Project (洛陽龍門路31號地塊項目)	Commercial/ residential	41.3	124.0	100.0%
Luoyang Wangchunmen Street No. 32 Land Lot Project (洛陽望春門街32號地塊項目)	Commercial/ residential	21.2	91.2	100.0%
Suzhou Changshu Mocheng Street Commercial and Residential Land Lot Project (蘇州常熟莫城街道商住地塊項目)	Commercial/ residential	53.9	156.9	95.0%
Zhangzhou Changtai A2 Land Lot Project (漳州長泰A2地塊項目)	Residential	47.8	62.2	65.6%
Foshan Dali Project (佛山大瀝項目)	Commercial/ residential	119.0	358.2	46.7%
Total		1,619.3	3,835.6	

* Total GFA excludes underground and car parking spaces.

OUTLOOK

In the second half of 2021, it is anticipated that “stability” will remain its paramount importance in real estate policies, the keynote of which being “properties being for residential dwellings instead of speculation” and “adoption of city-specific policies”. The austerity objectives of stable land prices, stable property prices and stable expectation will be fortified and enforced, to foster the continual healthy and steady development of the real estate market. While stepping up efforts in constructing and supporting leased housing properties, the government will continue to strengthen financial regulations over the real estate market and tighten policies on financing in the real estate market. Based on the overall lessening of leverage for the real estate industry, it is expected that the overall strategies to be adopted by property developers will be on guarding themselves against risks, adapting positively to new policies and market environment, focusing on regions with competitive advantage, deploying in a reasonable way, optimizing the mix of land bank on an ongoing basis, uplifting operational management attainment and achieving sustainable, stable and high-quality corporate development.

Focusing on corporate social responsibilities and high-quality organic growth, the Group proposed the development theme of “Beyond” (聚焦突破、實現飛躍) in mid-2021. For the seven months ended 31 July 2021, the Group achieved a 60.1% growth in its aggregate contracted sales over the corresponding period in the previous year. The Group is confident that the full-year contracted sales target of RMB105 billion set for 2021 can be achieved.

To achieve its five-year strategic goals, the Group will continue to enhance its superiority in terms of land bank. In the future, the Group will maintain its adherence to the “1+1+N” development strategy, focusing on Yangtze River Delta and the Guangdong-Hong Kong-Macau Bay Area while exploring other premium regions that offer opportunities. In key regional hubs, the Group will strengthen market tracking and research, adhere to precise product positioning, and strictly comply with the principle of value investment in acquiring land bank.

In the second half of 2021, the Group will have quite a few new shopping malls opening. The Group will integrate its significant resources to facilitate the opening of 10 new shopping malls within the period. The Group will study the development trend of industry, upgrade its commercial space and business portfolio, and create commercial spaces with love. While ensuring high-quality opening, the Group will enhance its organizational capability in the fine operation of commercial management and build up core competence in commercial operation and management. It will uplift its capability in tenant sourcing, proactively adjust the mix of operation, and extend the breadth and depth of brands of strategic cooperation. In fostering digitalization, the Group will continue to probe the implementation of the tech-enabled “New Commerce” strategies. Meanwhile, Powerlong Commercial Management Holdings Limited, a subsidiary of the Company, will continue to seek opportunities to selectively acquire or invest in small to mid-sized commercial operational service providers to further expand the scope of the Group’s commercial operations and build up its service capability.

The Group will continue to foster a steady and safe system of financial control, with intensive efforts on the enhanced digitized development of financial management for better management effectiveness. Meanwhile, the Group will control the overall debt scale, optimize its financing structure, constantly enhance its financing capability and lower its financing costs.

The Group will proactively promote the parallel development of both its talents and the enterprise, and call for employees’ revamped re-definition of themselves. The Group will mobilize individuals for the betterment of their self-achievements; integrate resources for the enhancement of working efficiency; and provide multi-dimensional incentives for unleashing their potentials. The Group will continue to establish a platform and create opportunities for the career development of its staff, with a view to converging bright people and gathering dedication and power.

The Board believes in “concerted efforts, love and care”. Adhering to the corporate mission of “Create space full of love”, the Group will link up living space with the well-being of everything, and create the best experience of living space and services. It will firmly gather the wisdom and power of all fellow folks of Powerlong, to build the Group into a well-respected, century-lasting and world-leading operator of city space.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises income from property sales, rental income from investment properties, income from provision of commercial operational services and residential property management services and income from other property development related businesses. For the six months ended 30 June 2021, the Group recorded a total revenue of approximately RMB20,730 million (for the six months ended 30 June 2020: approximately RMB17,170 million), representing an increase of approximately 20.7% as compared with the corresponding period in 2020. This was mainly attributable to the increase in revenue from property sales.

Revenue from Property Sales

During the six months ended 30 June 2021, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. Revenue from projects sold and delivered for the six months ended 30 June 2021 amounted to approximately RMB18,421 million (for the six months ended 30 June 2020: approximately RMB15,343 million), representing an increase of approximately 20.1% as compared with the corresponding period in 2020. This was mainly attributable to the increase in the delivery of residential properties.

Set forth below are the details regarding the properties sold and delivered during the six months ended 30 June 2021:

		For the six months ended 30 June 2021		
		GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB million)	Average selling price (RMB/sq.m.)
Yangtze River Delta	Commercial	332,970	3,843	11,542
	Residential	663,168	9,693	14,616
Hainan	Commercial	19,659	145	7,376
	Residential	118,917	1,618	13,606
Guangdong-Hong Kong- Macau Bay Area	Residential	72,593	1,659	22,853
Others	Commercial	35,640	253	7,099
	Residential	178,510	1,210	6,778
Total		<u>1,421,457</u>	<u>18,421</u>	<u>12,959</u>
		Commercial	388,269	4,241
		Residential	<u>1,033,188</u>	<u>14,180</u>
				<u>10,923</u>
				<u>13,725</u>

Rental Income from Investment Properties and Income from Provision of Commercial Operational Services and Residential Property Management Services

For the six months ended 30 June 2021, the Group recorded rental income after elimination of intra-group transactions from investment properties amounting to approximately RMB860 million (for the six months ended 30 June 2020: approximately RMB749 million), representing an increase of approximately 14.8% as compared with the corresponding period in 2020.

For the six months ended 30 June 2021, income from provision of commercial operational services and residential property management services was mainly derived from projects developed by the Group and other third parties. The net income after elimination of intra-group transactions amounted to approximately RMB988 million (for the six months ended 30 June 2020: approximately RMB784 million), representing an increase of approximately 26.0% as compared with the corresponding period in 2020.

For the six months ended 30 June 2021, the Group recorded rental income from investment properties and income from provision of commercial operational services and residential property management services amounting to approximately RMB1,848 million (for the six months ended 30 June 2020: approximately RMB1,533 million), representing an increase of approximately 20.5% as compared with the corresponding period in 2020. This was mainly attributable to the economies of scale brought by the increasing GFA of properties held for investment and commercial and residential properties managed by the Group.

Income from Other Property Development Related Businesses

Income from other property development related businesses mainly comprises income from hotel operation and the provision of consultation services. For the six months ended 30 June 2021, the Group recorded income from other property development related businesses amounting to approximately RMB461 million (for the six months ended 30 June 2020: approximately RMB294 million), representing an increase of approximately 56.8% as compared with the corresponding period in 2020, which was mainly because the hotel operations of the Group recovered to normal levels due to effective prevention and control of the COVID-19 epidemic in China.

Cost of Sales

Cost of sales mainly represents the direct cost related to the property development of the Group. It comprises cost of land use rights, construction costs, decoration costs and other costs. For the six months ended 30 June 2021, cost of sales amounted to approximately RMB13,438 million (for the six months ended 30 June 2020: approximately RMB10,807 million), representing an increase of approximately 24.3% as compared with the corresponding period in 2020, which was mainly due to the increase in the GFA of properties sold and delivered, leading to an increase in the total cost.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2021, gross profit amounted to approximately RMB7,292 million (for the six months ended 30 June 2020: approximately RMB6,363 million), representing an increase of approximately 14.6% as compared with the corresponding period in 2020, which was mainly due to the growth in revenue from property sales. Gross profit margin slightly decreased from 37.1% for the six months ended 30 June 2020 to 35.2% for the six months ended 30 June 2021.

Fair Value Gains on Investment Properties

For the six months ended 30 June 2021, the Group recorded revaluation gains of approximately RMB1,177 million (for the six months ended 30 June 2020: approximately RMB1,205 million), representing a slight decrease of approximately 2.3% as compared with the corresponding period in 2020.

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2021, the Group's selling and marketing costs and administrative expenses amounted to approximately RMB1,602 million (for the six months ended 30 June 2020: approximately RMB1,096 million), representing an increase of approximately 46.2% as compared with the corresponding period in 2020, which was mainly attributable to the Group's business growth, leading to an expansion in the scale of sales and projects management. The Group will continue to exercise stringent control over expenses and costs whilst at the same time strive to continue the Group's business expansion.

Share of Profit of Investments Accounted for Using the Equity Method

For the six months ended 30 June 2021, share of post-tax profit of investments accounted for using the equity method amounted to approximately RMB598 million (for the six months ended 30 June 2020: approximately RMB372 million), representing an increase of approximately 60.8% as compared with the corresponding period in 2020, which was mainly due to the increase in net profit from joint ventures and associates.

Income Tax Expense

Income tax expense of the Group amounted to approximately RMB2,667 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately RMB2,520 million), representing an increase of approximately 5.8% as compared with the corresponding period in 2020, which was mainly due to the increase in PRC corporate income tax.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2021, the profit attributable to owners of the Company amounted to approximately RMB3,908 million (for the six months ended 30 June 2020: approximately RMB2,220 million), representing an increase of approximately 76.1% over the corresponding period in 2020.

For the six months ended 30 June 2021, basic earnings per share was approximately RMB94.3 cents (for the six months ended 30 June 2020: approximately RMB53.6 cents), representing an increase of approximately 75.9% over the corresponding period in 2020.

Core earnings (being the profit excluding the fair value gains on investment properties, revaluation gains on completed properties held for sale transferred to investment properties and foreign exchange gains/losses on financing activities during the period under review) for the six months ended 30 June 2021 reached approximately RMB3,620 million (for the six months ended 30 June 2020: approximately RMB2,892 million), representing an increase of approximately 25.2% as compared with that in the corresponding period in 2020.

Core earnings attributable to owners of the Company (being the profit excluding the attributable fair value gains on investment properties, revaluation gains on completed properties held for sale transferred to investment properties and foreign exchange gains/losses on financing activities during the period under review) for the six months ended 30 June 2021 reached approximately RMB2,549 million (for the six months ended 30 June 2020: approximately RMB1,797 million), representing an increase of approximately 41.8% as compared with the corresponding period in 2020.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds raised from issuance of bonds, which were used as working capital and investment in development projects.

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB26,521 million in total as at 30 June 2021 (as at 31 December 2020: approximately RMB28,276 million), representing a slight decrease of 6.2% as compared with that as at 31 December 2020.

Borrowings

Total borrowings of the Group as at 30 June 2021 was approximately RMB71,400 million (as at 31 December 2020: approximately RMB66,567 million), representing an increase of approximately 7.3% as compared with that as at 31 December 2020. The Group's borrowings comprise bank and other borrowings of approximately RMB41,563 million, corporate bonds of approximately RMB11,683 million, short-term commercial papers of approximately RMB440 million, commercial mortgage backed securities (the "CMBS") of approximately RMB2,353 million, assets-backed securities (the "ABS") of approximately RMB1,273 million and senior notes of approximately RMB14,088 million.

Out of the total borrowings, approximately RMB20,601 million was repayable within one year, while approximately RMB50,799 million was repayable after one year.

On 11 January 2021, the Company completed the issuance of senior notes in an aggregate principal amount of US\$100 million at 102.656% of the principal amount that are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"), with a nominal interest rate of 5.95% per annum (consolidated and formed a single series with the US\$200 million 5.95% senior notes due 2025 issued by the Company on 30 October 2020 and the US\$100 million 5.95% senior notes due 2025 issued by the Company on 28 December 2020, both being listed on the SGX-ST), which will mature on 30 April 2025. Please refer to the announcements of the Company dated 4 January 2021 and 12 January 2021 for further details.

On 11 January 2021, Shanghai Powerlong Industrial Development Co. Ltd (“**Shanghai Powerlong**”), a wholly-owned subsidiary of the Company, issued the first tranche of corporate bonds for the year 2021 in an aggregate principal amount of RMB1,000 million, with a nominal interest rate of 6.60% per annum. Please refer to the announcement of the Company dated 12 January 2021 for further details.

On 25 January 2021, Shanghai Powerlong issued the first tranche of the super short-term commercial paper for the year 2021 in an aggregate principal amount of RMB440 million, with a nominal interest rate of 5.70% per annum and a maturity date of 23 October 2021. Please refer to the announcement of the Company dated 27 January 2021 for further details.

On 14 April 2021, the Company completed the issuance of senior notes in an aggregate principal amount of US\$200 million at 99.903% of the principal amount that are listed on the SGX-ST, with a nominal interest rate of 3.90% per annum, which will mature on 13 April 2022. Please refer to the announcement of the Company dated 15 April 2021 for further details.

On 16 April 2021, Shanghai Powerlong issued the second tranche of corporate bonds for the year 2021 in an aggregate principal amount of RMB1,500 million, with a nominal interest rate of 6.50% per annum. Please refer to the announcement of the Company dated 19 April 2021 for further details.

On 13 May 2021, the Company completed the issuance of senior notes in an aggregate principal amount of US\$200 million at 99.127% of the principal amount that are listed on the SGX-ST, with a nominal interest rate of 4.90% per annum, which will mature on 13 May 2026. Please refer to the announcements of the Company dated 6 May 2021 and 14 May 2021 for further details.

On 4 June 2021, Shanghai Powerlong issued the first tranche of the medium-term notes for the year 2021 in an aggregate principal amount of RMB1,000 million, with a nominal interest rate of 5.80% per annum and a maturity date of 7 June 2024. Please refer to the announcement of the Company dated 7 June 2021 for further details.

On 10 June 2021, Shanghai Powerlong issued the third tranche of corporate bonds for the year 2021 in an aggregate principal amount of RMB470 million, with a nominal interest rate of 5.70% per annum. Please refer to the announcement of the Company dated 11 June 2021 for further details.

Net Gearing Ratio

As at 30 June 2021, the Group had a net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of approximately 77.8% (as at 31 December 2020: approximately 73.9%).

Borrowing Costs

Total interest expenses for the six months ended 30 June 2021 amounted to approximately RMB2,660 million (for the six months ended 30 June 2020: approximately RMB1,980 million), representing an increase of approximately 34.3% as compared with the corresponding period in 2020. The increase was mainly due to the increase in total borrowings of the Group as compared with the corresponding period in 2020. The effective interest rate decreased slightly from 6.44% in 2020 to 6.43% in 2021. The Group will continue to enhance its stringent control over finance costs.

Credit Policy

Trade receivables mainly arose from sales and lease of properties. Receivables in respect of sales and lease of properties are settled in accordance with the terms stipulated in the sale and purchase agreements and lease agreements respectively.

Pledge of Assets

As at 30 June 2021, the Group pledged its property and equipment, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of approximately RMB81,136 million (as at 31 December 2020: RMB74,651 million) to secure borrowings of the Group. The total secured bank and other borrowings and CMBS as at 30 June 2021 amounted to approximately RMB43,833 million (as at 31 December 2020: approximately RMB38,658 million). The ABS of RMB1,272 million (as at 31 December 2020: RMB1,269 million) were secured by the trade receivables of the Group. The senior notes issued by the Company are guaranteed and secured by share pledges of certain non-PRC subsidiaries and non-PRC joint ventures of the Group.

Contingent Liabilities

As at 30 June 2021, the Group had no significant contingent liabilities.

Financial Guarantees

The face value of the financial guarantees provided by the Group is analysed as below:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	24,150,332	29,461,621
Guarantees for borrowings of joint ventures and associates	1,275,941	1,394,430
	<u>25,426,273</u>	<u>30,856,051</u>

Commitments

(1) Commitments for property development expenditures

	30 June 2021 RMB'000	31 December 2020 RMB'000
Contracted but not provided for		
– Property development activities	16,421,043	14,102,853
– Acquisition of land use rights	9,902,618	5,954,026
	<u>26,323,661</u>	<u>20,056,879</u>

(2) Lease commitments

As at 30 June 2021, the Group did not have any material short-term lease commitment.

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. The major non-RMB financial assets or liabilities as at 30 June 2021 are the Group's borrowings denominated in US\$ or HK\$ totalling approximately RMB19,483 million. Any depreciation of Renminbi would adversely affect the value of any dividends to be paid by the Group to shareholders of the Company (the "Shareholders") outside the PRC. The Group currently does not engage in hedging activities designed or used to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this announcement, the Group did not hold any significant investments and did not conduct any material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group had not authorised any plans for any other material investments or additions of capital assets as at 30 June 2021.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2021, the Group employed a total of 12,340 full-time employees (as at 31 December 2020: 11,517 employees). The total staff costs of the Group incurred was approximately RMB1,462 million for the six months ended 30 June 2021. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the pay level in the industry. In relation to staff training, the Group also provides different types of training programs for its staff to improve their skills and develop their respective expertise.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$18 cents per ordinary share for the six months ended 30 June 2021 (the “**Interim Dividend**”) (for the six months ended 30 June 2020: HK\$12 cents), representing an increase of approximately 50.0% over the corresponding period in 2020.

The Interim Dividend will be paid on or around Wednesday, 22 December 2021 to the Shareholders whose names appear on the register of members of the Company on Monday, 13 December 2021.

Closure of Register of Members

For the purpose of ascertaining Shareholders’ entitlement to the Interim Dividend, the register of members of the Company will be closed from Wednesday, 8 December 2021 to Monday, 13 December 2021, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be qualified for the Interim Dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 7 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) as the code for dealing in securities of the Company by the Directors. Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. Specific enquiry has been made by the Company to all the Directors who have confirmed compliance with the required standard set out in the Model Code for the six months ended 30 June 2021. No incident of non-compliance was noted by the Company throughout the six months ended 30 June 2021.

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

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2021.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhance investors' confidence to the Company and the Company's accountability. The Company therefore strives to attain and maintain effective corporate governance practices and procedures.

The Directors are of the view that the Company had complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2021. Further information about the corporate governance practices of the Company will be set out in the interim report of the Company for the six months ended 30 June 2021.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”), which comprises three independent non-executive Directors pursuant to the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2021 and it considered that such results have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

EVENTS AFTER THE REPORTING PERIOD

On 9 July 2021, the Company as the borrower, The Bank of East Asia, Limited, Macau Branch and Luso International Banking Limited (“**Luso Bank**”) as the mandated lead arranger and coordinator, the financial institutions set out therein, as the original lenders and Luso Bank as the agent, and other parties thereto, entered into a facility agreement (the “**July 2021 Facility Agreement**”) in relation to a 42-month term dual currency triple tranche loan facility in an amount of up to US\$200,000,000 equivalent (which includes incremental facilities) (the “**July 2021 Term Loan Facility**”). Pursuant to the July 2021 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 9 July 2021 for further details of the July 2021 Term Loan Facility.

On 26 July 2021, the Company completed the issuance of senior notes in an aggregate principal amount of US\$200 million at 99.662% of the principal amount that are listed on the SGX-ST, with a nominal interest rate of 4.00% per annum, which will mature on 25 July 2022. Please refer to the announcement of the Company dated 28 July 2021 for further details.

On 9 August 2021, the Company as the borrower, Bank of China (Hong Kong) Limited, Bank of Communications (Hong Kong) Limited, The Bank of East Asia Limited and The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) as the mandated lead arranger and coordinator, the financial institutions set out therein as the original lenders and HSBC as the agent, and other parties thereto, entered into a facility agreement (the “**August 2021 Facility Agreement**”) in relation to a 42-month term dual currency dual tranche loan facility in an amount of up to US\$210 million equivalent (which includes incremental facilities) (the “**August 2021 Term Loan Facility**”). Pursuant to the August 2021 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 9 August 2021 for further details of the August 2021 Term Loan Facility.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors, throughout the six months ended 30 June 2021 and up to the date of this announcement, the Company has maintained a sufficient public float of more than 25% of the total number of issued shares of the Company as required under the Listing Rules.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim report of the Company for the six months ended 30 June 2021 is to be despatched to the Shareholders and made available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.powerlong.com in due course.

By Order of the Board
Powerlong Real Estate Holdings Limited
Hoi Kin Hong
Chairman

Hong Kong, 18 August 2021

As at the date of this announcement, the executive Directors are Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni Cecilia and Mr. Zhang Hong Feng; the non-executive Director is Ms. Hoi Wa Fan; and the independent non-executive Directors are Dr. Ngai Wai Fung, Dr. Mei Jian Ping and Dr. Ding Zu Yu.