



GUANGZHOU R&F PROPERTIES CO., LTD.

Stock code: 2777



INTERIM REPORT
2021

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CORPORATE INFORMATION

Executive Directors	Li Sze Lim Zhang Li Zhang Hui Xiang Lijun
Non-executive Directors	Zhang Lin Li Helen
Independent Non-executive Directors	Zheng Ercheng Ng Yau Wah Daniel Wong Chun Bong
Supervisors	Chen Liangnuan Liang Yingmei Zhao Xianglin
Authorized Representatives	Li Sze Lim Lee Michael
Company Secretary	Lee Michael
Registered Office in the PRC	45-54/F., R&F Center, No. 10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC
Principal Place of Business in the PRC	45-54/F., R&F Center, No. 10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC
Principal Place of Business in Hong Kong	Room 6303, The Center, No. 99 Queen's Road Central, Hong Kong
Auditor	PricewaterhouseCoopers 22/F., Prince's Building, Central, Hong Kong
Legal Advisor as to Hong Kong Law	Sidley Austin 39/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Hong Kong H Share Registrar	Computershare Hong Kong Investor Services Limited 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Website	www.rfchina.com

RESULTS AND DIVIDEND

For the six months ended 30 June 2021, the Group's total revenue increased by 18% to RMB39.49 billion and net profit decreased to RMB3.18 billion over the corresponding period last year.

During the period, revenue from the Group's main business of property development increased by 17% to RMB35.95 billion and net profit decreased by 15% to RMB2.96 billion. The increase in revenue was mainly due to an increase in the delivery of area sold to 4.10 million sq.m., representing an increase of 22% over the corresponding period last year. Recurring revenue from property investments and hotel segment recorded a growth of 63% during the period to RMB3.03 billion. Profitability from property investments continues to provide an important contribution to the Group with net profit (excluding revaluation) of RMB540 million. The Board have resolved to declare an interim dividend of RMB0.10 per share.

BUSINESS REVIEW

In reviewing the performance of the Group in first half of 2021, we reflect on various milestones and inroads achieved under continual challenging operating environments facing the macroeconomic environment and sector since last financial year. In addition, certain companies encountering financial difficulties added to operating uncertainty. However, the Group successfully navigated potential financial pressure at the end of 2020 with sights on further improving the credit profile in 2021. Heading into 2021, the Group stayed consistent in terms of strategic direction, despite having recently addressed a large proportion of short-term indebtedness and volatility in operating environment. Strategically, the Group will continue to remain prudent in land acquisition, accelerate the pace of contract sales, and apply available funds to further reduce overall debt burden such that it can weather any further volatile markets. During the first half of 2021, the Group has made significant progress in overall debt reduction and managing liquidity, which it expects to accelerate further for the remainder of the year.

As the global COVID-19 epidemic backdrop continues to impede economic recovery, China's domestic economic growth targets continue to remain intact. Globally, countries are moving to the next stage of the epidemic fight, the proactive epidemic precautionary measures allow local businesses to return to a new normal whilst waiting for economy to recover, allowing businesses to shift focus to a recovery stage that should bolster economic activity in various sectors.

CHAIRMAN'S MESSAGE

Regarding the Group's operating performance in the first half, contracted sales for the first half reached RMB65.08 billion with GFA of approximately 4.852 million sq.m.. Contracted sales increased by 18% and 6%, respectively, in terms of value and GFA. The increase in value was due to a higher volume of GFA sold and higher average selling price (ASP) achieved when compared to the same period in 2020. A higher ASP in 2021 of RMB13,400 per sq.m. was primarily related to a higher proportion of properties sold in tier-1 and tier-2 cities. The higher proportion of sales in tier-1 and tier-2 cities included Guangzhou, Hainan, Xi'an and Beijing. Economic growth and demand-supply dynamics are expected to favour higher tier cities where demographics, affluency and growth continue to remain strong. Therefore, in recent years, the Group has concentrated land investments and land banking in higher tier cities and the Greater Bay Area (GBA) whereby upside potential is higher. GBA will continue to be a key regional focus for the Group in terms of property development and land banking geographically.

Despite moderate and prudent land banking strategy, the Group has a sizeable land bank for current and future development. As at first half of 2021, the Group has total land bank of approximately 55.52 million sq.m. of saleable area. The Group has gradually shifted the land bank focus to tier-1 and tier-2 cities that now accounts for 53% of total land bank. The higher tier city focus has resulted in overall contracted ASPs increasing as they are generally higher than those in lower tier cities. As overall ASPs increase, contracted sales values can be achieved in the event there are fluctuations in sales volume across various cities, particularly in lower tier cities where market conditions can have varying effects on transaction volumes. As the Group increases the quality of land bank, we remain conscious to keep the average land bank cost to a reasonably low level to achieve potentially higher gross margins. Average land bank costs for the Group's land bank is approximately RMB2,700 per sq.m.. Whilst land banking is not necessarily a key focus at this moment, any potential land banking will focus on urban renewal projects whereby certain rights have been secured for development to be converted as the Group's land bank. The Group will continue to convert more urban renewal projects and targets to convert land bank of approximately 8 million sq.m. of saleable GFA in the near-term.

China continues to undergo adjustments in policies that affect the property sector and there is increasing oversight to ensure the stable and healthy development of the property sector, but policy fluctuation will affect the overall liquidity management to a certain extent. In addition to industry regulations, overall credit markets in the first half have been quite volatile, making it more uncertain as to available sources of financing. However, the Group still managed to make significant improvements in credit profile during this period. In the first half, the Group reduced total borrowings by RMB16.4 billion, and secured RMB25.7 billion of financing to refinance existing indebtedness and enhance available liquidity. The capital raising achieved allowed the Group to address short-term maturities and demonstrates our ability to manage liquidity during tight credit environments. The Group expects challenges in financing markets persist, hence, the Group will continue striving to maintain and explore financing channels to further improve the future credit profile.

As highlighted, uncertainty in operating conditions heightened market risk by developers to focus on managing cash flow. In the first half of 2021, land banking remained low to conserve available liquidity with expenditure comprising only 4% of contracted sales. The Group managed to increase overall revenue in the first half to RMB39.49 billion, or 18%, due to increase in GFA delivered. However, despite an increase in revenue, gross profit and net profit decreased for the Group to RMB8.57 billion and RMB3.18 billion, respectively, as the GFA recognised, product mix, and higher financing costs during the period had affected the profit performance. The Group's profitability in the first half is also somewhat affected by a disproportional revenue recognition between first half and full year, resulting in a lower proportion of revenue booked during the period. As contribution from GFA delivery increases towards the end of the year, the Group would expect an improvement in overall profitability and margins relative to the first half.

GOING FORWARD

In the second half, the Group's focus will continue to be managing liquidity and further improving overall credit profile as volatility in operating conditions and uncertainty in capital markets are expected to persist. Delivering on higher contracted sales and potential asset sales will be important to achieving a deleveraging target for 2021. With an estimated over RMB270 billion of saleable resources and nationwide launch pipeline, management continues to implement on a sales plan outlined at the beginning of the year whilst continually adjusting for changes in operating conditions, potential further policy changes, and unexpected volatilities. During the last 12-months, the Group continues to balance liquidity with pace of sales whilst assessing the impact to margins based on ASP and product mix. Whilst maintaining liquidity remains the utmost importance, the Group believes the land bank and saleable resources are of a sufficiently high quality to allow the Group to achieve potential for higher profitability under more stable market environments.

ACKNOWLEDGEMENTS

The Group's management and dedication during these challenging times have been nothing short of exceptional. Our strong senior management team have worked closely with me to resolve issues and deliver on longer term targets whilst making sacrifices personally and mentally during a global pandemic. I am grateful to our shareholders who have shown patience as we navigate the Group through unprecedented obstacles with shorter and shorter recovery cycles that require a long-term strategy whilst adopting a nimble approach to achieving internal objectives. I would like to thank our senior management, entire staff, shareholders, and business partners for their unwavering support such that we were able to continue to move forward over the past 6-months and persevere for the remainder of 2021. By working together and heading in the same direction, I have no doubt that anything can be achieved with a successful outcome.

Li Sze Lim

Chairman

Hong Kong, 24 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

PROPERTY DEVELOPMENT

After over twenty years of rapid development, the Group's businesses cover over 140 cities and regions. As at 30 June 2021, the Group's total land bank for GFA was approximately 69,173,000 sq.m. and for saleable area was approximately 55,520,000 sq.m.. During the period, the Group recorded cumulative total contracted sales RMB65.08 billion. Completion saleable area was 1,848,000 sq.m., representing approximately 20% of the Group's full year completion target, and maintaining a sufficient project pipeline.

Completion of Properties

Completion in the period of 1,848,000 sq.m. saleable area represented approximately 20% of the Group's expected completion for 2021 of 9,377,000 sq.m. in saleable area. Expected completion in the second half of 2021 is approximately 7,529,000 sq.m. as shown in the following table:

Location	Completed in 1st half of 2021		To be completed in 2nd half of 2021		2021 Full Year Estimate	
	Approximate		Approximate		Approximate	
	Approximate GFA (sq.m.)	saleable area (sq.m.)	Approximate GFA (sq.m.)	saleable area (sq.m.)	Approximate GFA (sq.m.)	saleable area (sq.m.)
Northern China	523,000	433,000	1,654,000	1,459,000	2,177,000	1,892,000
Eastern China	388,000	288,000	1,134,000	784,000	1,522,000	1,072,000
Northwestern China	588,000	508,000	1,617,000	1,471,000	2,205,000	1,979,000
Southern China	154,000	71,000	1,154,000	763,000	1,308,000	834,000
Southwestern China	241,000	229,000	825,000	604,000	1,066,000	833,000
Central Southern China	288,000	209,000	454,000	388,000	742,000	597,000
Hainan	29,000	28,000	291,000	266,000	320,000	294,000
Overseas	8,000	–	589,000	468,000	597,000	468,000
JV (Attributable)	165,000	69,000	661,000	503,000	826,000	572,000
Sub-total	2,384,000	1,835,000	8,379,000	6,706,000	10,763,000	8,541,000
Investment Properties	13,000	13,000	823,000	823,000	836,000	836,000
Total	2,397,000	1,848,000	9,202,000	7,529,000	11,599,000	9,377,000

Contracted Sales

The Group's total contracted sales in the first half of 2021 were RMB65.08 billion with 4,852,000 sq.m. sold. It represents a year-on-year increase of 18% and 6% respectively. And the average selling price was approximately RMB13,400 per sq.m.. The contracted sales were generated from 195 projects in 112 cities of 27 provinces (including municipalities and autonomous regions) and 4 overseas countries. On a province basis, contracted sales of Guangdong, Zhejiang, Hainan, Shanxi, Shaanxi, Beijing, Jiangsu, Tianjin, Chongqing and Jiangxi were the highest top 10, which contributed approximately RMB46.74 billion, accounting for 72% of total contracted sales of the Group. In terms of city, contracted sales of tier-1 and tier-2 cities accounted for 66% of total contracted sales. Tier-3 and below cities contributed 32% of total contracted sales and overseas contributed 2%. On the type of property basis, 71% of contracted sales were generated from high-rise residential properties, 6% from villa and 23% from commercial properties and others, including office, apartment and retail, etc.

Region	Area	Approximate total value (RMB million)	+/- vs. 1st half of 2020 (%)	Approximate total saleable area sold (Thousand sq.m.)	+/- vs. 1st half of 2020 (%)
Northern China	Beijing	3,502.4	65%	143.1	102%
	Tianjin	3,442.4	82%	252.4	71%
	Shandong	2,473.0	64%	259.9	65%
	Liaoning	1,812.2	-24%	212.8	-24%
	Hebei	1,803.6	-23%	183.4	-13%
	Henan	1,481.9	13%	86.1	-26%
	Heilongjiang	431.5	-58%	25.7	-60%
Northwestern China	Shanxi	4,700.8	60%	470.4	63%
	Shaanxi	4,621.9	17%	336.9	19%
	Inner Mongolia	1,721.8	-34%	192.7	-43%
	Xinjiang	591.8	136%	55.5	137%
	Gansu	590.9	N/A	36.7	N/A
Southern China	Guangdong	10,974.9	212%	554.1	46%
	Guangxi	255.4	-20%	40.7	-25%
Eastern China	Zhejiang	5,416.4	-36%	315.8	-34%
	Jiangsu	3,475.9	-13%	194.7	-32%
	Anhui	1,778.5	72%	216.9	79%
	Shanghai	459.3	-65%	9.3	-60%
Hainan	Hainan	5,033.2	-10%	229.1	-40%
Central Southern China	Jiangxi	2,475.8	74%	228.5	69%
	Fujian	909.1	10%	86.9	14%
	Hunan	790.1	74%	95.7	109%
	Hubei	467.4	232%	56.0	378%
	Chongqing	3,091.6	-9%	331.9	-20%
Southwestern China	Sichuan	602.8	37%	72.7	14%
	Guizhou	486.0	74%	62.8	98%
	Yunnan	211.7	-22%	17.4	-11%
	Overseas	Australia	509.0	173%	41.7
	United Kingdom	458.7	37%	3.6	64%
	Malaysia	265.2	-50%	15.3	-42%
	Cambodia	240.5	-13%	23.0	28%
Total		65,075.7	18%	4,851.7	6%

MANAGEMENT DISCUSSION AND ANALYSIS

Region	Approximate total value (RMB million)	+/- vs. 1st half of 2020 (%)	Approximate total saleable area sold (Thousand sq.m.)	+/- vs. 1st half of 2020 (%)
Northern China	14,947.0	19%	1,163.4	11%
Northwestern China	12,227.2	25%	1,092.2	17%
Southern China	11,230.3	192%	594.8	37%
Eastern China	11,130.1	-25%	736.7	-19%
Hainan	5,033.2	-10%	229.1	-40%
Central Southern China	4,642.4	63%	467.1	74%
Southwestern China	4,392.1	–	484.8	-9%
Overseas	1,473.4	11%	83.6	35%
Total	65,075.7	18%	4,851.7	6%

Projects Under Development

Projects under development amounted to approximately 30,882,000 sq.m. attributable GFA as at 30 June 2021, details of which are set out below:

Area	Approximate attributable GFA (sq.m)	Approximate attributable saleable area (sq.m)
Northern China	6,528,000	4,716,000
Eastern China	3,864,000	2,558,000
Northwestern China	7,168,000	5,007,000
Southern China	6,074,000	4,566,000
Southwestern China	1,729,000	1,315,000
Central Southern China	2,181,000	1,509,000
Hainan	1,164,000	855,000
Overseas	1,239,000	779,000
Sub-total	29,947,000	21,305,000
Investment Properties	935,000	802,000
Total	30,882,000	22,107,000

PROPERTY INVESTMENT

The Group's investment properties portfolio mainly located in tier-1 and tier-2 cities, including Grade-A office buildings, shopping malls, various retail properties and etc.. As of 30 June 2021, the total GFA of investment properties under operation is approximately 1,885,000 sq.m., under development or planning is approximately 2,524,000 sq.m..

HOTEL OPERATION

The Group currently has 91 hotels under operation, total GFA 3,992,100 sq.m. with 27,409 hotel rooms. The 91 hotels are managed by well-known hotel management groups such as Marriott International, Inc., InterContinental Hotels Group, Hilton Worldwide Holdings Inc., Hyatt Hotels Corporation, Accor Hotels, Wanda Hotels and Resorts Co., Ltd. and other hotel groups. And the Group became the largest deluxe hotel owner globally with a total of 135 hotels of which approximately 44 hotels are under development and under planning.

LAND BANK

During the period, the Group acquired 4 plots of land in 3 cities and regions, with total saleable area and attributable saleable area of approximately 763,000 sq.m. and 555,000 sq.m. respectively. The attributable land cost was RMB2.0 billion, with average land cost of approximately RMB3,500 per sq.m..

As at 30 June 2021, the Group's total land bank was 69,173,000 sq.m. and 55,520,000 sq.m. in GFA and saleable area, distributed across 98 cities and regions. Details as below:

Location	Approximate Total GFA (sq.m.)	Approximate Total saleable area (sq.m.)
Development Properties		
Northern China	16,447,000	13,264,000
Eastern China	6,560,000	5,158,000
Northwestern China	13,869,000	10,927,000
Southern China	7,604,000	6,427,000
Southwestern China	5,222,000	4,369,000
Central Southern China	7,108,000	6,184,000
Hainan	3,062,000	2,734,000
Overseas	6,402,000	3,933,000
Sub-total	66,274,000	52,996,000
Investment Properties	2,899,000	2,524,000
Total	69,173,000	55,520,000

FINANCIAL REVIEW

The Group's net profit for the six months ended 30 June 2021 decreased to RMB3.181 billion, from RMB3.917 billion for the corresponding period last year. Revenue from the Group's core business of property development accounted for 91% of the Group's total revenue and amounted to RMB35.946 billion. Compared to the previous period, net profit from property development decreased by 15%, based on a delivery of 4,098,000 sq.m. in terms of saleable area in the period. Profit from property investment, not including any fair value gains from investment properties and revaluation gains on investment properties transferred from completed properties held for sale, was RMB540 million. Fair value gains and revaluation gains in the period amounted to RMB735 million. Revenue from hotel operations increased to RMB2.500 billion from RMB1.396 billion, with the stabilisation of the COVID-19 epidemic, the hotel operation of the Group had continued to improve in the first half of 2021.

The following comments on the components of the income statement, with the exception of #7 (on finance costs) and #9 (on net profit), relate only to property development:

1. Revenue increased by 17% to RMB35.946 billion, from RMB30.831 billion in the same period in 2020. The amount of saleable area sold increased by 22% to 4,098,000 sq.m. from 3,350,000 sq.m. in previous period and the properties are located in 97 cities. The overall average selling price decreased by 4%, from RMB9,200 per sq.m. to RMB8,800 per sq.m.. This decrease in overall average selling price was due to marketing strategies of lowering prices to promote sales and sell inventory. In addition, the properties delivered in the first half of 2021 was largely concentrated in tier-2 and tier-3 cities. The average selling price was relatively lower in those cities. Based on revenue distribution by cities in the period, Hainan has the highest revenue of all cities where the Group operates. It accounted for 12% of total revenue. In terms of amount, revenue in Hainan amounted to RMB4.282 billion and was mainly derived from R&F Top in Hainan. Taiyuan's revenue ranked second with revenue amounted to RMB4.152 billion in the period, equivalent to 12% in total. R&F Golden Jubilee City in Taiyuan was the top one sales project in the period, which had revenue of RMB2.554 billion or 7% of total revenue. Chongqing ranked third with revenue amounted to RMB1.935 billion. These top three cities ranked by revenue in the period, Hainan, Taiyuan and Chongqing, together accounted for 29% of total revenue as compared to 22% from the top three cities (Taiyuan, Chongqing and Ningbo) in the previous period. The remaining 71% of revenue for this period was contributed by the other 94 cities in which the Group operated, the more significant of which were Beijing, Hangzhou, Jiaxing, Tianjin, Harbin, Baotou, Putian and Ningbo contributed more than RMB1 billion each.

The following is the summary of revenue by city:

City	Amount of turnover (in RMB million)	Saleable area sold (sq.m.)	Average Selling Price (RMB/sq.m.)
Hainan	4,282	292,900	14,620
Taiyuan	4,152	432,700	9,590
Chongqing	1,935	319,800	6,050
Beijing	1,922	98,100	19,590
Hangzhou	1,695	79,700	21,270
Jiaxing	1,588	123,500	12,860
Tianjin	1,266	127,000	9,970
Harbin	1,200	115,800	10,360

City	Amount of turnover (in RMB million)	Saleable area sold (sq.m.)	Average Selling Price (RMB/sq.m.)
Baotou	1,165	217,800	5,350
Putian	1,031	162,800	6,330
Ningbo	1,012	88,400	11,450
Huzhou	695	83,500	8,320
Australia	690	19,600	35,230
Shenyang	684	120,400	5,680
Guangzhou	662	30,600	21,620
Malaysia	581	43,000	13,500
Huizhou	567	68,900	8,220
Luan	561	87,900	6,380
Wenzhou	546	44,200	12,350
Zibo	509	42,300	12,030
Zouping	504	58,400	8,630
Weihai	468	63,800	7,340
Shanghai	398	26,500	15,000
Wuxi	388	44,300	8,760
Xi'an	302	45,200	6,670
Jiangmen	287	38,700	7,400
Weinan	278	57,500	4,830
Jiande	260	35,900	7,250
Xiamen	257	11,800	21,800
Tangshan	249	51,500	4,830
Cambodia	238	24,900	9,550
Zhenjiang	221	16,200	13,660
Handan	211	65,600	3,220
Heze	209	39,500	5,280
Meixian	206	52,800	3,890
Shangrao	206	27,200	7,570
Chuzhou	192	33,300	5,770
Tieling	169	35,400	4,760
Xiangtan	166	32,900	5,030
Dalian	162	29,200	5,560
Chengdu	159	22,600	7,030
Guiyang	157	23,400	6,690
Huaibei	157	21,200	7,420
Yueqing	150	10,100	14,770
Changzhi	148	38,100	3,890
Datong	146	23,900	6,090
Urumqi	143	14,500	9,860
Zhuhai	140	12,100	11,610
Qingyuan	133	24,900	5,340
Meishan	131	28,800	4,570

City	Amount of turnover (in RMB million)	Saleable area sold (sq.m.)	Average Selling Price (RMB/sq.m.)
Nanchang	129	13,300	9,700
Baoji	126	25,000	5,020
Anshan	123	24,900	4,950
Qingdao	118	15,400	7,660
Jiujiang	118	18,600	6,360
Yangjiang	117	19,800	5,890
Other	1,637	371,900	4,420
Total	35,946	4,098,000	8,800

- Cost of goods sold consists of land and construction costs, capitalised finance costs and levy. In the period, land and construction costs made up 91% of the Group's total costs. In terms of costs per sq.m., land and construction costs increased to RMB6,190 from RMB5,560 in the previous period. If only the top 10 sales projects, accounted for 42% of the total revenue in the period, were taken into consideration, the average unit cost was RMB6,900 per sq.m., increased by 38% as compared to the top 10 sales projects in the corresponding period last year accounted for 38% of the total revenue (1H2020: RMB5,000 per sq.m.). Capitalised interest included in the period's cost of goods sold amounted to RMB2.282 billion, representing approximately 8% of total costs. As a percentage of revenue from sale of properties, capitalised interest was 6%. The cost of goods sold also included RMB236 million in levy, making up 1% of costs.
- Overall gross margin for the period was 22.3%, as compared to 33.5% in the same period in 2020. The decrease was due to the adjustments made on average selling price to accelerate the pace of sales which subsequently affected the Group's gross profit margin. The top five cities ranked by revenue in the period, Hainan, Taiyuan, Chongqing, Beijing and Hangzhou, accounted for 39% of total revenue. The gross margins of those cities were 35%, 21%, 40%, 51% and 23% respectively.
- Other income and other gains – net were mainly the result of interest income.
- Selling and administrative expenses for the period increased by 5% or RMB157 million, to RMB3.204 billion. This increase was due to the number of sales projects further increased in the period. Selling and administrative expenses as a percentage of revenue decreased to 8.9% from 9.9%.
- The share of result of associates was mainly derived from the Group's 35% interests in Zhengzhou Wulong New Town and R&F Jianye Shangyue Court projects. The share of results of joint ventures were mainly from 33.34% interests in Guangzhou Liedecun project, 25% interests in Tianjin Jinnan New Town project, 50% interests in Huzhou R&F Greenland West Lake Mansion Project and 65% interests in Guangzhou R&F New City Project. These six projects mentioned had a combined turnover of RMB4.532 billion.
- Finance costs being interest expenses incurred after deduction of amounts capitalised to development costs, decreased by 53% to RMB1.595 billion for the period (1H 2020: RMB3.392 billion), mainly coming from an exchange gain of RMB540 million due to the appreciation of exchange rate of RMB to US dollars. The total interest incurred in the period decreased by 9% to RMB6.461 billion was due to a decrease of average borrowings outstanding to RMB153.6 billion from RMB206.6 billion in the previous corresponding period. Together with RMB2.283 billion charged to cost of goods sold related to capitalised interest, the total finance costs incurred during the period amounted to RMB3.878 billion.

8. Land appreciation tax (LAT) of RMB880 million (1H 2020: RMB1.374 billion) and enterprise income tax of RMB983 million (1H 2020: RMB1.181 billion) brought the Group's total income tax expenses for the period to RMB1.863 billion. As a percentage of revenue, LAT decreased to 2.5% from 4.5% for the same period in 2020.
9. Overall, the Group's net profit margin for the period was stabled at 8.1% (1H 2020: 11.7%).

Financial resources and liquidity

At 30 June 2021, total cash including amounts restricted for specified usage was RMB28.80 billion (31 December 2020: RMB39.95 billion). With total borrowings at the end of the period amounted to RMB143.35 billion (31 December 2020: RMB159.73 billion), net debt decreased to RMB114.55 billion from RMB119.78 billion at 31 December 2020. Net debt to total equity ratio decreased to 123% as at 30 June 2021 from 130% as at 31 December 2020.

During the six months ended 30 June 2021, new bank borrowings of RMB5.839 billion have been procured at interest rate ranging from 1.42% to 7.4% while bank borrowings repaid amounted to RMB17.34 billion. The effective interest rate of the total bank borrowings portfolio at 30 June 2021 was 5.95% (31 December 2020: 5.75%). Other than RMB 10.87 billion domestic corporate bonds with interest rates from 5.6% to 7%, RMB3.37 billion domestic non-public bonds ranging from 6.30% to 7.40% and offshore USD5.11 billion senior notes ranging from 5.75% to 12.375%, most of the borrowings were in RMB and at floating interest rate bench marked to rates published by the People's Bank of China. The Group considered the RMB interest rate environment relatively stable and with the Group's borrowings substantially in RMB that matched income and assets predominantly in RMB, the Group did not consider it necessary to hedge either its interest rate or currency exposure.

Charge on assets

As at 30 June 2021, assets with total carrying values of RMB122.3 billion and the Group's shares of certain subsidiaries were pledged to secure bank loans and other borrowings amounted to RMB86.93 billion (31 December 2020: RMB96.34 billion).

Contingent liabilities

The Group provided guarantees in respect of bank mortgage loans taken out by purchasers of the Group's sale properties and joint liability counter-guarantees for certain borrowings granted to the Group's joint ventures and associates for project development purpose. For guarantees provided in respect of residential properties, the guarantees are released upon the issuance of real estate ownership certificate of the properties concerned. As at 30 June 2021, such guarantees totalled RMB109.2 billion, increased by 7% from RMB102.1 billion as at 31 December 2020.

Employee and Remuneration Policies

As of 30 June 2021, the Group had approximately 35,832 employees. The total staff costs incurred were approximately RMB1.65 billion during the six months ended 30 June 2021. The Group provides competitive remuneration and employees are rewarded on a performance basis within the general framework of the Group's salary and bonus system. Job related training is also provided from time to time.

OTHER INFORMATION

INTERIM DIVIDEND PAYMENT AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend for the six months ended 30 June 2021 (the “Interim Dividend”) of RMB0.10 per share to shareholders whose names appear on the register of members of the Company as at the close of business on 17 September 2021. The Interim Dividend will be paid on 15 November 2021.

The H share register of members of the Company will be closed from 13 September 2021 (Monday) to 17 September 2021 (Friday) (both dates inclusive), during which period no transfer of H shares will be registered. In order to establish entitlements to the Interim Dividend, all the share transfer documents must be lodged with the Company’s H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 10 September 2021 (Friday).

According to the articles of association of the Company, dividends payable to shareholders shall be calculated and declared in RMB. Dividends payable to holders of the Company’s H shares shall be in Hong Kong Dollar. The exchange rate to be adopted shall be the average closing rate of the one-week period preceding the date of declaration of dividend as announced by the People’s Bank of China. The Interim Dividend is also subject to PRC withholding tax.

The average of the closing exchange rates for RMB to Hong Kong Dollar as announced by the People’s Bank of China for the one-week period prior to 24 August 2021, the date on which the Interim Dividend was declared, was RMB0.833098 to HK\$1.00. Accordingly, the amount of Interim Dividend payable per H share is HK\$0.120033.

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and its implementation regulations (the “EIT Law”), the tax rate of the enterprise income tax applicable to the income of a non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the dividend to those non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the Company’s H share register should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (關於國稅發(1993)045號文件廢止後有關個人所得稅徵管問題的通知) (the “Notice”) issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general.

However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% individual income tax will be withheld from the dividend payable to any individual shareholders of H shares whose names appear on the H share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice.

PROFIT DISTRIBUTION TO INVESTORS OF SOUTHBOUND TRADING

For investors of the Shanghai Stock Exchange and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on the Hong Kong Stock Exchange (the “Southbound Trading”), the Company has entered into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading (港股通 H 股股票現金紅利派發協議) with the Shanghai Branch and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (“China Securities”), pursuant to which, China Securities, as the nominee of the holders of H shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Southbound Trading through its depository and clearing system. The cash dividends for the investors of H shares of Southbound Trading will be paid in RMB. Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (關於深港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2016] No. 127), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through the Southbound Trading, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through the Southbound Trading, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

All investors are requested to read this part carefully. Shareholders are recommended to consult their taxation advisors regarding their holding and disposing of H shares of the Company for the PRC, Hong Kong and other tax effects involved.

The Company has appointed Bank of China (Hong Kong) Trustee Limited as the receiving agent in Hong Kong and will pay to the receiving agent the Interim Dividend for payment to holders of H shares on 15 November 2021. Cheques will be dispatched to holders of H shares by ordinary post at their own risk.

REVIEW OF INTERIM RESULTS

The audit committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2021. The Company’s auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

SHARE CAPITAL

The shareholding structure of the Company as at 30 June 2021 was as follows:

Class of shares	No. of shares	Percentage
H shares	3,752,367,344	100.00%
Total	3,752,367,344	100.00%

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the beneficial interests and short positions of the directors, chief executive and supervisors of the Company in the shares, underlying shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), which are required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under section 352 of Part XV of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company as at 30 June 2021 were as follows:

Director/ Supervisor	Class of shares	Number of shares			Total number of shares held at the end of the period	Approximate percentage of interests in the total share capital ^{Note}
		Personal	Spouse or child under 18	Corporate interest		
Li Sze Lim	H share	1,066,092,672	5,000,000	16,000,000	1,087,092,672	28.97%
Zhang Li	H share	1,011,725,472	20,000,000		1,031,725,472	27.50%
Zhang Hui	H share	1,894,800			1,894,800	0.05%
Xiang Lijun	H share	1,800,000			1,800,000	0.05%
Li Helen	H share	1,003,600			1,003,600	0.03%
Ng Yau Wah, Daniel	H share	588,000			588,000	0.02%
Chen Liangnuan	H share	20,000,000			20,000,000	0.53%

Note:

The Company's total number of issued shares as at 30 June 2021 was 3,752,367,344 H shares.

(b) Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO):

Director	Name of associated corporation	Type	No. of shares	Percentage of total issued capital
Li Sze Lim	Guangzhou Tianfu Property Development Co., Ltd. ("Tianfu") ^(Note 1)	Corporate	N/A	7.50%
	Beijing Fushengli Investment Consulting Co., Ltd. ("Fushengli") ^(Note 2)	Corporate	N/A	34.64%
	Easy Tactic Limited ("Easy Tactic") ^(Note 3)	Corporate	N/A	N/A
Zhang Li	Tianfu ^(Note 1)	Corporate	N/A	7.50%
	Fushengli ^(Note 2)	Corporate	N/A	34.64%
Li Helen	Easy Tactic ^(Note 4)	Corporate	N/A	N/A

Notes:

- Tianfu is 15% and 85% owned by Century Land Properties Limited and the Company respectively. Century Land Properties Limited is beneficially owned by Dr. Li Sze Lim and Mr. Zhang Li at 50% each.
- Fushengli is 70% and 30% owned by Well Bright International Limited and Guangzhou Tianli Construction Co., Ltd. respectively. Guangzhou Tianli Construction Co., Ltd. is a subsidiary of the Company. Well Bright International Limited is 51% and 49% owned by Guangdong South China Environmental Protection Investment Co., Ltd. and Sparks Real Estate Holdings Limited respectively. Each of Dr. Li Sze Lim and Mr. Zhang Li owns 49% of Guangdong South China Environmental Protection Investment Co., Ltd.. Sparks Real Estate Holdings Limited is beneficially owned by Dr. Li Sze Lim and Mr. Zhang Li at 50% each.
- Dr. Li Sze Lim (a) through his spouse, has an interest in (i) US\$14,000,000 of the US\$375 million 8.625% senior notes due 2024 issued by Easy Tactic, a wholly-owned subsidiary of the Company; (ii) US\$10,000,000 of the US\$875 million 8.125% senior notes due 2023 issued by Easy Tactic; (iii) US\$49,500,000 of the US\$450 million 8.125% senior notes due 2024 issued by Easy Tactic; (iv) US\$50,000,000 of the US\$400 million 8.625% senior notes due 2024 issued by Easy Tactic; and (v) US\$5,000,000 of the US\$360 million 12.375% senior notes due 2022 issued by Easy Tactic; (b) through Fusion Capital Limited which is owned by him and his spouse at 50% each, has an interests in (i) US\$1,000,000 of the US\$300 million 9.125% senior notes due 2022 issued by Easy Tactic; and (ii) US\$1,000,000 of the US\$725 million 5.75% senior notes due 2022 issued by Easy Tactic; and (c) through Parkford Assets Management Limited which is 100% owned by him, has an interest in (i) US\$1,000,000 of the US\$300 million 9.125% senior notes due 2022 issued by Easy Tactic; and (ii) US\$2,500,000 of the US\$725 million 5.75% senior notes due 2022 issued by Easy Tactic.
- Ms. Li Helen, through Pleasant View Limited which is 100% owned by her, has an interest in (i) US\$500,000 of the US\$375 million 8.625% senior notes due 2024 issued by Easy Tactic; (ii) US\$1,000,000 of the US\$400 million 8.625% senior notes due 2024 issued by Easy Tactic; (iii) US\$500,000 of the US\$360 million 12.375% senior notes due 2022 issued by Easy Tactic; (iv) US\$1,000,000 of the US\$500 million 11.75% senior notes due 2023 issued by Easy Tactic; and (v) US\$500,000 of the US\$325 million 11.625% senior notes due 2024 issued by Easy Tactic.

Save as disclosed above, as at 30 June 2021, none of the directors, chief executive or supervisors of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2021, so far as the directors are aware, there are no persons (other than the directors, chief executive and supervisors of the Company) held 5% or more beneficial interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, as recorded in the register as required to be kept under section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

BOARD COMPOSITION AND PRACTICE

The Board consists of nine members, including four executive directors: Dr. Li Sze Lim, Chairman, Mr. Zhang Li, Co-chairman and chief executive officer, Mr. Zhang Hui and Mr. Xiang Lijun; two non-executive directors: Ms. Zhang Lin (the sister of Mr. Zhang Li) and Ms. Li Helen (the sister of Dr. Li Sze Lim); and three independent non-executive directors: Mr. Zheng Ercheng, Mr. Ng Yau Wah, Daniel and Mr. Wong Chun Bong. Save as disclosed, there is no business or other relationship among members of the Board, and in particular between the chairman and the chief executive officer of the Company. The structure, size and composition of the Board will be reviewed from time to time to ensure that the Board retains a mix of balanced skills and expertises to provide effective leadership of the Company according to the board diversity policy of the Company.

All directors have entered into a service contract with the Company for a specific term of three years. They are all subject to retirement from office by rotation and re-election at the general meeting once every three years in accordance with the Articles of Association.

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operations of the Group, including dividend policy and risk management strategies. It is also responsible for the adoption of internal business and management control as well as the monitoring of the effectiveness of its control measures.

All directors, including non-executive directors and independent non-executive directors, have devoted sufficient time and effort to serve the business affairs of the Company. All non-executive directors and independent non-executive directors possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional advice. Pursuant to the requirement of Rule 3.10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, the Company has three independent non-executive directors, one of whom has appropriate professional qualifications in accounting and financial management. The Company has received from each of the independent non-executive directors an annual confirmation of independence.

The notice of Board meeting will be given to all directors at least 14 days prior to the date of meeting. All directors are given opportunities to include any matters they would like to discuss in the agenda. The company secretary is responsible to the Board for ensuring that all board procedures are followed, and detailed minutes of the Board meetings are prepared, circulated and approved. The company secretary is also responsible for the Company's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, SFO and other applicable laws, rules and regulations.

The Company continuously updates all directors on the latest development regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

The positions of the chairman and the chief executive officer are held by separate individuals with the view to maintaining an effective segregation of duties.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS AND SUPERVISORS OF THE COMPANY

The Company has adopted the Model Code laid out in Appendix 10 to the Listing Rules as the code of conduct for directors and supervisors in any dealings in the Company's securities. The Company has made specific enquiries of each director and supervisor, each of whom has confirmed their compliance with the Model Code during the six months ended 30 June 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to enhancing its corporate governance practices and procedures. It complies strictly with the PRC Company Law and other applicable laws and regulations. In particular, it has observed the principles and code provisions set out under the Corporate Governance Code and Corporate Governance Report as stated in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

The audit committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is delegated by the Board to be responsible for reviewing the accounting policies and practices adopted by the Group as well as reviewing internal control, risk management and financial reporting matters of the Group. There were no disagreements from the audit committee or the external auditors on the accounting policies adopted by the Company.

The audit committee comprises Mr. Wong Chun Bong (chairman of the audit committee) and Mr. Zheng Ercheng who are independent non-executive directors of the Company and Ms. Li Helen who is a non-executive director of the Company. The audit committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2021. The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

OTHER INFORMATION

REMUNERATION COMMITTEE

The remuneration committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises Mr. Zheng Ercheng (chairman of the remuneration committee), Dr. Li Sze Lim, and Mr. Ng Yau Wah, Daniel. The principal responsibilities of the remuneration committee include the reviewing and making of recommendation to the Board on the Company's policies, structure and specific remuneration packages of directors and senior management of the Company.

NOMINATION COMMITTEE

The nomination committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises three directors: Dr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Zheng Ercheng and Mr. Wong Chun Bong. Dr. Li Sze Lim is the chairman of the committee.

The nomination committee is responsible for the formulation of nomination policy for the consideration of the Board and implementing the policy approved by the Board. Specific responsibilities include, among others, review the structure, size and composition of the Board according to the Board diversity policy, identify and nominate candidates to fill causal vacancies of directors and make recommendations to the Board in respect of succession planning.

SHAREHOLDERS RELATION

The Company has established different communication channels with its shareholders. Apart from general meetings, annual reports, interim reports, circulars and announcements as required under the Listing Rules, shareholders are encouraged to visit the website of the Company which is updated with the most recent key information of the Group. The Company also holds regular press conferences and briefing meetings with analysts.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	30 June 2021 Unaudited	31 December 2020 Audited
ASSETS			
Non-current assets			
Intangible assets	8	1,143,545	1,183,384
Investment properties	8	35,130,688	33,957,965
Property, plant and equipment	8	44,006,909	42,113,735
Right-of-use assets	8	10,654,818	10,846,583
Interests in joint ventures	9	11,274,830	11,617,336
Interests in associates	10	2,604,070	1,440,026
Deferred income tax assets		13,176,678	12,610,456
Financial assets at fair value through other comprehensive income	5	612,237	639,850
Other financial assets	11	3,217,970	–
		121,821,745	114,409,335
Current assets			
Properties under development		167,980,320	164,788,269
Completed properties held for sale		53,578,846	64,029,794
Inventories		1,227,151	1,141,518
Trade and other receivables and prepayments	12	45,253,727	46,315,461
Contract assets		1,543,740	1,621,299
Tax prepayments		4,344,839	3,600,167
Restricted cash	13	16,038,194	14,275,892
Cash and cash equivalents		12,763,909	25,672,822
		302,730,726	321,445,222
Assets classified as held for sale	10(a)	–	6,330,658
		302,730,726	327,775,880
Total assets		424,552,471	442,185,215

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	30 June 2021 Unaudited	31 December 2020 Audited
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	3,752,367	938,092
Other reserves		12,253,562	15,589,427
Retained earnings		74,156,850	72,970,684
		90,162,779	89,498,203
Non-controlling interests		2,611,463	2,507,140
Total equity		92,774,242	92,005,343
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	91,444,718	95,848,642
Lease liabilities		430,940	452,557
Deferred income tax liabilities		10,623,179	10,307,753
Other payables		–	1,343,481
		102,498,837	107,952,433
Current liabilities			
Accruals and other payables	16	99,199,886	106,533,115
Contract liabilities		54,998,363	48,002,504
Current income tax liabilities		20,761,369	21,167,911
Dividend payable		2,326,468	–
Short-term borrowings	15	13,628,022	10,919,529
Current portion of long-term borrowings	15	38,275,868	52,961,902
Lease liabilities		89,416	96,448
		229,279,392	239,681,409
Liabilities directly associated with assets classified as held for sale	10(a)	–	2,546,030
		229,279,392	242,227,439
Total liabilities		331,778,229	350,179,872
Total equity and liabilities		424,552,471	442,185,215

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2021 Unaudited	2020 Unaudited
Revenue	6	39,493,138	33,591,036
Cost of sales		(30,923,169)	(23,664,462)
Gross profit		8,569,969	9,926,574
Other income	17	491,354	383,230
Other gains – net	18	1,673,007	3,615,126
Selling and marketing costs		(1,482,064)	(1,226,510)
Administrative expenses		(2,727,187)	(2,596,655)
Reversal of/(allowance for) impairment losses on financial and contract assets		27,512	(21,085)
Gains on bargain purchase	7	508,209	–
Operating profit		7,060,800	10,080,680
Finance costs	19	(1,594,849)	(3,392,052)
Share of results of associates		35,728	(10,724)
Share of results of joint ventures		53,837	(49,394)
Profit before income tax		5,555,516	6,628,510
Income tax expenses	20	(2,374,495)	(2,711,522)
Profit for the period		3,181,021	3,916,988
Profit attributable to:			
– Owners of the Company		3,080,198	3,792,275
– Non-controlling interests		100,823	124,713
		3,181,021	3,916,988
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB Yuan per share)		0.8209	1.0849

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Profit for the period	3,181,021	3,916,988
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss</i>		
– Share of other comprehensive income/(loss) of joint ventures accounted for using the equity method	23,122	(136,663)
– Currency translation differences	(99,831)	48,078
<i>Items that will not be reclassified to profit or loss</i>		
– Change in fair value of financial assets at fair value through other comprehensive (loss)/income, net of tax	(12,445)	54,682
Other comprehensive loss for the period, net of tax	(89,154)	(33,903)
Total comprehensive income for the period	3,091,867	3,883,085
Total comprehensive income for the period attributable to:		
– Owners of the Company	2,991,044	3,758,372
– Non-controlling interests	100,823	124,713
	3,091,867	3,883,085

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited					
	Attributable to owners of the Company					
	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	938,092	15,589,427	72,970,684	89,498,203	2,507,140	92,005,343
Profit for the period	-	-	3,080,198	3,080,198	100,823	3,181,021
Other comprehensive income	-	(89,154)	-	(89,154)	-	(89,154)
Total comprehensive income for the period ended 30 June 2021	-	(89,154)	3,080,198	2,991,044	100,823	3,091,867
Transfer of revaluation gains previously recognised in other comprehensive income to retained earnings	-	(469,558)	469,558	-	-	-
Transactions with owners						
Capital contributions from non-controlling interests	-	-	-	-	3,500	3,500
Share premium transfer to share capital	2,814,275	(2,814,275)	-	-	-	-
Transfer to statutory reserves	-	37,122	(37,122)	-	-	-
Dividends	-	-	(2,326,468)	(2,326,468)	-	(2,326,468)
Total transactions with owners	2,814,275	(2,777,153)	(2,363,590)	(2,326,468)	3,500	(2,322,968)
Balance at 30 June 2021	3,752,367	12,253,562	74,156,850	90,162,779	2,611,463	92,774,242

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited						
	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total			
Balance at 1 January 2020	873,842	13,600,412	68,225,177	82,699,431	2,441,232	85,140,663	
Profit for the period	–	–	3,792,275	3,792,275	124,713	3,916,988	
Other comprehensive income	–	(33,903)	–	(33,903)	–	(33,903)	
Total comprehensive income for the period ended 30 June 2020	–	(33,903)	3,792,275	3,758,372	124,713	3,883,085	
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	(26,735)	26,735	–	–	–	
Transactions with owners							
Disposals of subsidiaries	–	–	–	–	(7,174)	(7,174)	
Changes in ownership interests in subsidiaries without change of control	–	(50,217)	–	(50,217)	(64,824)	(115,041)	
Transfer to statutory reserves	–	34,125	(34,125)	–	–	–	
Dividends	–	–	(3,006,015)	(3,006,015)	–	(3,006,015)	
Total transactions with owners	–	(16,092)	(3,040,140)	(3,056,232)	(71,998)	(3,128,230)	
Balance at 30 June 2020	873,842	13,523,682	69,004,047	83,401,571	2,493,947	85,895,518	

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(All amounts in RMB Yuan thousands unless otherwise stated)

	Six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Cash flows from operating activities		
– Cash generated from operations	18,249,641	8,951,901
– Interest paid	(6,529,754)	(7,328,969)
– Enterprise income tax and land appreciation tax paid	(3,786,787)	(4,554,458)
Net cash generated from/(used in) operating activities	7,933,100	(2,931,526)
Cash flows from investing activities		
– Purchases of property, plant and equipment	(804,203)	(619,883)
– Purchases of intangible assets	(19,733)	(75,505)
– Additions of right-of-use assets	(5,003)	(14,657)
– Additions of investment properties	(94,104)	(256,606)
– Proceeds on disposals of property, plant and equipment	464	2,049
– Proceeds from disposals of investment properties	2,236	–
– Purchases of other financial assets	(3,217,970)	–
– Acquisition of subsidiaries, net of cash acquired	(37,904)	(5,416)
– Disposal of subsidiaries, net of cash	1,690,072	(711,906)
– Dividend received from a joint venture	–	50,010
– Investments in financial assets at fair value through other comprehensive income, joint ventures and associates	(69,856)	(18,000)
– Cash repayments from related parties	3,697,793	5,678,046
– Cash advances to related parties	(3,484,650)	(2,858,159)
– Proceeds from disposals of financial assets at fair value through other comprehensive income	16,081	184,238
– Dividend received from financial assets at fair value through other comprehensive income	5,610	–
– Interest received	354,960	217,872
Net cash (used in)/generated from investing activities	(1,966,207)	1,572,083
Cash flows from financing activities		
– Proceeds from borrowings, net of transaction costs	22,193,574	33,442,544
– Repayments of borrowings	(38,449,753)	(41,803,870)
– Repayments to a shareholder of certain joint ventures	(265,060)	–
– Repayments of principal of lease liabilities	(55,598)	(46,516)
– Increase in guarantee deposits for borrowings	(1,334,109)	(8,938)
– Decrease in guarantee deposits for borrowings	865,237	–
– Cash advances from related parties	3,601,409	5,828,600
– Repayments to related parties	(5,394,300)	–
– Purchases of non-controlling interests	–	(115,041)
– Capital contributions from non-controlling interests	3,500	–
– Dividends paid to owners of the Company	(3,262)	(992,803)
Net cash used in financing activities	(18,838,362)	(3,696,024)
Net decrease in cash and cash equivalents	(12,871,469)	(5,055,467)
Cash and cash equivalents at the beginning of the period	25,672,822	22,904,275
Exchange (losses)/gains	(37,444)	52,701
Cash and cash equivalents at the end of the period	12,763,909	17,901,509

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45-54/F, R&F Center, No.10 Hua Xia Road, Pearl River New Town, Guangzhou 510623, the PRC.

The shares of the Company have been listed on The Main Board of Stock Exchange of Hong Kong Limited since 14 July 2005.

This condensed consolidated interim financial information is presented in RMB Yuan (RMB), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 24 August 2021.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the 2020 financial statements as described therein.

(a) New and amended standards and interpretation adopted by the Group

The following new or amended standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2021.

<u>Standards</u>	<u>Subject</u>
Amendments to HKFRS 16	Covid-19-related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The standards, amendments and interpretation did not have a material impact or are not relevant to the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

3. ACCOUNTING POLICIES (Continued)

(b) New and amended standards and interpretation not yet adopted by the Group

Certain new and amended standards have been issued and are not effective for financial year beginning 1 January 2021 and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group.

<u>Standards</u>	<u>Subject</u>	<u>Effective for annual periods beginning on or after</u>
Amendment to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendment to HKAS 37	Cost of Fulfilling a Contract	1 January 2022
Amendment to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual improvements to HKFRS Standards 2018-2020	Annual improvements to HKFRS Standards 2018-2020 affecting HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendment to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	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 HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

4. JUDGEMENTS AND ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investment in land banks, adjusting project development timetable to adapt to the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, and disposing of certain hotel or investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as appropriate.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 30 June 2021					
Borrowings (Note (1))	60,435,400	43,100,050	39,474,723	22,828,640	165,838,813
Lease liabilities	114,341	86,661	189,566	226,694	617,262
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	89,433,920	–	–	–	89,433,920
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties	97,239,991	–	–	–	97,239,991
Guarantees in respect of borrowings of joint ventures and associates	3,081,240	2,000,092	6,036,297	840,707	11,958,336
At 31 December 2020					
Borrowings (Note (1))	72,698,532	36,859,131	50,216,052	24,692,889	184,466,604
Lease liabilities	152,025	110,675	210,277	299,499	772,476
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	96,806,666	1,351,830	–	–	98,158,496
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties	91,245,194	–	–	–	91,245,194
Guarantees in respect of borrowings of joint ventures and associates	3,491,706	748,235	5,745,269	864,398	10,849,608

Note:

- (1) Interest on borrowings is calculated on borrowings held as at 30 June 2021 and 31 December 2020 respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2021 and 31 December 2020 respectively.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)**5.3 Credit risk**

The extent of the Group's maximum exposure to credit risk in relation to financial assets is the aggregate carrying value of cash deposits in banks, trade and other receivables, contract assets and other financial assets.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking information.

5.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generated from operations and may raise funding through capital market or bank borrowings as necessary.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the condensed consolidated interim balance sheet) less cash and cash equivalents and restricted cash.

	As at	
	30 June 2021	31 December 2020
Total borrowings (Note 15)	143,348,608	159,730,073
Less: cash and cash equivalents restricted cash	(12,763,909) (16,038,194)	(25,672,822) (14,275,892)
Net debt	114,546,505	119,781,359
Total equity	92,774,242	92,005,343
Gearing ratio	123%	130%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.5 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follow:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2021 and 31 December 2020 by level of the inputs to valuation techniques used to measure fair value.

	As at	
	30 June 2021	31 December 2020
Financial assets at FVOCI		
Level 1	535,512	550,692
Level 3 (Note (a))	76,725	89,158
	612,237	639,850

Note:

(a) Financial instruments in level 3

The fair value of the Group's investment in unlisted private funds recognised as financial assets at FVOCI was revalued as at 30 June 2021 by an independent and professionally qualified valuer. The valuation is performed based on the market approach by reference to quoted market prices for similar instruments, maximising the use of observable market data where it is available and relying as little as possible on entity specific estimates. The financial assets at FVOCI were included in level 3 as the valuation involves the use of certain factors (unobservable inputs) to adjust the data derived from increasingly volatile markets to arrive at the estimated fair value for these unquoted equity investments. The fair value gain on the equity investments was included in "other comprehensive income".

There were no transfers between level 1, level 2 and level 3 and no changes in valuation techniques during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.5 Fair value estimation (continued)

	Six months ended 30 June	
	2021	2020
FVOCI		
Opening balance	639,850	1,042,442
Disposals	(16,081)	(184,238)
Fair value (losses)/gains recognised as other comprehensive income	(11,532)	65,491
Closing balance	612,237	923,695

6. SEGMENT INFORMATION

(a) Description of segments and principal activities

The chief operating decision-maker has been identified as the Executive Directors. Management has determined the operating segments based on the information reviewed by the Executive Directors for the purpose of allocating resources and assessing performance.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in property development, property investment and hotel operations. Other services provided by the Group mainly represent property management. The results of these operations are included in the "all other segments" column.

The Executive Directors assess the performance of the operating segments based on a measure of profit for the period. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

6. SEGMENT INFORMATION (Continued)

(b) Segment performance

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2021 and 2020 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2021					
Segment revenue	35,946,375	637,025	2,635,355	1,017,712	40,236,467
Recognised at a point in time	28,296,170	–	–	–	28,296,170
Recognised over time	7,650,205	–	2,635,355	1,017,712	11,303,272
Revenue from other sources – rental income	–	637,025	–	–	637,025
Inter-segment revenue	–	(103,774)	(135,710)	(503,845)	(743,329)
Revenue from external customers	35,946,375	533,251	2,499,645	513,867	39,493,138
Profit/(loss) for the period	2,955,965	1,093,345	(547,172)	(321,117)	3,181,021
Finance costs	(1,160,672)	(113,085)	(314,641)	(6,451)	(1,594,849)
Income tax (expenses)/credits	(1,862,732)	(724,464)	126,038	86,663	(2,374,495)
Share of results of associates	14,487	3,124	–	18,117	35,728
Share of results of joint ventures	56,950	–	–	(3,113)	53,837
Depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets	(216,790)	–	(736,140)	(48,701)	(1,001,631)
Gains on bargain purchase	508,209	–	–	–	508,209
Amortisation of incremental costs for obtaining contracts with customers	(256,851)	–	–	–	(256,851)
Reversal of/(allowance for) impairment losses on financial and contract assets	32,049	–	(5,050)	513	27,512
Revaluation gains on investment properties transferred from completed properties held for sale – net of tax	–	222,398	–	–	222,398
Fair value gains on investment properties – net of tax	–	331,278	–	–	331,278

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

6. SEGMENT INFORMATION (Continued)

(b) Segment performance (continued)

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2021 and 2020 are as follows (continued):

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2020					
Segment revenue	30,831,124	551,954	1,428,337	1,445,802	34,257,217
Recognised at a point in time	19,499,707	–	–	–	19,499,707
Recognised over time	11,331,417	–	1,428,337	1,445,802	14,205,556
Revenue from other sources – rental income	–	551,954	–	–	551,954
Inter-segment revenue	–	(86,043)	(32,231)	(547,907)	(666,181)
Revenue from external customers	30,831,124	465,911	1,396,106	897,895	33,591,036
Profit/(loss) for the period					
Finance costs	(2,891,021)	(129,909)	(364,337)	(6,785)	(3,392,052)
Income tax (expenses)/credits	(2,555,476)	(631,534)	302,730	172,758	(2,711,522)
Share of results of associates	(7,901)	–	–	(2,823)	(10,724)
Share of results of joint ventures	(49,097)	–	–	(297)	(49,394)
Depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets	(213,082)	–	(733,643)	(78,838)	(1,025,563)
Amortisation of incremental costs for obtaining contracts with customers	(153,021)	–	–	–	(153,021)
(Allowance for)/reversal of impairment losses on financial and contract assets	(22,641)	–	(6,241)	9,906	(18,976)
Revaluation gains on investment properties transferred from completed properties held for sale – net of tax	–	1,495,616	–	–	1,495,616
Fair value gains on investment properties – net of tax	–	224,947	–	–	224,947

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the condensed consolidated interim income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

6. SEGMENT INFORMATION (Continued)

(b) Segment performance (continued)

	Property development	Property investment	Hotel operations	All other segments	Group
As at 30 June 2021					
Segment assets	319,790,345	36,370,257	47,438,390	3,946,594	407,545,586
Segment assets include:					
Interests in joint ventures	11,266,382	–	–	8,448	11,274,830
Interests in associates	1,161,128	1,231,443	–	211,499	2,604,070
Segment liabilities	151,106,824	–	1,506,586	2,105,195	154,718,605
As at 31 December 2020					
Segment assets	337,120,727	40,257,965	47,498,911	4,057,306	428,934,909
Segment assets include:					
Interests in joint ventures	11,612,128	–	–	5,208	11,617,336
Interests in associates	474,624	–	–	965,402	1,440,026
Segment liabilities	149,150,990	802,069	1,825,446	7,195,630	158,974,135

7. BUSINESS COMBINATION

(a) Summary of acquisition

Pursuant to a sales and purchase agreement dated 21 January 2021 entered into between the Company and a joint venture shareholder (the “Joint Venture Shareholder”), the Company completed the acquisition of the remaining 50% equity interest in a joint venture (“Korean Subsidiary”), which was engaging in developing a resort project in Incheon, Korea from the Joint Venture Shareholder on 21 January 2021 at a consideration of USD1,000 (approximately RMB6,000). After completion of the acquisition, the Group held 100% equity interest in the Korean Subsidiary.

Purchase consideration – cash paid	6
Previously held equity interest	438,282
Remeasurement gains on previously held equity interest	87,499
Total cost	525,787

7. BUSINESS COMBINATION (Continued)**(a) Summary of acquisition** (continued)

The assets and liabilities recognised as a result of the acquisitions are as follows:

	Fair value
Cash and cash equivalents	49,257
Property, plant and equipment and intangible assets	1,491,961
Trade and other receivables and prepayment	255,021
Other payables and accruals	(742,785)
Deferred income tax liabilities	(19,458)
Total identifiable net assets acquired	1,033,996
Gains on bargain purchase	508,209

The gains on bargain purchase were arisen due to the Joint Venture Shareholder decided to early exit the project under development and offered the Group a relatively low consideration.

(i) Acquired receivables

The fair value of trade receivables and other receivables and prepayment was RMB255,021,000.

(ii) Revenue and profit contribution

The acquired business contributed no revenue and net loss of RMB20,661,000 to the Group for the period from the acquisition date to 30 June 2021.

(iii) At the date of this report, the Group is still in the process of finalizing the valuation of the assets acquired and liabilities assumed on the acquisition date of the Korean Subsidiary. Total assets acquired, assumed liabilities, gains on bargain purchase relating this acquisition were provisionally estimated in this condensed consolidated financial statements for the six months ended 30 June 2021, which can be subject to adjustment upon the completion of its valuation.

(b) Purchase consideration – Net cash flows

Inflow of cash to acquire Korean Subsidiary, net of cash acquired

Cash considerations paid	(6)
Plus: cash in the subsidiary acquired	49,257
Net inflow of cash – investing activities	49,251

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

8. CAPITAL EXPENDITURE

	Property, plant and equipment				
	Intangible assets	Investment properties <i>(Note (a))</i>	Other owned assets	Hotel buildings <i>(Note (b))</i>	Right-of-use assets
Six months ended 30 June 2021					
At 1 January 2021	1,183,384	33,957,965	8,347,548	33,766,187	10,846,583
Additions	29,733	94,104	1,177,235	–	39,758
Acquisition of a subsidiary	–	–	1,491,961	–	–
Disposals	(15,555)	(12,964)	(3,534)	–	–
Transfer from completed properties held for sale to investment properties	–	504,553	–	–	–
Transfer from properties under development	–	–	29,935	–	5,544
Transfer to properties under development	–	–	(6,513)	–	–
Transfer to completed properties held for sale	–	–	(7,710)	–	(1,866)
Revaluation gains on investment properties transferred from completed properties held for sale	–	296,531	–	–	–
Fair value gains (included in other gains – net)	–	438,393	–	–	–
Depreciation and amortisation	(54,013)	–	(176,059)	(566,996)	(235,199)
Currency translation differences	(4)	(147,894)	(45,145)	–	(2)
At 30 June 2021	1,143,545	35,130,688	10,807,718	33,199,191	10,654,818
Six months ended 30 June 2020					
At at 1 January 2020	1,281,393	33,469,576	7,597,594	34,616,031	10,774,952
Additions	75,506	256,606	625,160	–	65,900
Acquisition of subsidiaries	–	–	32,425	–	9,608
Disposals of subsidiaries	(5,017)	–	(55,797)	–	–
Disposals	(20,942)	–	(90,274)	–	(12,719)
Transfer from assets under construction to properties under development	–	–	(89,446)	–	(24,245)
Transfer from completed properties held for sale to investment properties	–	734,105	–	–	–
Revaluation gains on investment properties transferred from completed properties held for sale	–	1,994,155	–	–	–
Fair value gains (included in other gains – net)	–	298,416	–	–	–
Depreciation and amortisation	(92,932)	–	(133,269)	(595,749)	(230,907)
Currency translation differences	(5)	–	(6,606)	–	–
At 30 June 2020	1,238,003	36,752,858	7,879,787	34,020,282	10,582,589

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

8. CAPITAL EXPENDITURE (Continued)

(a) Investment properties

The Group's investment properties were valued at transfer or business acquisition dates, and at 30 June 2021 by independent and professionally qualified valuers, who hold relevant recognised professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

There were no changes to the valuation techniques during the current period. The valuation were arrived at by reference to certain significant unobservable inputs such as term yield, reversionary yields, market rents and market price.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. At 30 June 2021 and 31 December 2020, the Group had only level 3 investment properties.

(b) Hotel buildings

As at 30 June 2021, management did not revalue the hotel buildings considering that the carrying amount does not differ materially from that which would be determined using fair value.

9. INTERESTS IN JOINT VENTURES

	Six months ended 30 June	
	2021	2020
At 1 January	11,617,336	10,795,165
Additions	79,906	500,204
Disposal	–	(3,971)
Acquisition of the remaining equity interest in a joint venture	(438,282)	–
Share of results	53,837	(49,394)
Dividends declared by a joint venture	–	(650,130)
Share of other comprehensive income/(loss)	10,673	(136,663)
Elimination of unrealised profits	(48,640)	(11,612)
At 30 June	11,274,830	10,443,599

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INTERESTS IN ASSOCIATES

	Six months ended 30 June	
	2021	2020
At 1 January	1,440,026	644,329
Additions (Note(a))	1,228,320	924,400
Disposal	–	(62,852)
Share of results	35,728	(10,724)
Elimination of unrealised profits	(100,228)	(118)
Share of other comprehensive income	224	–
At 30 June	2,604,070	1,495,035

Note:

- (a) In November 2020, the Group signed an agreement with a third party to sell 70% equity interest in certain subsidiaries (the “Disposal Group”). The relating assets and liabilities of the Disposal Group was reclassified as held for sale as at 31 December 2020. The disposal was completed in January 2021. The additions in interests in associates in the six months ended 30 June 2021 mainly represented the Group’s remaining 30% equity interests in the Disposal Group after the disposal.

11. OTHER FINANCIAL ASSETS

As at 30 June 2021, the balance represented the Group’s investments in certain PRC debt securities, which were measured at amortised cost.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2021	31 December 2020
Trade receivables – net	7,211,642	10,536,351
Other receivables – net	19,518,817	19,392,535
Prepayments	7,973,021	6,819,901
Capitalised costs to obtain sales contracts	1,617,808	1,360,957
Due from joint ventures	5,501,017	5,450,586
Due from associates	3,277,080	2,571,654
Due from entities jointly controlled by major shareholders of the Company	154,342	183,477
Total	45,253,727	46,315,461

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

As at 30 June 2021, trade receivables were mainly derived from sale of properties. Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

	As at	
	30 June 2021	31 December 2020
Trade receivables		
– Due from third parties	7,194,753	10,535,699
– Due from joint ventures	203,692	281,040
– Due from an associate	30,529	9,858
– Due from entities jointly controlled by major shareholders of the Company	50,906	751
	7,479,880	10,827,348
Less: allowance for impairment	(268,238)	(290,997)
	7,211,642	10,536,351

At 30 June 2021 and 31 December 2020, the ageing analysis of trade receivables is as follows:

	As at	
	30 June 2021	31 December 2020
Up to 1 year	5,661,574	9,479,175
1 year to 2 years	906,156	550,851
2 years to 3 years	417,919	270,469
Over 3 years	494,231	526,853
	7,479,880	10,827,348

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

13. RESTRICTED CASH

As at 30 June 2021 and 31 December 2020, the Group's restricted cash were mainly denominated in RMB. The conversion of the PRC group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 30 June 2021 and 31 December 2020, the Group's restricted cash mainly comprised guarantee deposits for construction of pre-sold properties, guarantee deposits for borrowings, guarantee deposits for interest of senior notes and others.

14. SHARE CAPITAL

	Number of shares (thousands)	Share capital
At 30 June 2021	3,752,367	3,752,367
At 31 December 2020	3,752,367	938,092

Share capital refers to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited.

On 28 May 2021, the Company's share premium of RMB2,814,275,000 was transferred to share capital. As at 30 June 2021, the registered, issued and fully paid capital of the Company was RMB3,752,367,000 (31 December 2020: RMB938,092,000) divided into 3,752,367,000 H shares (31 December 2020: 3,752,367,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS

	As at	
	30 June 2021	31 December 2020
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
– Secured	60,300,307	68,707,595
– Unsecured (Note (e))	7,285,591	7,949,411
	67,585,898	76,657,006
Domestic bonds (Note (b))		
– Unsecured	14,243,777	18,933,342
Senior notes (Note (c))		
– Secured	32,729,181	35,313,318
Other borrowings (Note (d))		
– Secured	14,246,730	16,971,878
– Unsecured (Note (e))	915,000	935,000
	15,161,730	17,906,878
Total long-term borrowings	129,720,586	148,810,544
Less: current portion of long-term borrowings	(38,275,868)	(52,961,902)
	91,444,718	95,848,642
Current		
Short-term borrowings		
Bank borrowings (Note (a))		
– Secured	441,246	3,840,387
– Unsecured (Note (e))	1,143,917	258,000
	1,585,163	4,098,387
Other borrowings (Note (d))		
– Secured	11,942,859	6,821,142
– Unsecured (Note (e))	100,000	–
	12,042,859	6,821,142
Total short-term borrowings	13,628,022	10,919,529
Current portion of long-term borrowings	38,275,868	52,961,902
Total borrowings	143,348,608	159,730,073

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (Continued)

(a) Bank borrowings

- (i) Movements in bank borrowings are analysed as follows:

	Six months ended 30 June	
	2021	2020
At 1 January	80,755,393	96,533,997
Additions	5,838,547	18,226,300
Repayments	(17,340,715)	(19,722,767)
Currency translation difference	(82,164)	134,743
At 30 June	69,171,061	95,172,273

The effective interest rate of bank borrowings is 5.95% (six months ended 30 June 2020: 5.75%).

(b) Domestic bonds

(i) 2016 Public Bonds

The Company issued 60,000,000 units of corporate bonds at a par value of RMB6.0 billion in the PRC on 11 January 2016 (the "Original 2016 Public Bonds"). The Company further issued 36,000,000 units of corporate bonds at a par value of RMB3.6 billion in the PRC on 22 January 2016 (the "Additional 2016 Public Bonds I"). The interest rates of the Original 2016 Public Bonds and Additional 2016 Public Bonds I were fixed at 3.95% per annum. On the third anniversary of the issue date, the Company has an option to adjust the interest rates for the remaining periods. The Original 2016 Public Bonds and Additional 2016 Public Bonds I will mature after five years from the respective issue dates, and are puttable for early redemption at the principal amount upon the third anniversary of the respective issue dates.

On 11 January 2019, the Company adjusted the interest rates for the Original 2016 Public Bonds to 7.20% per annum for the remaining periods. On 22 January 2019, the Company adjusted the interest rates for the Additional 2016 Public Bonds I to 7.00% per annum for the remaining periods. No early redemption has occurred.

On 11 January 2021, the Company redeemed the remaining 60,000,000 units of Original 2016 Public Bonds at a redemption price equal to 100% of the principal amount.

On 21 January 2021, the Company redeemed the remaining 36,000,000 units of Additional 2016 Public Bonds I at a redemption price equal to 100% of the principal amount.

The Company further issued 19,500,000 units of corporate bonds at a par value of RMB1.95 billion in the PRC on 7 April 2016 (the "Additional 2016 Public Bonds II"). The interest rate of the Additional 2016 Public Bonds II was fixed at 3.48% per annum. On the third anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Additional 2016 Public Bonds II will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

On 2 April 2019, the Company redeemed 330,000 units of the Additional 2016 Public Bonds II at a redemption price equal to 100% of the principal amount. The interest rate was fixed at 6.70% per annum for the remaining periods.

15. BORROWINGS (Continued)**(b) Domestic bonds** (continued)**(i) 2016 Public Bonds** (continued)

The Company further issued 9,500,000 units of corporate bonds at a par value of RMB0.95 billion in the PRC on 7 April 2016 (the “Additional 2016 Public Bonds III” and, together with the Original 2016 Public Bonds, the Additional 2016 Public Bonds I and II, the “2016 Public Bonds”). The interest rate of the Additional 2016 Public Bonds III was fixed at 3.95% per annum. On the fifth anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Additional 2016 Public Bonds III will mature after seven years from the issue date, and are puttable for early redemption at the principal amount upon the fifth anniversary of the issue date.

During the six months ended 30 June 2021, the Company redeemed and reissued 9,467,810 units of the Additional 2016 Public Bonds III. The interest rate was fixed at 7.0% per annum for the remaining periods.

The carrying amount of the remaining 2016 Public Bonds as at 30 June 2021 amounted to RMB2,819,752,000.

(ii) 2016 Non-public Bonds

The Company issued 46,000,000 units of non-public bonds at a par value of RMB4.6 billion in the PRC on 16 May 2016 (the “Original 2016 Non-public Bonds”). The interest rate of the Original 2016 Non-public Bonds was fixed at 5.20% per annum. On the third, fourth and fifth anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Original 2016 Non-public Bonds will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third, fourth and fifth-anniversary of the issue date.

On 16 May 2019, the Company adjusted the interest rates for the Original 2016 Non-public Bonds to 6.80% per annum for the remaining periods. No early redemption has occurred. On 15 May 2020, the Company redeemed 32,860,000 units of the Original 2016 Non-public Bonds. The interest rate was fixed at 6.80% per annum for the remaining periods. During the six months ended 30 June 2021, the Company redeemed 3,940,000 units and reissued 750,000 units of the Original 2016 Non-public Bonds. The interest rate was fixed at 6.80% per annum for the remaining periods.

The Company further issued 57,000,000 units of non-public bonds at a par value of RMB5.7 billion in the PRC on 19 October 2016 (the “Additional 2016 Non-public Bonds III” and, together with the Original 2016 Non-public Bonds, the “2016 Non-public Bonds”). The interest rate of the Additional 2016 Non-public Bonds III was fixed at 4.39% per annum. On the third, fourth and fifth anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Additional 2016 Non-public Bonds III will mature after six years, from the issue date, and are puttable for early redemption at the principal amount upon the third, fourth and fifth anniversary of the issue date.

On 19 October 2019, the Company redeemed 22,702,000 units of the Additional 2016 Non-public Bonds III at a redemption price equal to 100% of the principal amount. The interest rate was adjusted to 7.40% per annum for the remaining periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (Continued)

(b) Domestic bonds (continued)

(ii) 2016 Non-public Bonds (continued)

On 19 October 2020, the Company redeemed 28,550,000 units of the Additional 2016 Non-public Bonds III at a redemption price equal to 100% of the principal amount and reissued 2,300,000 units.

The carrying amount of the remaining 2016 Non-public Bonds as at 30 June 2021 amounted to RMB2,662,603,000.

(iii) 2018 Non-public Bonds

The Company issued 5,000,000 units of non-public bonds at a par value of RMB0.5 billion in the PRC on 26 June 2018 (the “2018 Non-public Bonds II”). The interest rate of the 2018 Non-public Bonds II was fixed at 7.30% per annum. On the first and the second anniversary of the issue date, the Company will have an option to adjust the interest rate for the remaining periods. The 2018 Non-public Bonds II will mature after three years from the issue date and are puttable for early redemption at the principal amount upon the first or the second anniversary of the issue date.

On 24 June 2019, the Company adjusted the interest rates for the 2018 Non-public Bonds II to 6.60% per annum for the remaining periods.

On 29 June 2020, 4,400,000 units of the 2018 Non-public Bonds II was early redeemed. The Company adjusted the interest rates for the 2018 Non-public Bonds II to 6.80% per annum for the remaining periods.

On 26 June 2021, the Company redeemed the remaining 600,000 units of 2018 Non-public Bonds II at a redemption price equal to 100% of the principal amount.

The Company issued 12,000,000 units of non-public bonds at a par value of RMB1.2 billion in the PRC on 17 September 2018 (the “2018 Non-public Bonds III”, and, together with the 2018 Non-public Bonds II, the “2018 Non-public Bonds”). The interest rate of the 2018 Non-public Bonds III was fixed at 7.30% per annum. On the first and the second anniversary of the issue date, the Company will have an option to adjust the interest rate for the remaining periods. The 2018 Non-public Bonds III will mature after three years from the issue date and are puttable for early redemption at the principal amount upon the first or the second anniversary of the issue date.

On 16 September 2019, the Company redeemed 200,000 units of the 2018 Non-public Bonds III at a redemption price equal to 100% of the principal amount. The interest rate maintained at 7.00% per annum for the remaining periods.

On 16 September 2020, the Company redeemed 11,420,000 units of the 2018 Non-public Bonds III at a redemption price equal to 100% of the principal amount. The interest rate maintained at 7.00% per annum for the remaining periods.

The carrying amount of the remaining 2018 Non-public Bonds as at 30 June 2021 amounted to RMB38,000,000.

15. BORROWINGS (Continued)**(b) Domestic bonds** (continued)**(iv) 2018 Public Bonds**

The Company issued 40,000,000 units of corporate bonds at a par value of RMB4 billion in the PRC on 3 December 2018 (the “Original 2018 Public Bonds”). The interest rate of the 2018 Public Bonds was fixed at 6.58% per annum. On the second anniversary of the issue date, the Company will have an option to adjust the interest rate for the remaining periods. The Original 2018 Public Bonds will mature after four years from the issue date, and are puttable for early redemption at the principal amount upon the second anniversary of the issue date.

In December 2020, the Company redeemed 39,987,500 units and reissued 8,000,000 units of Original 2018 Public Bonds. The interest rate maintained at 6.58% per annum for the remaining periods.

During the six months ended 30 June 2021, the Company reissued 31,866,000 units of Original 2018 Public Bonds.

The Company further issued 70,200,000 units of corporate bonds at a par value of RMB7.02 billion in the PRC on 3 January 2019 (the “Additional 2018 Public Bonds”, and, together with the Original 2018 Public Bonds, the “2018 Public Bonds”). The interest rate of the Additional 2018 Public Bonds was fixed at 7.00% per annum. On the second anniversary of the issue date, the Company will have an option to adjust the interest rate for the remaining periods. The Additional 2018 Public Bonds will mature after four years from the issue date, and are puttable for early redemption at the principal amount upon the second anniversary of the issue date.

On 28 December 2020, 70,197,170 units of the Additional 2018 Public Bonds were redeemed at a redemption price equal to 100% of the principal amount. The interest rate maintained at 7.00% per annum for the remaining periods.

During the six months ended 30 June 2021, the Company reissued 42,500,000 units of the Additional 2018 Public Bonds.

The carrying amount of the remaining 2018 Public Bonds as at 30 June 2021 amounted to RMB7,656,228,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (Continued)

(b) Domestic bonds (continued)

(v) 2019 Public Bonds

The Company issued 15,800,000 units of corporate bonds at a par value of RMB1.58 billion in the PRC on 8 May 2019 (the “2019 Public Bonds I”). The interest rate of the 2019 Public Bonds I was fixed at 5.60% per annum. On the second anniversary of the issue date, the Company will have an option to adjust the interest rate for the remaining periods. The 2019 Public Bonds I will mature after four years from the issue date, and are puttable for early redemption at the principal amount upon the second anniversary of the issue date.

During the six months ended 30 June 2021, 15,797,990 units of the 2019 Public Bonds I were redeemed. The interest rate maintained at 7.00% per annum for the remaining periods.

The Company further issued 4,000,000 units of corporate bonds at a par value of RMB0.4 billion in the PRC on 8 May 2019 (the “2019 Public Bonds II”, and, together with the 2019 Public Bonds I, the “2019 Public Bonds”). The interest rate of the 2019 Public Bonds II was fixed at 6.48% per annum. On the third anniversary of the issue date, the Company will have an option to adjust the interest rate for the remaining periods. The 2019 Public Bonds II will mature after five years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The carrying amount of the 2019 Public Bonds as at 30 June 2021 amounted to RMB399,612,000.

(vi) 2020 Non-public Bonds

The Company issued 10,000,000 units of corporate bonds at a par value of RMB1 billion in the PRC on 23 April 2020 (the “2020 Non-public Bonds”). The interest rate of the 2020 Non-public Bonds I was fixed at 6.30% per annum. The 2020 Non-Public Bonds I will mature after four years from the issue date, and are puttable for early redemption at the principal amount upon the second anniversary of the issue date.

The carrying amount of the 2020 Non-Public Bonds as at 30 June 2021 amounted to RMB667,582,000.

15. BORROWINGS (Continued)**(b) Domestic bonds** (continued)**(vii) Fair value and movement of domestic bonds**

The fair values of the 2016 Public Bonds, 2018 Public Bonds and 2019 Public Bonds as at 30 June 2021 amounted to RMB11,051,962,000 in total. The fair values were determined by reference to the price quotations published on the last trading day of the period ended 30 June 2021 and were within level 1 of the fair value hierarchy.

The movements of domestic bonds are set out below:

	Six months ended 30 June	
	2021	2020
At 1 January	18,933,342	39,561,938
Additions	7,666,865	499,000
Redemption	(12,546,550)	(7,882,650)
Interest charged (Note 19)	747,445	1,353,056
Interest paid or included in other payables	(557,325)	(1,343,579)
At 30 June	14,243,777	32,187,765

(c) Senior notes

The senior notes are the only direct, unsubordinated, unconditional and secured obligations of the relevant issuers.

(i) 2017 Notes

2017 Notes I

On 13 January 2017, a subsidiary of the Group, Easy Tactic Limited (“Easy Tactic”) issued 5.75% senior notes due 13 January 2022 in the aggregate principal amount of USD265,000,000 with the issue price 99.146% of the principal amount (the “2017 Original Notes”).

On 20 January 2017, Easy Tactic further issued 5.75% senior notes due 13 January 2022 in the aggregate principal amount of USD460,000,000 with the issue price 99.146% of the principal amount, plus accrued interest from (and including) 13 January 2017 to (but excluding) 20 January 2017 (the “2017 Additional Notes” and, together with the 2017 Original Notes, the “2017 Notes I”). The net proceeds of the 2017 Notes I, after deducting the transaction costs, amounted to RMB4,880,042,000.

2017 Notes III

On 17 November 2017, Easy Tactic issued 5.875% senior notes due 13 February 2023 in the aggregate principal amount of USD500,000,000 with the issue price 100% of the principal amount (the “2017 Notes III – Original Notes”).

On 9 January 2018, Easy Tactic further issued 5.875% senior notes due 13 February 2023 in the aggregate principal amount of USD100,000,000 with the issue price 99.426% of the principal amount, plus accrued interest from (and including) 17 November 2017 to (but excluding) 9 January 2018 (the “2017 Notes III – Additional Notes” and, together with the 2017 Notes III – Original Notes, the “2017 Notes III”). The net proceeds of the 2017 Notes III, after deducting the transaction costs, amounted to RMB3,891,552,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (Continued)

(c) Senior notes (continued)

(ii) 2018 Notes

2018 Notes II

On 25 April 2018, Easy Tactic issued 7.000% senior notes due 25 April 2021 in the aggregate principal amount of USD600,000,000 with the issue price 100% of the principal amount (the “2018 Note II – Original Notes”).

On 12 June 2018, Easy Tactic further issued 7.000% senior notes due 25 April 2021 in the aggregate principal amount of USD200,000,000 with the issue price 97.467% of the principal amount, plus accrued interest from (and including) 25 April 2018 to (but excluding) 12 June 2018 (the “2018 Note II – Additional Notes” and, together with the 2018 Note II – Original Notes, the “2018 Notes II”). The net proceeds of the 2018 Notes II, after deducting the transaction costs, amounted to RMB4,934,901,000.

During the six months ended 30 June 2021, Easy Tactic redeemed all the 2018 Note II.

2018 Notes III

On 27 September 2018, Easy Tactic issued 8.875% senior notes due 27 September 2021 in the aggregate principal amount of USD200,000,000 with the issue price 100% of the principal amount (the “2018 Notes III”). The net proceeds of the 2018 Notes III, after deducting the transaction costs, amounted to RMB1,348,168,000.

(iii) 2019 Notes

2019 Notes I

On 10 January 2019, Easy Tactic issued 8.75% senior notes due 10 January 2021 in the aggregate principal amount of USD500,000,000 with the issue price 99.775% of the principal amount (the “2019 Notes I – Original Notes”).

On 17 January 2019, Easy Tactic further issued 8.75% senior notes due 10 January 2021 in the aggregate principal amount of USD200,000,000 with the issue price 100% of the principal amount, plus accrued interest from (and including) 10 January 2019 to (but excluding) 17 January 2019 (the “2019 Notes I – Additional Notes” and, together with the 2019 Note I – Original Notes, the “2019 Notes I”). The net proceeds of the 2019 Notes I, after deducting the transaction costs, amounted to RMB4,684,987,000.

On 10 March 2020, Easy Tactic redeemed the 2019 Note I with principal amount of USD325,000,000 at a redemption price equal to 102.5% of the principal amount.

During the six months ended 30 June 2021, Easy Tactic redeemed all the remaining 2019 Note I.

15. BORROWINGS (Continued)**(c) Senior notes** (continued)**(iii) 2019 Notes** (continued)

2019 Notes II

On 28 January 2019, Easy Tactic issued 9.125% senior notes due 28 July 2022 in the aggregate principal amount of USD300,000,000 with the issue price 99.633% of the principal amount (the “2019 Notes II”). The net proceeds of the 2019 Notes II, after deducting the transaction costs, amounted to RMB1,984,095,000.

2019 Notes III

On 27 February 2019, Easy Tactic issued 8.125% senior notes due 27 February 2023 in the aggregate principal amount of USD450,000,000 with the issue price 100% of the principal amount and 8.625% senior notes due 27 February 2024 in the aggregate principal amount of USD375,000,000 with the issue price 100% of the principal amount (the “2019 Note III – Original Notes”).

On 17 June 2019, Easy Tactic further issued 8.125% senior notes due 27 February 2023 in the aggregate principal amount of USD425,000,000 with the issue price 98.812% of the principal amount, plus accrued interest from (and including) 27 February 2019 to (but excluding) 17 June 2019 (the “2019 Notes III – Additional Notes” and, together with the 2019 Note III – Original Notes, the “2019 Notes III”). The net proceeds of the 2019 Notes III, after deducting the transaction costs, amounted to RMB8,272,544,000.

2019 Notes IV

On 11 July 2019, Easy Tactic issued 8.125% senior notes due 11 July 2024 in the aggregate principal amount of USD450,000,000 with the issue price 100% of the principal amount (the “2019 Notes IV”). The net proceeds of the 2019 Notes IV, after deducting the transaction costs, amounted to RMB3,043,408,000.

(iv) 2020 Notes

2020 Note I

On 5 March 2020, Easy Tactic issued 8.625% senior notes due 5 March 2024 in the aggregate principal amount of USD400,000,000 with the issue price 100% of the principal amount (the “2020 Notes I”). The net proceeds of the 2020 Notes I, after deducting the transaction costs, amounted to RMB2,733,791,000.

2020 Note II

On 18 November 2020, Easy Tactic issued 12.375% senior notes due 18 November 2022 in the aggregate principal amount of USD360,000,000 with the issue price 100% of the principal amount (the “2020 Notes II”). The net proceeds of the 2020 Notes II, after deducting the transaction costs, amounted to RMB2,323,896,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (Continued)

(c) Senior notes (continued)

(v) 2021 Notes

2021 Note I

On 2 February 2021, Easy Tactic issued 11.750% senior notes due 2 August 2023 in the aggregate principal amount of USD500,000,000 with the issue price 100% of the principal amount (the “2021 Notes I”). The net proceeds of the 2021 Notes I, after deducting the transaction costs, amounted to RMB3,198,429,000.

2021 Note II

On 3 March 2021, Easy Tactic issued 11.625% senior notes due 3 September 2024 in the aggregate principal amount of USD325,000,000 with the issue price 100% of the principal amount (the “2021 Notes II”). The net proceeds of the 2021 Notes II, after deducting the transaction costs, amounted to RMB 2,072,371,000.

As at 30 June 2021 and 31 December 2020, all senior notes were guaranteed by certain subsidiaries of the Group and were secured by shares of certain offshore subsidiaries of the Group.

The effective interest rate of senior notes ranged from 6.25% to 13.30% (six months ended 30 June 2020: 6.25% to 9.81%).

The movements of senior notes are set out below:

	Six months ended 30 June	
	2021	2020
At 1 January	35,313,318	34,607,114
Issuance	5,270,800	2,733,791
Redemption	(7,608,904)	(2,255,143)
Interest charged (Note 19)	1,541,328	1,497,264
Interest paid or included in other payables	(1,447,436)	(1,406,859)
Foreign exchange (gains)/losses	(339,925)	527,191
At 30 June	32,729,181	35,703,358

The carrying amounts of the Group’s senior notes are denominated in USD.

The fair values of the senior notes as at 30 June 2021 amounted to RMB31,177,155,000 (31 December 2020: RMB33,314,668,000). The fair values were determined directly by reference to the price quotations published by Bloomberg on the last trading day of the period ended 30 June 2021 and were within level 1 of the fair value hierarchy.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (Continued)

(d) Other borrowings

Other borrowings mainly include borrowings from non-banking financial institutions, trust loans and non-public senior notes.

The movements of other borrowings are set out below:

	Six months ended 30 June	
	2021	2020
At 1 January	24,728,020	23,438,999
Additions	6,965,355	11,960,850
Repayments	(4,505,373)	(9,863,310)
Disposal of a subsidiary	–	(1,800,000)
Interest charged	1,285,898	1,149,863
Interest paid or included in other payables	(1,236,619)	(1,147,372)
Currency translation difference	(32,692)	(62,205)
At 30 June	27,204,589	23,676,825

The carrying amounts of other borrowings as at 30 June 2021 are denominated in RMB, AUD and USD.

The effective interest rate of other borrowings ranged from 3.99% to 14.80% (six months ended 30 June 2020: 4.60% to 12.36%).

- (e) As at 30 June 2021, bank and other borrowings totalling RMB86,931,142,000 (31 December 2020: RMB96,341,002,000) of the Group were secured by the following assets and the Group's shares of certain subsidiaries:

	As at	
	30 June 2021	31 December 2020
Right-of-use assets	1,452,678	1,476,342
Property, plant and equipment	29,776,900	29,821,903
Investment properties	18,899,203	19,960,882
Properties under development	60,956,129	59,588,974
Completed properties held for sale	7,981,772	9,360,870
Restricted cash	3,235,291	2,966,378
	122,301,973	123,175,349

- (f) All the unsecured bank and other borrowings were supported by guarantees issued by the Company and its certain subsidiaries.

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16. ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2021	31 December 2020
Amounts due to joint ventures (Note (a))	7,874,264	6,351,821
Amounts due to associates (Note (a))	325,529	325,524
Amounts due to entities jointly controlled by major shareholders of the Company (Note (a))	3,555,440	7,305,745
Amounts due to major shareholders	3,139,849	2,616,360
Amounts due to a shareholder of certain joint ventures (Note (b))	3,773,099	3,933,366
Construction payables (Note (c))	46,612,420	48,632,027
Other payables and accrued charges (Note (d))	33,919,285	38,711,753
Total	99,199,886	107,876,596
Less: non-current portion (Note (b))	–	(1,343,481)
Current portion	99,199,886	106,533,115

Notes:

- (a) Except for the balance of RMB902,400,000 (31 December 2020: RMB902,400,000) due to a joint venture of the Group, which bears interest of 4.66% (31 December 2020: 4.66%) per annum, unsecured and repayable on demand, the amounts are unsecured, interest free and repayable on demand.
- (b) The amount represents the fund received from a shareholder of certain joint ventures (the "Investor"), which bears interest from 13% to 15% per annum, and related accrued interest. The balance was secured by the Group's shares in certain wholly-owned subsidiaries and the joint ventures jointly controlled with the Investor, the Group's right to receive the economic benefits deriving from one property development project and the guarantee provided by the Company.
- (c) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.
- (d) The balance mainly represents interest payables, accruals, salary payables and other taxes payable excluding income tax.
- (e) The carrying amounts of accruals and other payables approximate their fair values.

17. OTHER INCOME

	Six months ended 30 June	
	2021	2020
Interest income	354,960	217,872
Other operating income	70,152	81,700
Forfeited deposits from customers	53,072	76,024
Dividends income from financial assets at fair value through other comprehensive income	5,610	–
Others	7,560	7,634
Total	491,354	383,230

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

18. OTHER GAINS – NET

	Six months ended 30 June	
	2021	2020
Revaluation gains on investment properties transferred from completed properties held for sale	296,531	1,994,155
Fair value gains on investment properties – net	438,393	298,416
Gains on disposals of subsidiaries	802,099	678,795
Remeasurement gains on previously held equity interest in a joint venture	87,499	–
Gains on disposal of certain equity interests in an associate	–	674,822
Gains/(losses) on disposals of intangible assets	14,657	(20,942)
Others	33,828	(10,120)
	1,673,007	3,615,126

19. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
Interest expenses:		
– bank borrowings	2,654,861	3,009,287
– domestic bonds	747,445	1,353,056
– medium-term notes	–	44,541
– senior notes	1,541,328	1,497,264
– other borrowings, super & short-term commercial papers and others	1,504,235	1,165,046
– lease liabilities	12,958	6,519
	6,460,827	7,075,713
Early redemption premium for senior notes	7,965	56,794
Net foreign exchange (gains)/losses	(539,848)	1,124,521
Less: finance costs capitalised	(4,334,095)	(4,864,976)
	1,594,849	3,392,052

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

20. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
Current income tax		
– enterprise income tax (Note (b))	1,765,293	2,648,309
– PRC land appreciation tax (Note (c))	879,774	1,373,769
Deferred income tax	(270,572)	(1,310,556)
	2,374,495	2,711,522

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the period (six months ended 30 June 2020: Nil).

(b) Enterprise income tax

Enterprise income tax is computed according to the relevant laws and regulations enacted in the countries where the Group operated and generated taxable income.

In respect of the applicable income tax rates for the period ended 30 June 2021, the companies in the PRC, Cambodia, Malaysia were primarily taxed at 25%, 20% and 24% (six months ended 30 June 2020: 25%, 20% and 24%) on their profits, respectively.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including costs of land use rights and development and construction expenditures.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

21. DIVIDENDS

	Six months ended 30 June	
	2021	2020
Interim dividend of RMB0.10 (2020: RMB0.38) per ordinary share	375,237	1,328,240

An interim dividend in respect of the six months ended 30 June 2021 of RMB0.10 per ordinary share, totalling RMB375,237,000 was proposed by the board of directors (six months ended 30 June 2020: RMB1,328,240,000). This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2021.

22. FINANCIAL GUARANTEE CONTRACTS

The face values of the financial guarantees issued by the Group as at 30 June 2021 are analysed as follows:

	As at	
	30 June 2021	31 December 2020
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	97,239,991	91,245,194
Guarantees in respect of borrowings of joint ventures and associates (Note (b))	11,958,336	10,849,608
	109,198,327	102,094,802

Notes:

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) the satisfaction of relevant mortgage loan by the purchasers.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends when the certificate of real estate ownership for the mortgage is issued and submitted to the banks. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) The balance represents the maximum exposure of the guarantee provided for joint ventures and associates for their borrowings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

23. COMMITMENTS

Commitments for capital and property development activities

	As at	
	30 June 2021	31 December 2020
Contracted but not provided for		
– Property development activities (including land premium)	24,080,820	24,030,636

24. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Dr. Li Sze Lim and Mr. Zhang Li, who own 28.97% and 27.50%, respectively, of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

(a) Key management compensation

	Six months ended 30 June	
	2021	2020
Salaries and welfare benefits	13,086	13,545

(b) Provision of decoration, design and construction service

	Six months ended 30 June	
	2021	2020
Joint ventures	92,652	199,829
Associates	10,635	21,616
	103,287	221,445

(c) Purchase of property management services

	Six months ended 30 June	
	2021	2020
Entities jointly controlled by major shareholders of the Company	426,887	150,460

(d) Interest income on loans to related parties

	Six months ended 30 June	
	2021	2020
Joint ventures	94,149	27,169
Associates	200,457	6,515
	294,606	33,684

24. RELATED-PARTY TRANSACTIONS (Continued)**(e) Interest expense on borrowings due to related parties**

	Six months ended 30 June	
	2021	2020
A joint venture	21,120	22,335
Major shareholders (through entrusted loans)	41,490	52,393
	62,610	74,728

(f) Transfer of equity interest in subsidiaries

	Six months ended 30 June	
	2021	2020
Entities jointly controlled by major shareholders of the Company	–	300,000

During the six months ended 30 June 2020, the Group disposed 100% equity interests in certain subsidiaries engaging in property management business to an entity jointly controlled by major shareholders at a consideration of RMB300,000,000.

(g) Provision of guarantees for borrowings

The Group and certain other shareholders of the joint ventures and associates have jointly provided guarantees for certain borrowings granted to the Group's joint ventures and associates for project development purpose. As at 30 June 2021, the Group's guarantees for borrowings provided to its joint ventures and associates are shown as follows:

Bank and other borrowings

	As at	
	30 June 2021	31 December 2020
Joint ventures	9,648,200	8,033,032
Associates	440,506	363,216
	10,088,706	8,396,248

(h) Purchase of senior notes issued by the Group

	Six months ended 30 June	
	2021	2020
Immediate family member of a major shareholder	–	6,940
A director of the Company	9,702	589,568
	9,702	596,508

SUPPLEMENTARY INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the period ended 30 June 2021 in accordance with China Accounting Standards for Business Enterprises (“CAS”). The differences between the consolidated financial statements prepared under CAS and HKFRS are summarised as follows:

	Profit for the period ended 30 June		Total equity as at	
	2021	2020	30 June 2021	31 December 2020
As stated in accordance with CAS	3,532,824	2,514,315	87,677,474	86,819,305
Impact of HKFRS adjustments:				
1. Amortisation of revaluation gain arising from business combinations	(1,035)	(1,666)	36,335	37,370
2. Deferred taxation	259	416	(9,087)	(9,346)
3. Revaluation gains on investment properties transferred from properties under development	210,293	1,495,616	3,268	–
4. Revaluation model of subsequent measurement for hotel buildings	(91,762)	(91,693)	5,066,252	5,158,014
5. Revaluation gains on investment properties transferred from property, plant and equipment	(469,558)	–	–	–
As stated in accordance with HKFRS	3,181,021	3,916,988	92,774,242	92,005,343

Notes:

- The Group adopted SSAP 27 “Accounting for Group Reconstructions” for acquisition of certain subsidiaries before the issuance of Accounting Guideline 5 “Merger Accounting for Common Control Combinations” in November 2005. As the acquisitions did not meet the conditions for using merger accounting under SSAP 27, which prevented the use of predecessor costs when non-controlling interests or rights of the ultimate shareholder have changed, the Group adopted purchase method to account for the acquisitions.
- It refers to the effects of deferred tax arising from the above adjustments and recognition of deferred tax due to tax rate difference.
- The revaluation gains on investment properties transferred from properties under development or completed properties held for sale are recognised in income statement under HKFRS. In accordance with CAS, such revaluation gains are recognised in other comprehensive income upon transfer and will be subsequently released to income statement upon disposal of the investment properties.
- Regarding subsequent measurement of the Group’s hotel buildings, the Group applies revaluation model according to HKAS 16 and cost model according to CAS respectively.
- Fair value revaluation gains on transfer from property, plant and equipment to investment properties are recognised in other comprehensive income under both HKFRS and CAS. Upon disposal such investment properties, such previously recognised revaluation gains are transferred to retained earnings under HKFRS while released to income statement under CAS respectively.