



寶龍地產控股有限公司

POWERLONG REAL ESTATE HOLDINGS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

Stock code: 1238

2021 INTERIM REPORT



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Group Introduction



Powerlong Real Estate Holdings Limited (1238.HK) (the “**Company**” or “**Powerlong**”) and its subsidiaries (collectively, the “**Group**”) are dedicated to developing and operating high quality, large-scale and multi-functional commercial real estate projects. On 14 October 2009, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). On 30 December 2019, Powerlong Commercial Management Holdings Limited (9909.HK) (“**Powerlong CM**”), a subsidiary of the Company, was listed on the Main Board of the Stock Exchange, as the first service provider in commercial management and operation on the Stock Exchange that operates based on an asset-light model.

As at 30 June 2021, the Group had developed, owned and operated 210 real estate projects. Its commercial projects cover the series of “Powerlong One Mall”, “Powerlong City”, “Powerlong Plaza” and “Powerlong Land” products, while its residential projects cover various formats including middle and high class commodity housings and villas, complemented by high-standard office buildings and hotel projects with comprehensive service support. With its multidimensional and diversified business scope, Powerlong has been improving the retail supporting facilities in and thereby enhancing the quality of local cities. From supporting the urbanization of the People’s Republic of China (“**China**” or the “**PRC**”) to its integration into the Yangtze River Delta, Powerlong has always followed closely the strategic direction at the PRC’s national level and focused on city clusters, which enjoy policy support under the PRC’s macro strategy and which are highly vivid in their economic development. While fulfilling the growing demand for complex real estate in the PRC, Powerlong has created various job opportunities to the society and realized people’s demands and dreams for their lives.

The successful development of the Group is attributable to the innovative vision of the Chairman of the Board, Mr. Hoi Kin Hong, who has instilled his insights and visions since the beginning of the Group’s corporate development and driven its evolvement along the way. Adhering to the corporate mission of “Create space full of love”, and upholding the corporate values of “simple, true, mutual benefit and endless progression”, the Group will continue to uphold the belief of “Honest, Modest, Innovative, Devoted”, to develop into a well-respected, century-lasting and world-leading operator of city space, and create values for its customers, staff, shareholders and society.



Corporate Information

DIRECTORS

Executive Directors

Mr. Hoi Kin Hong (*Chairman of the Board*)

Mr. Hoi Wa Fong (*Chief Executive Officer*)

Mr. Xiao Qing Ping

Ms. Shih Sze Ni Cecilia

Mr. Zhang Hong Feng

Non-executive Director

Ms. Hoi Wa Fan

Independent Non-executive Directors

Dr. Ngai Wai Fung

Dr. Mei Jian Ping

Dr. Ding Zu Yu

AUDIT COMMITTEE

Dr. Ngai Wai Fung (*Chairman*)

Dr. Mei Jian Ping

Dr. Ding Zu Yu

REMUNERATION COMMITTEE

Dr. Mei Jian Ping (*Chairman*)

Mr. Hoi Wa Fong

Dr. Ding Zu Yu

NOMINATION COMMITTEE

Mr. Hoi Kin Hong (*Chairman*)

Dr. Mei Jian Ping

Dr. Ding Zu Yu

COMPANY SECRETARIES

Ms. Hai Di

Ms. Suen Pui Chun Hannah

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong

Ms. Suen Pui Chun Hannah

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL SHARE REGISTRAR

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HONG KONG SHARE REGISTRAR

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PRINCIPAL BANKERS

Bank of Communication Co., Ltd.

Industrial and Commercial Bank of

China Limited

Agricultural Bank of China Limited

Bank of China Limited

China Minsheng Banking Corp., Ltd.

China Construction Bank Corporation

The Bank of East Asia Limited

Industrial Bank Co., Ltd.

Ping An Bank Co., Ltd.

China Zheshang Bank Co., Ltd.

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity

Auditor

22/F, Prince's Building

Central

Hong Kong

HONG KONG LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com

Management Discussion and Analysis

MARKET REVIEW

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

BUSINESS REVIEW

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



Property Development

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

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

Management Discussion and Analysis

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

For the six months ended 30 June 2021

Distribution	Sales area sq.m.	Sales amount RMB million	Average selling price RMB/sq.m.
Commercial	345,969	4,725	13,657
Residential	3,039,824	48,314	15,894
Total	3,385,793	53,039	15,665

Property Investment and Commercial Operational and Residential Property Management

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

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

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

Management Discussion and Analysis

Hotel Business

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

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

Land Bank Replenishment

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

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

Management Discussion and Analysis

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

Newly acquired land parcels in 2021 (up to 30 June 2021)

Project Name	Land Nature	Site Area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Zhongshan Qijiang Xincheng Project (中山岐江新城項目)	Commercial/residential	167.3	538.0	50.6%
Shaoxing Pingshui 2020-03 Land Lot Project (紹興平水2020-03地塊項目)	Residential	24.2	36.2	26.5%
Shaoxing Pingshui 2020-06 Land Lot Project (紹興平水2020-06地塊項目)	Residential	33.8	48.9	26.5%
Fuzhou Lianjiang Phase 2 Project (福州連江二期項目)	Commercial/residential	29.2	64.3	39.7%
Nanjing Qixia District Xinshengwei Station Project (南京栖霞區新生圩站項目)	Commercial/residential	87.9	187.8	65.0%
Wenzhou Rui'an Jinzishan Project (溫州瑞安巾子山項目)	Commercial/residential	193.5	431.0	39.0%
Taizhou Wenling Chengxi Zhonghua Road Land Lot Project (台州溫嶺城西中華路地塊項目)	Residential	18.2	30.4	39.0%
Bozhou Nanhu Municipal Park North Side Land Lot Project (亳州南湖市政公園北側地塊項目)	Commercial/residential	245.3	470.6	89.2%
Taizhou Wenling Daxi Town Tielu New Area Land Lot Project (台州溫嶺市大溪鎮鐵路新區地塊項目)	Commercial/residential	39.5	138.3	23.4%
Chuzhou Tianchang Project (滁州天長項目)	Commercial/residential	147.9	261.7	100.0%
Wuhan Qiaokou Project (武漢礄口項目)	Commercial	37.5	212.4	77.9%
Xuancheng Wanlinghu South Side Land Lot Project (宣城宛陵湖南側地塊項目)	Commercial/residential	199.4	398.8	46.7%
Quanzhou Luojiang District Majia Town No. LJ2018-04-01 Land Lot Project (泉州市洛江區馬甲鎮LJ2018-04-01號地塊項目)	Residential	54.3	108.5	25.0%
Quanzhou Luojiang District Majia Town No. LJ2018-04-02 Land Lot Project (泉州市洛江區馬甲鎮LJ2018-04-02號地塊項目)	Residential	58.1	116.2	25.0%
Luoyang Longmen Road No. 31 Land Lot Project (洛陽龍門路31號地塊項目)	Commercial/residential	41.3	124.0	100.0%
Luoyang Wangchunmen Street No. 32 Land Lot Project (洛陽望春門街32號地塊項目)	Commercial/residential	21.2	91.2	100.0%
Suzhou Changshu Mocheng Street Commercial and Residential Land Lot Project (蘇州常熟莫城街道商住地塊項目)	Commercial/residential	53.9	156.9	95.0%
Zhangzhou Changtai A2 Land Lot Project (漳州長泰A2地塊項目)	Residential	47.8	62.2	65.6%
Foshan Dali Project (佛山大瀝項目)	Commercial/residential	119.0	358.2	46.7%
Total		1,619.3	3,835.6	

* Total GFA excludes underground and car parking spaces and may be adjusted.

Management Discussion and Analysis

OUTLOOK

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

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

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

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

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

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

Management Discussion and Analysis

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

FINANCIAL REVIEW

Revenue

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

Revenue from Property Sales

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

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

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

Management Discussion and Analysis

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

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

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

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

Income from Other Property Development Related Businesses

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Management Discussion and Analysis

Fair Value Gains on Investment Properties

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

Selling and Marketing Costs and Administrative Expenses

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

Share of Profit of Investments Accounted for Using the Equity Method

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

Income Tax Expense

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

Profit Attributable to Owners of the Company

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

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

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

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

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

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

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

Borrowings

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

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

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

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

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

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

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

Management Discussion and Analysis

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

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

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

Please refer to Note 19 to interim financial information set out in this report for further details of the Group's borrowings.

Net Gearing Ratio

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

Borrowing Costs

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

Credit Policy

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

Pledge of Assets

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

Management Discussion and Analysis

Contingent Liabilities

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

Financial Guarantees

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

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

Commitments

(1) Commitments for property development expenditures

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

(2) Lease commitments

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

Foreign Currency Risk

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

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

EMPLOYEES AND EMOLUMENT POLICY

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

INTERIM DIVIDEND

Payment of Interim Dividend

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

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

Closure of Register of Members

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

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

Management Discussion and Analysis

EVENTS AFTER THE REPORTING PERIOD

Entering into the facility agreement dated 9 July 2021

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

Issuing US\$200 million 4.00% senior notes due 2022

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

Entering into the facility agreement dated 9 August 2021

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

Disclosure of Interests

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2021, the interests and short positions of each director (the "Director(s)") and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) were recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(1) Long position in shares and underlying shares of the Company

Name of Directors	Number of ordinary shares			Total	Approximate percentage of interests to the issued share capital of the Company (Note 1)
	Personal interests	Interests of spouse	Interests of controlled corporation		
Mr. Hoi Kin Hong	28,465,000	2,800,000	1,805,637,000 (Note 2)	1,836,902,000	44.34%
Mr. Hoi Wa Fong	8,988,000	503,400	596,018,000 (Note 3)	605,509,400	14.62%
Mr. Xiao Qing Ping	911,700	–	–	911,700	0.02%
Ms. Shih Sze Ni Cecilia	503,400	605,006,000	–	605,509,400	14.62%
Mr. Zhang Hong Feng	184,300	–	–	184,300	0.004%
Ms. Hoi Wa Fan	61,470,000	–	206,623,000 (Note 4)	268,093,000	6.47%

Notes:

- These percentages have been compiled based on the total number of issued shares (i.e. 4,142,403,000 shares) as at 30 June 2021.
- These shares are held by Skylong Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Kin Hong.
- These shares are held by Sky Infinity Holdings Limited, which is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited, respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of The Sky Infinity Trust.
- These shares are held by Walong Holdings Limited and Mantong (HK) Trading Co., Limited, which are wholly and beneficially owned by Ms. Hoi Wa Fan.

Disclosure of Interests

(2) Long position in shares of associated corporation of the Company

Name of Directors	Name of associated corporation	Number of ordinary shares			Total	Approximate percentage of interests in the associated corporation (Note 1)
		Personal interests	Interests of Spouse	Interests of controlled corporation		
Mr. Hoi Wa Fong	Powerlong CM	–	–	45,000,000 (Note 2)	45,000,000	6.99%
Ms. Shih Sze Ni Cecilia	Powerlong CM	–	45,000,000 (Note 3)	–	45,000,000	6.99%

Notes:

- These percentages have been compiled based on the total number of issued shares of Powerlong CM (i.e. 644,000,000 shares) as at 30 June 2021.
- Huihong Management (PTC) Limited (“**Huihong Management**”), the trustee of Huihong Trust, is wholly owned by Mr. Hoi Wa Fong. Pursuant to the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares of Powerlong CM held by Huihong Management.
- Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong. Pursuant to the SFO, Ms. Shih Sze Ni Cecilia is deemed to be interested in the same number of shares of Powerlong CM in which Mr. Hoi Wa Fong is interested.

Save as disclosed above, as at 30 June 2021, none of the Directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2021, the interests or short positions of the persons or corporations, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares (Note 1)	Approximate percentage of interests in the Company (Note 2)
Skylong Holdings Limited (Note 3)	Beneficial owner	1,805,637,000	43.59%
Credit Suisse Trust Limited (Note 4)	Trustee	596,018,000	14.39%
Sky Infinity Family Limited (Note 4)	Interest in controlled corporation	596,018,000	14.39%
Sky Infinity Holdings Limited (Note 4)	Beneficial owner	596,018,000	14.39%
Wason Holdings Limited	Beneficial owner	245,421,000	5.92%

Disclosure of Interests

Notes:

1. All the interests represent long positions.
2. These percentages have been compiled based on the total number of issued shares (i.e. 4,142,403,000 shares) as at 30 June 2021.
3. Skylong Holdings Limited is wholly and beneficially owned by Mr. Hoi Kin Hong.
4. Sky Infinity Holdings Limited is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited, respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of The Sky Infinity Trust.

Save as disclosed above, as at 30 June 2021, the Directors are not aware of any other person or corporation, other than a Director or chief executive of the Company, who had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Corporate Governance

The Company focuses on maintaining high standard of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more values for its Shareholders. The Board continuously reviews and improves the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

COMPLIANCE WITH THE CG CODE

During the six months ended 30 June 2021, the Company had applied the principles and complied with all applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made of all Directors and all Directors have confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2021.

To comply with code provision A.6.4 of the CG Code, relevant employees (as defined in the Listing Rules) of the Group, who are likely to be in possession of unpublished inside information of the Group or its securities due to their offices or employment, are also subject to compliance with written guidelines no less exacting than the Model Code.

During the six months ended 30 June 2021, no incident of non-compliance with the Model Code and the written guidelines by the Directors and the relevant employees was noted by the Company.

AUDIT COMMITTEE

The Company has established an audit committee (“**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules to, amongst others, review the Group’s financial information and oversee the Group’s financial reporting system, risk management and internal control procedures. The Audit Committee also assists the Board and its chairman in performing the corporate governance functions of the Company.

The Audit Committee comprises three members who are the independent non-executive Directors, namely Dr. Ngai Wai Fung, Dr. Mei Jian Ping and Dr. Ding Zu Yu. The chairman of the Audit Committee, Dr. Ngai Wai Fung, possesses appropriate professional qualifications, accounting and related financial management expertise.

The Audit Committee has reviewed the interim report for the six months ended 30 June 2021 in conjunction with the Company’s management and external auditor. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

Corporate Governance

ANNUAL GENERAL MEETING

The chairman of the Board, most of the Directors, the respective chairman of the Audit Committee, the remuneration committee and nomination committee of the Company and the external auditor were present at the annual general meeting of the Company held on 11 June 2021.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Facility Agreement dated 18 April 2018

On 18 April 2018, the Company as borrower and Tai Fung Bank Limited as lender entered into a facility agreement (the **"April 2018 Facility Agreement"**) in relation to a 3-year term loan facility amounting to HK\$200,000,000 (the **"April 2018 Facility"**). Pursuant to the April 2018 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, to (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40% of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the April 2018 Facility are set out in the announcement of the Company dated 18 April 2018. On 19 April 2021, the April 2018 Facility, including all accrued interests, was fully settled.

Facility Agreement dated 5 July 2018

On 5 July 2018, the Company as borrower, HSBC as the mandated lead arranger, the bookrunner and the agent, The Bank of East Asia Limited and Tai Fung Bank Limited each as the mandated lead arranger entered into a facility agreement (the **"July 2018 Facility Agreement"**) in relation to a 42-month term loan facility in an amount up to US\$305,000,000 (which includes an accordion feature) or the equivalent amount in other currencies (the **"July 2018 Facility"**). Pursuant to the July 2018 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40% of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the July 2018 Facility Agreement are set out in the announcement of the Company dated 5 July 2018.

Facility Agreement dated 8 July 2019

On 8 July 2019, the Company as the borrower entered into a facility agreement with a group of lenders in relation to a 42-month term dual currency dual tranche loan facility in an amount of up to US\$200,000,000 (which includes an accordion feature) (the **"2019 Term Loan Facility"**). Pursuant to the 2019 Term Loan Facility, it is an event of default, among other things, if the Company does not comply with the undertakings to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40% of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the 2019 Term Loan Facility are set out in the announcement of the Company dated 8 July 2019.

Facility Agreement dated 13 May 2020

On 13 May 2020, the Company as the borrower, Industrial and Commercial Bank of China (Macau) Limited (**"ICBC Macau"**) as the arranger, ICBC Macau and the financial institutions set out therein, as the original lenders and ICBC Macau as the agent, and other parties thereto, entered into a facility agreement (the **"May 2020 Facility Agreement"**) in relation to a 42-month term dual currency triple tranche loan facility in an amount of up to US\$200 million equivalent (which includes incremental facilities) (the **"May 2020 Term Loan Facility"**). Pursuant to the May 2020 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 13 May 2020 for further details of the May 2020 Term Loan Facility.

Corporate Governance

Facility Agreement dated 30 June 2020

On 30 June 2020, the Company as the borrower, China CITIC Bank International Limited, The Bank of East Asia, Limited and HSBC as the mandated lead arranger and bookrunner, the financial institutions set out therein, as the original lenders and HSBC as the agent, and other parties thereto, entered into a facility agreement (the “**June 2020 Facility Agreement**”) in relation to a 42-month term dual currency dual tranche loan facility in an amount of up to US\$300 million equivalent (which includes incremental facilities) (the “**June 2020 Term Loan Facility**”). Pursuant to the June 2020 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 30 June 2020 for further details of the June 2020 Term Loan Facility.

Facility Agreement dated 9 July 2021

Pursuant to the July 2021 Facility Agreement as disclosed in this report, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 9 July 2021 for further details of the July 2021 Term Loan Facility.

Facility Agreement dated 9 August 2021

Pursuant to the August 2021 Facility Agreement as disclosed in this report, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 9 August 2021 for further details of the August 2021 Term Loan Facility.

As at the date of this report, for the purpose of Part XV of the SFO, Mr. Hoi Kin Hong and Mr. Hoi Wa Fong in aggregate were interested in approximately 58.96% of the total number of issued shares of the Company.

OTHER CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed above, the Company did not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules during the six months ended 30 June 2021.

UPDATE ON INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the updates on the biographical details of the Directors are as follows:

Dr. Ngai Wai Fung, an independent non-executive Director, ceased to be an independent non-executive director of BBMG Corporation (Stock Code: 2009.HK) since May 2021.

Dr. Ding Zu Yu, an independent non-executive Director, was appointed as an independent non-executive director of SCE Intelligent Commercial Management Holdings Limited (“**SCE CM**”, Stock Code: 606.HK) in June 2021. He also acts as a member of each of the remuneration committee and nomination committee of SCE CM.

Save as disclosed above, the Company is not aware of any other information which is required to be disclosed in this report pursuant to Rule 13.51B(1) of the Listing Rules.

Interim Condensed Consolidated Balance Sheet

		30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property and equipment	6	5,359,652	5,221,769
Investment properties	7	64,808,781	58,243,338
Intangible assets		5,209	5,420
Goodwill		20,640	20,640
Investments accounted for using the equity method	8	8,607,026	7,642,200
Deferred income tax assets		1,008,596	800,680
Financial assets at fair value through profit or loss ("FVPL")		313	313
Financial assets at fair value through other comprehensive income ("FVOCI")		351,944	439,057
Prepayments	9	606,770	1,269,164
		80,768,931	73,642,581
Current assets			
Properties under development	10	61,362,871	48,719,297
Completed properties held for sale	11	17,227,170	14,589,666
Contract assets		540,852	406,338
Trade receivables	12	4,098,217	2,163,838
Other receivables	13	18,443,415	16,027,938
Prepayments	9	6,917,087	10,131,446
Prepaid taxes		1,193,052	865,430
Financial assets at fair value through profit or loss		356,493	308,983
Restricted cash	14	4,006,074	2,937,270
Cash and cash equivalents	15	22,515,199	25,338,726
		136,660,430	121,488,932
Total assets		217,429,361	195,131,513
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	16	36,795	36,795
Other reserves	17	1,738,598	1,582,187
Retained earnings		37,384,761	34,601,884
		39,160,154	36,220,866
Perpetual Capital Instruments	18	500,625	519,781
Non-controlling interests		17,995,228	15,060,519
Total equity		57,656,007	51,801,166

Interim Condensed Consolidated Balance Sheet

		30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	19	50,799,029	45,899,678
Lease liabilities		654,802	675,920
Other payables	21	215,095	182,167
Deferred income tax liabilities		7,715,751	7,242,444
		59,384,677	54,000,209
Current liabilities			
Borrowings	19	20,600,805	20,667,678
Trade and other payables	21	42,652,494	35,229,517
Contract liabilities	20	25,380,718	22,757,332
Current income tax liabilities		11,587,779	10,462,611
Lease liabilities		166,881	213,000
		100,388,677	89,330,138
Total liabilities		159,773,354	143,330,347
Total equity and liabilities		217,429,361	195,131,513

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The Interim financial information on pages 23 to 60 were approved by the Board of Directors of the Company (the "Board") on 18 August 2021 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Interim Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
		2021 Unaudited RMB'000	2020 Unaudited RMB'000
	Note		
Revenue	5	20,730,092	17,169,969
Cost of sales	22	(13,437,686)	(10,807,043)
Gross profit		7,292,406	6,362,926
Fair value gains on investment properties – net	7	1,177,436	1,205,186
Selling and marketing costs	22	(587,589)	(445,561)
Administrative expenses	22	(1,014,039)	(650,818)
Net impairment losses on financial assets		(95,858)	(52,267)
Other income and gains – net		729,561	215,965
Operating profit		7,501,917	6,635,431
Finance costs – net	23	(356,383)	(992,159)
Share of profit of investments accounted for using the equity method	8	598,418	371,683
Profit before income tax		7,743,952	6,014,955
Income tax expense	24	(2,666,858)	(2,520,170)
Profit for the period		5,077,094	3,494,785
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences	17	(1,830)	3,937
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation gains on property and equipment transferred to investment properties	17	–	70,159
Changes in the fair value of financial assets at fair value through other comprehensive income	17	(78,085)	(22,204)
Total other comprehensive income for the period, net of tax		(79,915)	51,892
Total comprehensive income for the period		4,997,179	3,546,677
Profit attributable to:			
Owners of the Company		3,907,789	2,219,545
Holder of Perpetual Capital Instruments	18	18,844	30,323
Non-controlling interests		1,150,461	1,244,917
		5,077,094	3,494,785
Total comprehensive income attributable to:			
Owners of the Company		3,827,874	2,271,437
Holder of Perpetual Capital Instruments	18	18,844	30,323
Non-controlling interests		1,150,461	1,244,917
		4,997,179	3,546,677
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	25		
– Basic		94.3	53.6
– Diluted		94.3	53.6

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium	Other reserves	Retained earnings	Total	Perpetual Capital Instruments	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 16)	(Note 17)			(Note 18)		
Six months ended							
30 June 2021 (Unaudited)							
Balance as at 1 January 2021	36,795	1,582,187	34,601,884	36,220,866	519,781	15,060,519	51,801,166
Comprehensive income:							
Profit for the period	-	-	3,907,789	3,907,789	18,844	1,150,461	5,077,094
Other comprehensive income for the period							
– Changes in fair value of financial assets at fair value through other comprehensive income	-	(78,085)	-	(78,085)	-	-	(78,085)
– Currency translation differences	-	(1,830)	-	(1,830)	-	-	(1,830)
Total comprehensive income for the period	-	(79,915)	3,907,789	3,827,874	18,844	1,150,461	4,997,179
Transactions with owners:							
– Dividends (Note 26)	-	-	(1,124,912)	(1,124,912)	-	(55,698)	(1,180,610)
– Employee share award scheme (Note 17)	-	19,646	-	19,646	-	7,978	27,624
– Capital injection from non-controlling interests (Note 30)	-	-	-	-	-	2,545,698	2,545,698
– Capital withdrawn by non-controlling interests	-	-	-	-	-	(375,000)	(375,000)
– Changes in ownership interests in subsidiaries without change of control	-	216,680	-	216,680	-	(338,730)	(122,050)
– Distribution to holders of Perpetual Capital Instruments (Note 18)	-	-	-	-	(38,000)	-	(38,000)
Total transactions with owners	-	236,326	(1,124,912)	(888,586)	(38,000)	1,784,248	857,662
Balance at 30 June 2021	36,795	1,738,598	37,384,761	39,160,154	500,625	17,995,228	57,656,007

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium	Other reserves	Retained earnings	Total	Perpetual Capital Instruments	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 16)	(Note 17)			(Note 18)		
Six months ended							
30 June 2020 (Unaudited)							
Balance as at 1 January 2020	719,088	1,669,289	29,451,835	31,840,212	820,364	6,246,452	38,907,028
Comprehensive income:							
Profit for the period	–	–	2,219,545	2,219,545	30,323	1,244,917	3,494,785
Other comprehensive income for the period							
– Changes in fair value of financial assets at fair value through other comprehensive income	–	(22,204)	–	(22,204)	–	–	(22,204)
– Transfer from property and equipment to investment properties	–	70,159	–	70,159	–	–	70,159
– Currency translation differences	–	3,937	–	3,937	–	–	3,937
Total comprehensive income for the period	–	51,892	2,219,545	2,271,437	30,323	1,244,917	3,546,677
Transactions with owners:							
– Dividends (Note 26)	(676,749)	–	(497,345)	(1,174,094)	–	(31,326)	(1,205,420)
– Repurchase of share	(5,544)	–	–	(5,544)	–	–	(5,544)
– Capital injection from non-controlling interests	–	133,337	–	133,337	–	398,610	531,947
– Change from joint venture to subsidiary	–	–	–	–	–	165,322	165,322
– Disposal of a subsidiary	–	–	–	–	–	(21,450)	(21,450)
– Changes in ownership interests in subsidiaries without change of control	–	(526,185)	–	(526,185)	–	(298,432)	(824,617)
– Distribution to holders of Perpetual Capital Instruments (Note 18)	–	–	–	–	(49,437)	–	(49,437)
Total transactions with owners	(682,293)	(392,848)	(497,345)	(1,572,486)	(49,437)	212,724	(1,409,199)
Balance at 30 June 2020	36,795	1,328,333	31,174,035	32,539,163	801,250	7,704,093	41,044,506

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June

	Note	2021 Unaudited RMB'000	2020 Unaudited RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations		(1,373,059)	4,243,986
PRC corporate income tax paid		(768,414)	(747,366)
PRC land appreciation tax paid		(716,737)	(572,247)
Interest paid		(2,438,756)	(1,844,580)
Cash (used in)/generated from operating activities – net		(5,296,966)	1,079,793
Cash flows from investing activities			
Cash acquired from change of joint ventures to subsidiaries		–	144,267
Net cash outflow in disposals of subsidiaries		–	(7,447)
Payments for addition of property and equipment		(107,669)	(45,536)
Payments for addition of right-of-use assets		(527,962)	(24,016)
Payments for addition of investment properties		(3,347,605)	(1,020,516)
Proceeds from disposal of property and equipment		4,167	4,987
Purchases of financial assets at fair value through profit or loss		(51,000)	(88,501)
Purchase of financial assets at fair value through other comprehensive income		(15,300)	–
Proceeds from disposal of joint ventures and associates		62,304	–
Dividend received from a joint venture		96,852	–
Investments in joint ventures and associates		(962,949)	(210,825)
Cash advances made to joint ventures, associates and non-controlling interests		(7,138,750)	(5,109,035)
Collection of cash advances from joint ventures, associates and non-controlling interests		4,889,985	1,990,482
Interest received		214,747	180,235
Cash used in investing activities – net		(6,883,180)	(4,185,905)
Cash flows from financing activities			
Proceeds from borrowings		20,097,325	14,215,579
Repayments of borrowings		(15,221,250)	(10,820,248)
Restricted cash released from/(pledged for) borrowings		56,136	(745,245)
Capital contribution from non-controlling interests		2,545,698	531,947
Cash advances from parties controlled by ultimate controlling shareholder		(779,374)	981,000
Changes in ownership interests in subsidiaries without change of control		(122,050)	(556,381)
Cash advances from joint ventures, associates and non-controlling interests		7,692,220	2,392,121
Repayments of cash advances to joint ventures, associates and non-controlling interests		(4,775,692)	(723,357)
Distribution to the holders of Perpetual Capital Instruments		(38,000)	(49,437)
Repurchase of shares		–	(5,544)
Principal elements of lease payments		(87,679)	(84,430)
Cash generated from financing activities – net		9,367,334	5,136,005
Net (decrease)/increase in cash and cash equivalents		(2,812,812)	2,029,893
Cash and cash equivalents at beginning of the period	15	25,338,726	20,305,545
Effect of foreign exchange rate changes		(10,715)	70,049
Cash and cash equivalents at end of the period	15	22,515,199	22,405,487

The above interim condensed consolidated statement of cash flow should be read in conjunction with the accompanying notes.

Notes to the Interim Financial Information

1 GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 18 July 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Uglad House, Grand Cayman, KY1-1104, Cayman Islands. The Company’s principal activity is investment holding. The Company and its subsidiaries (together, the “Group”) is principally engaged in property development, property investment, provision of commercial operational services, provision of residential property management services, and other property development related services in the People’s Republic of China (the “PRC”).

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 14 October 2009.

This interim financial information for the six months ended 30 June 2021 has been approved for issue by the Board on 18 August 2021.

The interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

(a) Amended standards adopted by the Group

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

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

Notes to the Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

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

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

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

3 ESTIMATES

The preparation of the 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 the 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 annual financial statements for the year ended 31 December 2020, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

Notes to the Interim Financial Information

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The 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.

There have been no changes in the risk management department or in any risk management policies since year end.

4.2 Fair value estimation

The different levels of fair value estimation have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 30 June 2021 and 31 December 2020:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2021 (Unaudited)				
Financial assets:				
– FVPL	42,825	262,668	51,313	356,806
– FVOCI	–	–	351,944	351,944
Total	42,825	262,668	403,257	708,750
At 31 December 2020 (Audited)				
Financial assets:				
– FVPL	46,396	262,587	313	309,296
– FVOCI	–	–	439,057	439,057
Total	46,396	262,587	439,370	748,353

There were no transfers between levels during the period. There was no significant financial liabilities measured at fair value as at 30 June 2021 (31 December 2020: nil).

Notes to the Interim Financial Information

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Fair value estimation (continued)

Fair value of financial assets and liabilities measured at amortised cost:

The fair value of public traded senior notes, corporate bonds, Commercial Mortgage Backed Securities (“CMBS”) and Assets-backed Securities (“ABS”) which is within level 1 of the fair value hierarchy, are as follows:

	30 June 2021		31 December 2020	
	Carrying amount Unaudited RMB'000	Fair Value Unaudited RMB'000	Carrying amount Audited RMB'000	Fair Value Audited RMB'000
Senior notes	13,256,037	13,689,368	12,924,867	13,458,548
Corporate bonds	6,976,618	6,975,080	6,031,583	6,221,965
CMBS	2,353,351	2,350,000	2,341,364	2,350,000
ABS	1,272,506	1,280,000	1,269,231	1,280,000
	23,858,512	24,294,448	22,567,045	23,310,513

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Current borrowings and non-current borrowings except for public senior notes, public corporate bonds, CMBS and ABS
- Trade and other payables

5 SEGMENT INFORMATION

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

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

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

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

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Six months ended 30 June 2021 (Unaudited)						
Gross segment revenue	18,421,460	924,590	1,170,561	475,054	-	20,991,665
Inter-segment revenue	-	(64,705)	(182,746)	(14,122)	-	(261,573)
Revenue	18,421,460	859,885	987,815	460,932	-	20,730,092
Share of post-tax profit/(losses) of joint ventures and associates	597,645	-	823	(50)	-	598,418
Segment results	6,370,469	2,124,778	197,185	(83,091)	-	8,609,341
Fair value losses on FVPL						(3,490)
Unallocated operating costs						(505,516)
Finance costs – net (Note 23)						(356,383)
Profit before income tax						7,743,952
Income tax expense						(2,666,858)
Profit for the period						5,077,094
Depreciation and amortisation recognised as expenses	34,580	-	2,074	107,525	-	144,179
Fair value gains/(losses) on investment properties – net (Note 7)	-	1,211,810	(34,374)	-	-	1,177,436

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

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

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Six months ended 30 June 2020 (Unaudited)						
Gross segment revenue	15,343,046	793,227	868,621	304,610	-	17,309,504
Inter-segment revenue	-	(44,342)	(84,656)	(10,537)	-	(139,535)
Revenue	15,343,046	748,885	783,965	294,073	-	17,169,969
Share of post-tax profit/(losses) of joint ventures and associates	373,436	-	(1,481)	(272)	-	371,683
Segment results	5,636,834	1,705,065	182,906	(88,398)	-	7,436,407
Unallocated operating costs						(645,258)
Other income and gains – net						215,965
Finance costs – net (Note 23)						(992,159)
Profit before income tax						6,014,955
Income tax expense						(2,520,170)
Profit for the period						3,494,785
Depreciation recognised as expenses (Note 6)	53,179	-	2,811	91,586	-	147,576
Fair value gains/(losses) on investment properties – net (Note 7)	-	1,265,733	(60,547)	-	-	1,205,186

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

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

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

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

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

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

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

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

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

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

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment (Note 6) and investment properties (Note 7).

Notes to the Interim Financial Information

6 PROPERTY AND EQUIPMENT

	Property and equipment RMB'000	Right-of- use assets RMB'000	Total RMB'000
Six months ended 30 June 2021 (Unaudited)			
Opening net book amount as at 1 January 2021	3,699,797	1,521,972	5,221,769
Additions	150,750	132,748	283,498
Disposals	(1,716)	–	(1,716)
Depreciation charges	(119,467)	(24,432)	(143,899)
Closing net book amount as at 30 June 2021	3,729,364	1,630,288	5,359,652
Six months ended 30 June 2020 (Unaudited)			
Opening net book amount as at 1 January 2020	3,784,753	1,440,377	5,225,130
Additions	173,347	40,270	213,617
Transfer to investment properties	(48,176)	(26,543)	(74,719)
Consolidations of entity previously held as joint venture	33	–	33
Disposals	(2,980)	–	(2,980)
Disposals of subsidiaries	(591)	–	(591)
Depreciation charges	(123,410)	(24,166)	(147,576)
Closing net book amount as at 30 June 2020	3,782,976	1,429,938	5,212,914

As at 30 June 2021, properties and equipment with a net book amount of RMB2,288,169,000 (31 December 2020: RMB2,266,167,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2021 was 6.43% (six months ended 30 June 2020: 6.22%).

Right-of-use assets mainly comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

Notes to the Interim Financial Information

7 INVESTMENT PROPERTIES

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

Investment properties as at 30 June 2021 and 31 December 2020 are held in the PRC on leases between 10 to 50 years.

The capitalisation rate of borrowings for the six months ended 30 June 2021 was 6.43% (six months ended 30 June 2020: 6.22%).

As at 30 June 2021, investment properties of RMB38,514,346,000 (31 December 2020: RMB31,334,947,000) were pledged as collateral for the Group's borrowings (Note 19).

(i) Valuation processes of the Group

The Group's certain investment properties were valued at 30 June 2021 by an independent valuer. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

Notes to the Interim Financial Information

7 INVESTMENT PROPERTIES (continued)

(ii) Valuation techniques

The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Completed investment properties comprise commercial properties and car parks. For commercial properties, fair values are generally derived using the term and reversion method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversion yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversion yields are derived from analysing prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. For car parks, valuations are determined using the direct comparison methods. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, locations, etc.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

Fair values of the right-of-use assets of commercial properties held under leases are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There were no changes to the valuation techniques during the period.

Notes to the Interim Financial Information

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

There was no associate nor joint venture of the Group as at 30 June 2021 which, in the opinion of the executive directors, was material to the Group. For those individually immaterial associates and joint ventures that are accounted for using the equity method, amounts recognised in the interim condensed consolidated balance sheet and the interim condensed consolidated statement of comprehensive income are set out as below:

Amounts recognised in the interim condensed consolidated balance sheet

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Investments accounted for using the equity method:		
– Joint ventures	4,335,627	4,306,591
– Associates	4,271,399	3,335,609
	8,607,026	7,642,200

Amounts recognised in the interim condensed consolidated statement of comprehensive income

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
Share of profits/(losses) of associates and joint ventures accounted for using the equity method:		
– Joint ventures	165,168	386,512
– Associates	433,250	(14,829)
	598,418	371,683

Notes to the Interim Financial Information

9 PREPAYMENTS

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Acquisition of land use rights (Note (a))	7,069,830	10,995,180
Others	454,027	405,430
	7,523,857	11,400,610
Less: non-current portion		
Prepayments for acquisition of land use right	(606,770)	(1,269,164)
	6,917,087	10,131,446

- (a) Payments on land acquisitions were made in accordance with the payment terms as stipulated in the land acquisition contracts. The relevant land use rights certificates have not been obtained as at 30 June 2021. The land acquisition costs which are contracted but not provided for are included in commitments (Note 28 (a)).

10 PROPERTIES UNDER DEVELOPMENT

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	9,381,350	10,634,408
– Interests capitalised	4,775,335	4,814,063
– Land use rights	47,206,186	33,270,826
	61,362,871	48,719,297

The properties under development are all located in the PRC and expected to be completed within an operating cycle. The amounts of RMB41,797,476,620 as at 30 June 2021 (31 December 2020: RMB27,516,461,000) within normal operating cycle were expected to be completed and delivered beyond one year. The relevant land use rights in the PRC are on leases of 40 to 70 years.

As at 30 June 2021, properties under development of approximately RMB32,819,253,000 (31 December 2020: RMB28,307,574,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2021 was 6.43% (six months ended 30 June 2020: 6.22%).

Notes to the Interim Financial Information

11 COMPLETED PROPERTIES HELD FOR SALE

The completed properties held for sale are all located in the PRC.

As at 30 June 2021, completed properties held for sale of approximately RMB6,065,707,000 (31 December 2020: RMB6,189,199,000) were pledged as collateral for the Group's borrowings (Note 19).

12 TRADE RECEIVABLES

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade receivables (Note (a))	4,262,519	2,259,611
– Third parties	4,163,156	2,218,069
– Related parties (Note 29(d))	99,363	41,542
Less: loss allowance (Note (b))	(164,302)	(95,773)
	4,098,217	2,163,838

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

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

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

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2021, a provision of RMB164,302,000 was made for trade receivables (31 December 2020: RMB95,773,000).
- (c) The maximum exposure to credit risk of the trade receivables at each balance sheet date was the carrying value of each class of receivables. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.
- (d) The Group's trade receivables are mainly denominated in RMB.

Notes to the Interim Financial Information

13 OTHER RECEIVABLES

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Deposits for acquisition of land use rights	483,059	363,435
Other receivables	18,082,050	15,758,805
– Related parties (Note 29(d))	9,156,821	7,211,693
– Non-controlling interests	5,606,142	5,302,505
– Amounts due from third parties	3,319,087	3,244,607
Less: loss allowance	(121,694)	(94,302)
	18,443,415	16,027,938

The Group's other receivables are mainly denominated in RMB.

Included in other receivables from related parties, there are amounts due from the joint ventures of approximately RMB1,164,942,000 (31 December 2020: RMB1,829,022,000) which bear interest at average rate of 7.42% per annum (31 December 2020: 7.34% per annum) and due for repayment within one year.

Other receivables from non-controlling interests are unsecured, interest free and repayable on demand.

Other receivables from third parties mainly consist of deposits for construction projects.

As at 30 June 2021 and 31 December 2020, the fair value of other receivables approximated their carrying amounts. The maximum exposure to credit risk of the other receivables at the reporting date was the carrying value of each class of receivables.

Notes to the Interim Financial Information

14 RESTRICTED CASH

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Guarantee deposits for construction projects (Note (a))	2,330,579	1,335,299
Guarantee deposits for bank borrowings (Note (b))	1,448,654	1,504,790
Others	226,841	97,181
	4,006,074	2,937,270
Denominated in:		
– RMB	4,006,074	2,853,106
– HK\$	–	84,164
	4,006,074	2,937,270

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for construction of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of construction of the related pre-sold properties.
- (b) As at 30 June 2021, the Group placed cash deposits of approximately RMB1,448,654,000 (31 December 2020: RMB1,504,790,000) with designated banks as security for bank borrowings (Note 19).

The conversion of RMB denominated 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.

Notes to the Interim Financial Information

15 CASH AND CASH EQUIVALENTS

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Cash at bank and in hand:		
– Denominated in RMB	21,848,692	24,048,516
– Denominated in US\$	272,468	884,331
– Denominated in HK\$	394,039	405,879
	22,515,199	25,338,726

The conversion of RMB denominated 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.

16 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorised:				
At 1 January 2021 and 30 June 2021	30,000,000,000			
Issued and fully paid:				
Six months ended 30 June 2021 (Unaudited)				
As at 1 January 2021 and 30 June 2021	4,142,403,000	36,795	–	36,795
Six months ended 30 June 2020 (Unaudited)				
As at 1 January 2020	4,143,903,000	36,809	682,279	719,088
Repurchase of share	(1,500,000)	(14)	(5,530)	(5,544)
Dividends	–	–	(676,749)	(676,749)
As at 30 June 2020	4,142,403,000	36,795	–	36,795

Notes to the Interim Financial Information

17 OTHER RESERVES

	Merger reserve RMB'000 (Note (a))	Other reserves RMB'000	Statutory reserves RMB'000 (Note (b))	Share-based compensation reserves RMB'000 (Note (d))	Revaluation reserves RMB'000 (Note (c))	Capital injection by non- controlling interests RMB'000	Transaction with non- controlling interests RMB'000	Total RMB'000
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Six months ended

30 June 2021 (Unaudited)

At 1 January 2021	337,203	(12,470)	128,477	13,097	407,850	1,224,449	(516,419)	1,582,187
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	216,680	216,680
Employee share award scheme	-	-	-	19,646	-	-	-	19,646
Changes in the value of financial assets at fair value through other comprehensive income	-	-	-	-	(78,085)	-	-	(78,085)
Currency translation differences	-	(1,830)	-	-	-	-	-	(1,830)
At 30 June 2021	337,203	(14,300)	128,477	32,743	329,765	1,224,449	(299,739)	1,738,598

Six months ended 30 June 2020
(Unaudited)

At 1 January 2020	337,203	3,557	127,290	-	272,959	926,674	1,606	1,669,289
Capital injection from non-controlling interests	-	-	-	-	-	133,337	-	133,337
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	(526,185)	(526,185)
Revaluation-net of tax	-	-	-	-	47,955	-	-	47,955
Currency translation differences	-	3,937	-	-	-	-	-	3,937
At 30 June 2020	337,203	7,494	127,290	-	320,914	1,060,011	(524,579)	1,328,333

(a) Merger reserve

Merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation.

(b) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to equity owners in form of bonus issue.

Notes to the Interim Financial Information

17 OTHER RESERVES (continued)

(c) Revaluation reserves

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
<i>Items that will not be reclassified to profit or loss:</i>		
Revaluation gains on property and equipment transferred to investment properties	–	93,545
Fair value losses on FVOCI – gross	(104,113)	(29,605)
Tax charge – deferred income tax	26,028	(15,985)
Total other comprehensive income – net of tax	(78,085)	47,955

(d) Employee share award scheme

On 24 November 2020, Powerlong Commercial Management Holding Limited (“Powerlong CM”), a subsidiary of the Group and listed on the Stock Exchange on 30 December 2019, granted 11,250,000 awarded shares under share award scheme to Mr. Chen Deli, the executive Director and the chief executive officer of Powerlong CM. The awarded shares will be transferred to Mr. Chen Deli after the relevant vesting conditions are fulfilled.

18 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Six months ended 30 June 2021 (Unaudited)			
Balance as at 1 January 2021	500,000	19,781	519,781
Profit attributable to holders of Perpetual Capital Instruments	–	18,844	18,844
Distribution to holders of Perpetual Capital Instruments	–	(38,000)	(38,000)
Balance as at 30 June 2021	500,000	625	500,625
Six months ended 30 June 2020 (Unaudited)			
Balance as at 1 January 2020	800,000	20,364	820,364
Profit attributable to holders of Perpetual Capital Instruments	–	30,323	30,323
Distribution to holders of Perpetual Capital Instruments	–	(49,437)	(49,437)
Balance as at 30 June 2020	800,000	1,250	801,250

Perpetual Capital Instruments do not have a maturity date and the distribution payments can be deferred at the discretion of the Group. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded as part of equity in the consolidated balance sheet.

Notes to the Interim Financial Information

19 BORROWINGS

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

Notes to the Interim Financial Information

19 BORROWINGS (continued)

(a) Senior Notes

As at 30 June 2021, senior notes of RMB11,970,563,000 (31 December 2020: RMB12,924,867,000) was listed on the Singapore Exchange Securities Trading Limited which contain various early redemption options. The options are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options was insignificant as at 30 June 2021 and 31 December 2020.

The Group's senior notes are guaranteed and secured by pledges of certain subsidiaries and non-PRC joint ventures.

(b) Corporate bonds

As at 30 June 2021, corporate bonds of RMB11,083,645,000 (31 December 2020: RMB10,030,811,000) are with the issuer's option to raise the coupon rate and the investor's option to sell back the bonds at the end of the second, third, fourth or fifth years. The options embedded in the corporate bonds are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above options was insignificant as at 30 June 2021 and 31 December 2020.

(c) Commercial mortgage backed securities

Certain PRC subsidiaries of the Company engaged in commercial property operation have entered into CMBS arrangement with a PRC assets management company by pledge of the commercial properties of these subsidiaries and the right of receipt of rental income derived from these commercial properties for certain years.

On 6 September 2019, the CMBS was established with an aggregate nominal value of RMB900,000,000, with an 18-year maturity, amongst which RMB50,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from CMBS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB842,985,000.

On 30 October 2020, another CMBS was established with an aggregate nominal value of RMB1,503,000,000, with an 18-year maturity, amongst which RMB3,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from CMBS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB1,493,212,000.

(d) Assets-backed securities

Certain PRC subsidiaries of the Company engaged in property development have entered into ABS arrangement with a PRC assets management company by pledging the trade receivables from sales of properties. On 29 July 2020, the ABS was established with an aggregate nominal value of RMB1,360,000,000, with a 2-year maturity, amongst which RMB80,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB1,266,513,000.

(e) Bank borrowings

As at 30 June 2021, borrowings of RMB37,983,902,000 (31 December 2020: RMB35,203,876,000) were secured by certain property and equipment (Note 6), investment properties (Note 7), properties under development (Note 10), completed properties held for sale (Note 11) and restricted cash (Note 14); the secured bank borrowings of RMB7,426,180,000 (31 December 2020: RMB5,612,354,000) were additionally guaranteed by certain related parties (Note 29(b)(iii)).

(f) Other borrowings

As at 30 June 2021, borrowings from other non-bank financial institutions of RMB3,496,150,000 (31 December 2020: RMB1,113,000,000) were secured by certain property and equipment (Note 6), investment properties (Note 7), properties under development (Note 10), completed properties held for sale (Note 11) and pledges of a subsidiary.

Notes to the Interim Financial Information

20 CONTRACT LIABILITIES

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Current contract liabilities		
– Related parties (Note 29(d))	35,095	74,209
– Third parties	25,345,623	22,683,123
	25,380,718	22,757,332

Contract liabilities mainly represent the proceeds received from pre-sales of properties.

- (a) The following table set out the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	11,539,266	10,109,912

- (b) The amount of unsatisfied performance obligation is approximately same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as at 30 June 2021 and 31 December 2020.

Notes to the Interim Financial Information

21 TRADE AND OTHER PAYABLES

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade payables (Note (a))	13,579,902	13,183,955
– Related parties (Note 29(d))	15,535	25,800
– Third parties	12,838,221	12,890,578
– Notes payable – third parties	726,146	267,577
Other payables	23,054,549	17,500,555
– Related parties (Note 29(d))	9,537,818	10,986,310
– Non-controlling interests (Note (b))	7,785,210	3,824,565
– Third parties (Note (c))	5,731,521	2,689,680
Value-added tax received in advance from customers	1,692,581	1,928,838
Dividend payables	1,165,564	148,880
Payables for retention fee	1,353,424	823,415
Interest payable	1,043,247	1,068,161
Other taxes payable	947,573	734,129
Payables for acquisition of land use rights	30,749	23,751
	42,867,589	35,411,684
Less: non-current portion		
Other payables – third parties	(215,095)	(182,167)
Current portion	42,652,494	35,229,517

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

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

Notes to the Interim Financial Information

21 TRADE AND OTHER PAYABLES (continued)

- (b) Amounts included certain cash advances from non-controlling interest of approximately RMB6,518,784,000 (31 December 2020: RMB518,312,000) bearing average interest rate at 6.1% per annum (31 December 2020: 7.9% per annum) and repayable according to respective arrangements. The balances were secured by the Group's shares in the respective partially-owned subsidiaries and the guarantee provided by an intermediate holding company of these subsidiaries.
- (c) Amounts represent mainly cash advances from independent third parties for joint development projects and deposits from property purchasers.
- (d) The Group's trade and other payables are mainly denominated in RMB, except for the dividend payables of RMB1,137,448,000 (31 December 2020: Nil) denominated in HK\$ and the interest payables of RMB21,418,000 (31 December 2020: RMB21,860,000) and RMB220,384,000 (31 December 2020: RMB314,023,000) denominated in HK\$ and US\$ respectively.
- (e) The carrying amounts of trade and other payables approximate their fair values.

22 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
Cost of properties sold (including construction costs, land costs and interests capitalised)	11,907,759	9,563,993
Staff costs and other labour costs (including directors' emoluments)	1,289,458	780,165
Advertising costs	372,982	274,801
Business taxes and other levies	196,681	142,600
Outsourced security, greening and cleaning and maintenance costs	153,148	151,022
Depreciation and amortisation	144,179	147,576
Hotel operating expenses	138,059	98,868
Write-down of completed properties held for sale	114,630	–
Properties taxes	108,617	90,051
Utilities	83,238	87,728
Office related expenses	30,485	30,745
Rental expense	14,740	13,181
Donations	7,290	44,404
Auditor's remuneration	3,500	3,200
Other expenses	474,548	475,088
Total cost of sales, selling and marketing costs and administrative expenses	15,039,314	11,903,422

Notes to the Interim Financial Information

23 FINANCE COSTS – NET

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

24 INCOME TAX EXPENSE

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

Notes to the Interim Financial Information

24 INCOME TAX EXPENSE (continued)

PRC corporate income tax

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

PRC withholding income tax

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

PRC land appreciation tax ("LAT")

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

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

Overseas income tax

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

Hong Kong profits tax

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

Notes to the Interim Financial Information

25 EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

26 DIVIDENDS

On 18 August 2021, the Company declared an interim dividend of HK\$18 cents per ordinary share in form of cash for the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$12 cents per ordinary share). Total amount of interim dividend would be HK\$745,633,000 (equivalent to RMB620,426,000) which was calculated according to the number of ordinary shares in issue as at 30 June 2021. This interim dividend has not been recognised as liabilities in this interim financial information.

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

Notes to the Interim Financial Information

27 FINANCIAL GUARANTEE CONTRACTS

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

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

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying 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 dates of grant of the mortgages. The Directors consider that the likelihood of default in payments by purchasers is 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 the fair value of these financial guarantees is immaterial.

- (b) Amounts represent guarantees provided for the borrowings of the Group's joint ventures and associates. The Directors consider that the fair value of these contracts at the date of inception was minimal, the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

Notes to the Interim Financial Information

28 COMMITMENTS

(a) Commitments for property development expenditures

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
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Contracted but not provided for

- Property development activities
- Acquisition of land use rights

16,421,043	14,102,853
9,902,618	5,954,026
26,323,661	20,056,879

(b) Lease commitments

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

29 RELATED PARTY TRANSACTIONS

(a) Ultimate controlling shareholder and controlling shareholders

Name	Relationship
Mr. Hoi Kin Hong	The ultimate controlling shareholder and also the director of the Company
The Controlling Shareholders, including Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	A close family member of ultimate controlling shareholder, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also the directors of the Company

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

- (i) During the six months ended 30 June 2021 and 2020, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
Nature of transactions		
The Controlling Shareholders		
Loan interests	–	8,816
Companies controlled by the ultimate controlling shareholder		
Rental income	3,211	1,171
Purchase of office equipment and security intelligentisation system services from related parties	57,143	28,419
Hotel accommodation service fee charged by a related party	–	27
Companies significantly influenced by the Controlling Shareholders		
Purchase of digitalisation services	18,450	11,979
Joint ventures and associates		
Sales of construction materials	92,294	31,926
Interest income	54,025	76,810
Consultation services provided	79,648	40,727
Commercial operational services and residential properties management services provided	50,323	36,901

The above transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year.

- (ii) The Group have provided guarantees for borrowings of certain joint ventures and associates of RMB1,275,941,000 as at 30 June 2021 (31 December 2020: RMB1,394,430,000) (Note 27).
- (iii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB7,426,180,000 at 30 June 2021 (31 December 2020: RMB5,612,354,000) (Note 19(e)).
- (iv) Certain bank deposits of the Group of RMB150,000,000 has been pledged for the commercial properties development of its joint ventures (31 December 2020: RMB150,000,000).

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
Key management compensation		
– Salaries and other employee benefits	10,808	10,900
– Pension costs	931	1,064
	11,739	11,964

(d) Balances with related parties

As at 30 June 2021 and 31 December 2020, the Group had the following material balances with related parties:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Amounts due from related parties included in trade receivables (Note (i)):		
Joint ventures	68,019	25,681
Associates	31,344	15,861
	99,363	41,542
Amounts due from related parties included in other receivables (Note (iii)):		
Companies controlled by the ultimate controlling shareholder	21,661	21,376
Joint ventures	6,883,399	4,058,535
Associates	2,251,761	3,131,782
	9,156,821	7,211,693
Amounts due to related parties included in trade payables (Note (ii)):		
Companies controlled by the ultimate controlling shareholder	11,918	16,315
Companies significantly influenced by the Controlling Shareholders	3,321	8,871
Joint ventures	296	614
	15,535	25,800
Amounts due to related parties included in other payables (Note (iii)):		
Companies controlled by the ultimate controlling shareholder	1,530,852	2,310,226
Joint ventures	4,281,991	5,654,953
Associates	3,724,975	3,021,131
	9,537,818	10,986,310

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties (continued)

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Amounts due to related parties included in contract liabilities (Note (iv)):		
The Controlling Shareholders	–	10,966
Joint ventures	15,342	41,073
Associates	19,753	22,170
	35,095	74,209

- (i) Amounts due from joint ventures and associates included in trade receivables are mainly derived from consulting and construction services provided to joint ventures and associates.
- (ii) Amounts due to related parties included in trade payables are mainly derived from purchase of office equipment and security intelligentisation system services, which are unsecured, interest-free and to be settled according to contract terms.
- (iii) Amounts due from/to related parties included in other receivables/payables are cash advances in nature. Apart from amounts due from certain joint ventures are interest-bearing (Note 13), others are unsecured, interest-free and receivable/repayable on demand.
- (iv) Amounts due to related parties included in contract liabilities mainly consist of advances paid for provision of consulting and management services.

30 CAPITAL INJECTION FROM NON-CONTROLLING INTERESTS

During the six months ended 30 June 2021, the Group and certain independent third parties have set up certain companies to develop certain real estate projects which are controlled by the Group, the capital contribution from the non-controlling interest amounted to approximately RMB2,067,148,000.

31 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

- (a) On 26 July 2021, the Company issued 4.00%, 364 days senior notes, with an aggregated principal amount of US\$200,000,000 at 99.66% to the principal amount. The total net proceeds of the notes, after deduction of the issuance costs, amounted to approximately US\$199,324,000 (equivalent to approximately RMB1,290,882,021).
- (b) On 9 July and 9 August 2021, the Company entered into facility agreements in relation to a 42-month term dual currency triple tranche loan facility in an amount of up to US\$200,000,000 and US\$210,000,000 respectively with certain financial institutions.