



中梁控股集团

ZHONGLIANG HOLDINGS GROUP

ZHONGLIANG HOLDINGS GROUP COMPANY LIMITED

中梁控股集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2772)



2019

INTERIM REPORT

CONTENTS

- 02** Corporate Profile
- 03** Corporate Information
- 04** Chairman's Statement
- 07** Management Discussion and Analysis
- 28** Corporate Governance and Other Information
- 33** Report on Review of Interim Financial Information
- 35** Interim Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
- 36** Interim Condensed Consolidated Statements of Financial Position
- 38** Interim Condensed Consolidated Statements of Changes In Equity
- 39** Interim Condensed Consolidated Statements of Cash Flows
- 41** Notes to Interim Condensed Consolidated Financial Information

CORPORATE PROFILE

ABOUT ZHONGLIANG

Zhongliang Holdings Group Company Limited (“**Zhongliang**” or the “**Company**” and together with its subsidiaries, the “**Group**”) was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (Stock Code: 2772.HK) on 16 July 2019 (the “**Listing**”), which marked an important milestone in the development of the Company. Zhongliang is principally engaged in real estate development in the People’s Republic of China (“**PRC**” or “**China**”), headquartered in Shanghai with a national footprint.

The Group strives to develop quality residential properties targeting first-time home purchasers, first-time home upgraders and second-time home upgraders. It is also engaged in the development, operation and management of commercial properties and hold a portion of such commercial properties for future investment purpose. The Group adopts a high-asset turnover development model and standardised real estate development process for developing the projects in the second-, third- and fourth-tier cities. As a result, the Group has well-established the “Zhongliang” brand name nationwide and ranked first among the top ten real estate developers in China in terms of growth rate in 2018 and development potential in 2019, respectively, recognised by China Real Estate Association and E-house China R&D Institute China Real Estate Appraisal Center.

As at 30 June 2019, the Group achieved a nationwide operating coverage and a strong presence in 139 cities in 23 provinces and municipalities across five strategic economic areas, namely, the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Economic Zone and the Pearl River Delta Economic Zone. As at 30 June 2019, the Group had a product portfolio of 385 projects, including 281 projects developed by its subsidiaries and 104 projects developed by its joint ventures and associates, at various development stages. The Group had approximately 42.0 million sq.m. land bank attributable to it, of approximately 36.9 million sq.m. for projects developed by its subsidiaries and 5.1 million sq.m. for projects developed by its joint ventures and associates, respectively.

Looking forward, Zhongliang will continue its expansion strategies nationwide and strives to become a leading comprehensive real estate developer in China.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Jian (*Chairman*)
Mr. Huang Chunlei (*Chief Executive Officer*)
Mr. Xu Liangqiong
Mr. Ling Xinyu

Independent Non-executive Directors

Mr. Wang Kaiguo
Mr. Wu Xiaobo
Mr. Au Yeung Po Fung

AUDIT COMMITTEE

Mr. Au Yeung Po Fung (*Chairman*)
Mr. Wang Kaiguo
Mr. Wu Xiaobo

REMUNERATION COMMITTEE

Mr. Wu Xiaobo (*Chairman*)
Mr. Yang Jian
Mr. Au Yeung Po Fung

NOMINATION COMMITTEE

Mr. Yang Jian (*Chairman*)
Mr. Wang Kaiguo
Mr. Wu Xiaobo

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

COMPANY SECRETARY

Mr. Yeung Tak Yip

AUTHORISED REPRESENTATIVES

Mr. Xu Liangqiong
Mr. Yeung Tak Yip

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

REGISTERED OFFICE

Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

HEADQUARTERS IN THE PRC

20/F, No.3 Shanghai Convention & Exhibition Center of
International Sourcing
235 Yunling East Road
Putuo District, Shanghai
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1506, ICBC Tower
3 Garden Road, Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKS

China Minsheng Bank Corp., Ltd. Wenzhou Branch
Ping An Bank Co., Ltd. Ningbo Branch
China Minsheng Bank Corp., Ltd. Ningbo Branch
China Minsheng Bank Corp., Ltd. Suzhou Branch
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

WEBSITE

www.zldcgroup.com

STOCK CODE

2772

CHAIRMAN'S STATEMENT

Dear shareholders,

I am hereby pleased to present to you the business review of the Group for the six months ended 30 June 2019 and its outlook for the second half of 2019.

INTERIM DIVIDEND

On 22 August 2019, the board (the “**Board**”) of directors (the “**Directors**”, each the “**Director**”) of the Company resolved to declare the payment of an interim dividend (the “**Interim Dividend**”) of HK15.3 cents per share for the six months ended 30 June 2019, which is equivalent to RMB13.8 cents per share based on the average middle exchange rate of Renminbi (“**RMB**”) against Hong Kong dollars (“**HK\$**”) as announced by the People’s Bank of China for the five business days prior to the date on which the dividend was declared. The dividend payout ratio is 40% of the core net profit excluding changes of fair value of investment properties and financial assets at fair value through profit or loss, foreign exchange gains/losses and listing expenses, net of deferred tax (the “**core net profit**”) attributable to the owners of the Company. Based on the total issued shares of the Company as at 22 August 2019, the interim dividend for the six months ended 30 June 2019 amounted to approximately HK\$548.0 million (approximately RMB492.9 million).

INTERIM RESULTS

For the six months ended 30 June 2019, the Group achieved an aggregate of contracted sales of RMB63,673.0 million, representing an increase of 26.8% as compared to that of RMB50,233.0 million for the corresponding period in 2018. During the period, revenue recognised amounted to RMB20,556.6 million, representing an increase of 111.2% as compared to the corresponding period last year. Gross profit margin for the period decreased to 24.5% by 2.8 percentage points as compared to the corresponding period last year. Net profit attributable to owners of the Company for the period grew to RMB1,204.1 million by 81.8% from that of RMB662.5 million for the corresponding period in 2018. The Group’s core net profit attributable to the owners of the Company for the period grew to RMB1,232.2 million, representing an increase of 88.4% from RMB654.2 million in the corresponding period last year.

REVIEW FOR THE FIRST HALF OF 2019

Market review

In the first half of 2019, the global economic landscape was complicated and volatile. The financial market fluctuated amid the Sino-US trade dispute. Nevertheless, China’s economy remained relatively stable during the period under the support of the government’s stimulus policy. As real estate is an important pillar industry of the economy of China, priority has been given to its stability this year onwards. Although the government implemented both tightened and relaxed policies, the real estate industry developed steadily in general.

To address the industry situation in the first half of 2019, the Group pursued the principles of “facing challenges, optimising the business model, opening up capital markets and maintaining steady growth” since the beginning of the year. As a result, the Group achieved contracted sales of RMB63,673.0 million for the period and was ranked as one of the top 20 national real estate enterprises in China.

During the six months ended 30 June 2019, the Group adhered to the philosophy of brilliant real estate investment and strictly adopted a full-coverage and full-structure development approach. To achieve this, the Group has been improving the management model of its Amoeba Ecosystem by consolidating its organisation, optimising its structure and seeking breakthroughs in innovation in order to strengthen its capability in business management.

CHAIRMAN'S STATEMENT

On 16 July 2019, Zhongliang was successfully listed on the Main Board of the Stock Exchange, marking a key milestone in the development of the Group.

Setting full-coverage and full-structure layout

The Group is strongly committed to setting a full-structure layout and solidifying its national footprint by adopting a two-pronged approach of vertical and horizontal development at the core of lands in the PRC. During the first half of 2019, the Group acquired 70 new projects, with an average cost of land parcel acquired of RMB3,934 per sq.m. Most of them were acquired through bidding, auction and listing in the open market. The aggregate land consideration attributable to the Group for the period was RMB25.2 billion. During the six months ended 30 June 2019, the Group entered into 18 new cities in China. As at 30 June 2019, the Group had a presence in a total of 23 provinces and 139 cities. These land-banking efforts demonstrate that the Group has made a further step towards a full-structure layout across China in the first half of 2019.

Optimising financial structure and enhancing financing capability

Since the second quarter of 2019, the financing market has tightened up significantly for real estate developers in China with more restriction in their financing channels. As always, maintaining a sound financial position serves an objective of development of the Group. On 16 July 2019, Zhongliang was officially listed on the Main Board of the Stock Exchange, raising proceeds of HK\$3.2 billion including the exercise of the over-allotment options. This signifies that the Group has successfully kicked off a new journey by entering into the international funding market, and will enhance its financing capability in a steady manner.

On 8 August 2019, the Company was assigned a credit rating of B+ with a stable outlook by Fitch Ratings, a credit rating of B1 with a stable outlook by Moody's Investors Service, and a credit rating of B+ with a stable outlook by S&P Global Ratings.

The Group has achieved significant improvement in terms of its key financial ratios. Specifically, the Group's total equity increased from RMB6,754.2 million as at 31 December 2018 to RMB9,387.6 million as at 30 June 2019 primarily due to the profits generated by the Group during the period, resulting in the improvement in net gearing ratio from 58.1% as at 31 December 2018 to 43.5% as at 30 June 2019, which fell to the lower end of the industry range as compared to other real estate enterprises with a market capitalisation of hundreds of billions.

Upholding people-oriented principle and continuously optimising organisational structure

The Group regards its people as its most valuable assets. Also, to achieve high-quality business growth, the Group endeavours to optimise its organisational structure. In particular, the Group provides continuous staff training with an attempt to give support to high-calibre staff members by organising talent training programs such as new blood training program, as well as to better manage and foster its key staff members. In addition, the Group will engage a third-party consulting agency to help further enhance and deepen the job scope of all organisational levels, optimise the accountability system, appropriately delegate authority and increase the operating flexibility.

CHAIRMAN'S STATEMENT

OUTLOOK FOR THE SECOND HALF OF 2019

Looking forward to the second half of 2019, the implementation of the real estate policy on a city-by-city basis is turning the market into segregation. As the existing restriction to real estate financing channels is expected to remain in force for a period of time, challenges will continue to persist in the real estate industry. On the fundamental of maintaining stability, the Group will adhere to its robust operation approach and continue to seek for decent growth with quality and low risk exposure.

Being one of the top 20 national leading real estate developers in China, Zhongliang has land bank nationwide and adopts a business strategy which ensures high operation efficiency. Despite the current challenging real estate market environment, the Group remains confident of keeping a sizable growth. In the second half of 2019, the Group will strive to make a breakthrough in structure, optimise the organisation, and manage its risk exposure by taking practical and effective measures. The Group will also enhance its operation with emphasis on full-cycle orientation, full-structure layout and full-structure business model.

As for the sales performance, the Group will take active steps to boost sales in order to deliver better sales results in the second half of the year. In 2019, the Group aims to reach an annual contracted sales target of RMB130 billion. Meanwhile, the Group will continue to strengthen cash flow management by focusing on the cash collection and maintaining adequate liquidity, so as to get well-prepared for any potential volatility in the market.

The Group will optimise its capital structure by exploring different financing channels in an active manner, such that it will be able to grasp and capture the opportunities for development.

APPRECIATION

Lastly, on behalf of my fellow members of the Board, I would like to express my sincere gratitude to all shareholders for their support to the Company, and to my colleagues at all levels for their dedication and hard work. The Group will remain focused on its mission of "creating value together to enjoy the bloom of every season". In the course of creating value together, the Group will observe the rules, embrace any changes, consolidate its resources and achieve its goals with wholehearted passion and positive energy.

Yang Jian

Chairman

Hong Kong, 22 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE HIGHLIGHTS

	For the six months ended		Change in percentage
	30 June 2019	2018	
Contracted sales ^(Note 1)			
Contracted sales (RMB'000) ^(Note 1)	63,672,966	50,233,005	+26.8%
Contracted gross floor area ("GFA") sold (sq.m.)	6,026,924	4,682,593	+28.7%
Contracted average selling price ("ASP") (RMB/sq.m.)	10,565	10,728	-1.5%
Selected financial information			
Revenue (RMB'000)	20,556,565	9,731,168	+111.2%
Gross profit (RMB'000)	5,034,506	2,660,306	+89.2%
Profit for the period attributable to owners of the Company (RMB'000)	1,204,108	662,461	+81.8%
Core net profit attributable to the owners of the Company (RMB'000) ^(Note 2)	1,232,223	654,204	+88.4%
Gross profit margin (%) ^(Note 3)	24.5	27.3	
Core net profit margin (%) ^(Note 4)	6.0	6.7	
Earnings per share (basic) (RMB cents)	40	22	
Core earnings per share (basic) (RMB cents)	41	22	
	As at	As at	
	30 June	31 December	Change in
	2019	2018	percentage
Total assets (RMB'000)	197,690,558	168,074,616	+17.6%
Bank balances and cash (RMB'000) ^(Note 5)	24,721,435	23,080,364	+7.1%
Total indebtedness (RMB'000) ^(Note 6)	28,802,200	27,004,917	+6.7%
Total equity (RMB'000)	9,387,589	6,754,232	+39.0%
Equity attributable to owners of the Company (RMB'000)	3,873,416	2,578,676	+50.2%
Net gearing ratio (%) ^(Note 7)	43.5	58.1	
Weighted average cost of indebtedness (%) ^(Note 8)	10.0	9.9	

Notes:

- (1) Contracted sales include contracted sales by the Group's subsidiaries, joint ventures and associated companies. Contracted sales data is unaudited and is based on internal information of the Group. Contracted sales data may be subject to various uncertainties during the process of collating such sales information and is provided for investors' reference only.
- (2) Core net profit represents the net profit excluding changes of fair value of investment properties and financial assets at fair value through profit or loss, foreign exchange gains/losses and listing expenses, net of deferred tax.
- (3) The calculation of gross profit margin is based on gross profit for the period divided by revenue for the period and multiplied by 100%.
- (4) The calculation of core net profit margin is based on core net profit attributable to the owners of the Company for the period divided by revenue for the period and multiplied by 100%.

MANAGEMENT DISCUSSION AND ANALYSIS

- (5) Bank balances and cash comprises restricted cash, pledged deposits and cash and cash equivalents.
- (6) Total indebtedness represents total interest-bearing bank and other borrowings.
- (7) The calculation of net gearing ratio is based on total indebtedness less bank balances and cash divided by total equity at the end of the period and multiplied by 100%.
- (8) Weighted average cost of indebtedness is the weighted average of interest costs of all indebtedness outstanding as at the end of each financial period.

SUMMARY OF PROPERTY DEVELOPMENT

Contracted sales

During the six months ended 30 June 2019, the Group achieved contracted sales of RMB63,673.0 million, of which RMB40,319.1 million was contributed by its subsidiaries and RMB23,353.9 million was contributed by its joint ventures and associates. The Group's contracted sales increased by approximately 26.8% from RMB50,233.0 million for the six months ended 30 June 2018 to RMB63,673.0 million for the six months ended 30 June 2019, which was primarily due to the Group's abundant and diversified saleable resources across different regions, in particular in the Pearl River Delta Economic Zone, Pan-Bohai Economic Rim and Midwest China Economic Region. Contracted sales is defined as the total contractual value of properties that are contracted for pre-sale and sale in a given period, which is not equivalent to the revenue in the relevant period and shall not be deemed as an indication for the revenue to be recognised in any future period.

The following table sets forth a summary of the contracted sales by city for the six months ended 30 June 2019:

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Wenzhou	5,830,049	9.2	386,521	15,083
Taizhou	3,843,819	6.1	210,891	18,227
Jinhua	3,842,511	6.0	272,945	14,078
Lishui	3,385,653	5.3	185,689	18,233
Hangzhou	2,708,564	4.3	139,924	19,357
Chongqing	1,897,309	3.0	254,689	7,450
Xuzhou	1,832,679	2.9	214,580	8,541
Quanzhou	1,651,052	2.6	262,895	6,280
Wuxi	1,506,828	2.4	118,440	12,722
Hefei	1,417,198	2.2	124,063	11,423
Sanming	1,390,621	2.2	168,858	8,235
Huzhou	1,307,991	2.1	88,371	14,801
Ningbo	1,278,302	2.0	130,912	9,765
Ningde	1,014,063	1.6	82,922	12,229
Shangrao	971,826	1.5	66,843	14,539
Wuhu	961,118	1.5	126,577	7,593
Changzhou	940,793	1.5	88,784	10,596
Kunming	898,815	1.4	100,038	8,985

MANAGEMENT DISCUSSION AND ANALYSIS

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Nantong	867,322	1.4	83,171	10,428
Zibo	819,408	1.3	86,255	9,500
Anqing	811,552	1.3	71,124	11,410
Yiyang	806,477	1.3	96,084	8,393
Ganzhou	785,707	1.2	104,455	7,522
Laiwu	777,350	1.2	104,899	7,410
Xuchang	743,512	1.2	69,053	10,767
Zhangzhou	709,389	1.1	44,629	15,895
Zhoushan	690,068	1.1	65,117	10,597
Zhaotong	629,239	1.0	80,737	7,794
Baotou	602,099	0.9	70,921	8,490
Baoshan	574,788	0.9	85,710	6,706
Guigang	557,638	0.9	74,684	7,467
Dali	547,917	0.9	40,616	13,490
Ezhou	466,686	0.7	60,041	7,773
Dezhou	451,317	0.7	41,975	10,752
Lianyungang	446,949	0.7	58,116	7,691
Shangqiu	438,457	0.7	68,378	6,412
Yantai	417,168	0.7	39,960	10,440
Yinchuan	411,378	0.6	40,873	10,065
Fuzhou	409,128	0.6	41,360	9,892
Qingdao	408,234	0.6	43,891	9,301
Linfen	405,266	0.6	30,716	13,194
Bozhou	400,399	0.6	52,153	7,677
Maoming	395,274	0.6	38,992	10,137
Ji'an	373,837	0.6	43,791	8,537
Ankang	372,841	0.6	55,453	6,724
Shenyang	372,670	0.6	35,911	10,378
Xinyang	370,238	0.6	45,100	8,209
Linyi	368,492	0.6	20,045	18,383
Liuzhou	366,073	0.6	37,374	9,795
Yancheng	358,642	0.6	41,848	8,570

MANAGEMENT DISCUSSION AND ANALYSIS

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Jiaxing	347,291	0.5	19,080	18,202
Changsha	318,805	0.5	45,572	6,996
Zhuzhou	316,646	0.5	31,472	10,061
Shaoyang	309,273	0.5	58,486	5,288
Mianyang	304,749	0.5	43,159	7,061
Jining	302,741	0.5	42,572	7,111
Nanchong	301,407	0.5	32,488	9,277
Liaocheng	297,497	0.5	27,368	10,870
Quzhou	287,651	0.5	14,122	20,369
Lu'an	266,947	0.4	32,645	8,177
Changde	265,895	0.4	47,155	5,639
Yangzhou	264,713	0.4	26,109	10,139
Suqian	257,231	0.4	30,405	8,460
Pingdingshan	253,054	0.4	25,036	10,108
Enshi	237,040	0.4	25,152	9,424
Huaibei	222,619	0.3	34,142	6,520
Qinzhou	219,959	0.3	39,180	5,614
Hohhot	214,852	0.3	23,038	9,326
Suizhou	207,533	0.3	24,179	8,583
Pingxiang	195,763	0.3	16,689	11,730
Tongchuan	193,048	0.3	20,953	9,213
Zaozhuang	188,715	0.3	20,322	9,286
Puyang	188,329	0.3	21,715	8,673
Puer	179,576	0.3	14,268	12,586
Taizhou	175,163	0.3	15,757	11,117
Binzhou	174,738	0.3	24,261	7,202
Jiangmen	163,913	0.3	12,484	13,130
Shaoguan	158,455	0.2	22,198	7,138
Chizhou	158,094	0.2	16,431	9,622
Jiyuan	157,827	0.2	6,969	22,647
Dazhou	154,793	0.2	21,466	7,211
Jiaozuo	147,612	0.2	24,697	5,977

MANAGEMENT DISCUSSION AND ANALYSIS

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Tangshan	137,519	0.2	15,828	8,688
Jiujiang	136,105	0.2	14,150	9,619
Foshan	135,828	0.2	15,214	8,928
Pingliang	133,357	0.2	19,805	6,734
Suzhou	128,877	0.2	9,197	14,013
Nanning	127,410	0.2	10,554	12,072
Jieyang	119,167	0.2	12,765	9,335
Shaoxing	113,182	0.2	12,263	9,230
Loudi	108,738	0.2	13,536	8,033
Chifeng	107,413	0.2	13,501	7,956
Zhaoqing	97,584	0.2	15,292	6,381
Bijie	97,492	0.2	15,970	6,105
Meishan	95,514	0.2	10,199	9,365
Suzhou	94,694	0.1	9,063	10,448
Tianshui	92,655	0.1	8,322	11,134
Chaozhou	91,646	0.1	16,228	5,647
Chengdu	90,956	0.1	4,819	18,874
Tongling	89,992	0.1	15,179	5,929
Xuancheng	84,403	0.1	8,490	9,941
Xinyi	62,333	0.1	2,598	23,993
Yueyang	56,264	0.1	6,689	8,411
Yuxi	46,776	0.1	4,595	10,180
Jingdezhen	38,857	0.1	4,548	8,544
Luoyang	38,258	0.1	3,206	11,933
Hengyang	28,155	*	3,901	7,217
Yichang	23,943	*	1,508	15,877
Fuzhou	21,670	*	1,744	12,425
Taian	7,543	*	816	9,244
	63,672,966	100.0	6,026,924	10,565

* Less than 0.1%

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a summary of the contracted sales by region for the six months ended 30 June 2019:

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Yangtze River Delta Economic Region	34,983,627	55.0	2,704,707	12,934
Midwest China Economic Region	15,106,062	23.7	1,832,057	8,245
Pan-Bohai Economic Rim	4,723,392	7.4	504,103	9,370
Western Taiwan Straits Economic Zone	7,698,018	12.1	852,884	9,026
Pearl River Delta Economic Zone	1,161,867	1.8	133,173	8,724
	63,672,966	100.0	6,026,924	10,565

The following table sets forth a summary of the contracted sales by tier of city for the six months ended 30 June 2019:

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Second-tier cities	16,984,017	26.7	1,404,531	12,092
Third-tier cities	37,695,487	59.2	3,586,737	10,510
Fourth-tier cities	8,993,462	14.1	1,035,656	8,684
	63,672,966	100.0	6,026,924	10,565

Completed properties held for sale

Completed properties held for sale represents completed GFA remaining unrecognised at the end of each reporting period and are stated at the lower of cost and net realisable value. Cost of the completed properties held for sale refers to the related costs incurred attributable to the unsold properties.

As at 30 June 2019, the Group had 28 completed property projects and completed properties held for sale of RMB1,436.4 million, representing a decrease of 60.1% from RMB3,596.4 million as at 31 December 2018.

Projects under development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost, which comprises land costs, construction costs, capitalised interests and other costs directly attributable to such properties incurred during the development period, and net realisable value. Upon completion, the properties are transferred to completed properties held for sale.

As at 30 June 2019, the Group had 214 projects under development and properties under development of RMB118,503.1 million, representing an increase of 19.1% from RMB99,481.4 million as at 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Land bank

During the six months ended 30 June 2019, there were a total of 70 newly acquired land parcels with a total planned GFA of approximately 8.1 million sq.m. The average cost of land parcels acquired (excluding carparks) was approximately RMB3,934 per sq.m.. The following table sets forth the details of land parcels the Group acquired during the six months ended 30 June 2019:

City	Project	Intended primary use	The Group's equity interest (%)	Site area (sq.m.)	Planned GFA (excluding carparks) (sq.m.)	Attributable planned GFA (excluding carparks) (sq.m.)	Total consideration (RMB)	Attributable consideration (RMB)	Average land cost (excluding carparks) (RMB/sq.m.)
1	Weifang	Land parcel No.2018-089 in Qingzhou City, Weifang	100	25,651	51,276	51,276	30,781,200	30,781,200	600
2	Jinhua	A parcel of land located at the northeastern side of the intersection of Shangfo Road and Sitong Road in Shangxi Town, Yiwu City	100	24,424	53,733	53,733	220,800,000	220,800,000	4,109
3	Mianyang	Land parcel No.15 located at Ming Yue New City in Jiangyou City	100	63,171	189,513	189,513	151,611,200	151,611,200	800
4	Quanzhou	Land parcel No.06 located at Yuzhou Commercial Area in Nanxing District, Huian City	40	26,195	68,107	27,243	158,000,000	63,200,000	2,320
5	Nanyang	Land parcel No.2018-32 located at the western side of Qifeng Avenue, Fangcheng	100	49,990	124,975	124,975	114,730,000	114,730,000	918
6	Hangzhou	A parcel of residential land located at YH02 southern area of Future Science and Technology City	100	26,094	28,703	28,703	391,090,000	391,090,000	13,625
7	Nanning	Land parcel No.GC2018-137 located at Yongning District, Nanning City	100	25,091	75,272	75,272	205,492,915	205,492,915	2,730
8	Taizhou	Land parcel No.BXE036-0613 located at Yuhuan New City	100	70,000	105,000	105,000	512,000,000	512,000,000	4,876
9	Dalian	Land parcel No.0408 located at Jinzhou Bay of Jinzhou District, Dalian	100	67,287	91,510	91,510	226,200,000	226,200,000	2,472
10	Lu'an	Land parcel No.2019-3 located at the west of Lu'an City	100	58,177	104,719	104,719	164,400,000	164,400,000	1,570
11	Nanchang	A parcel of land with an area of 77.8mu located at the western side of Xuefu Road in the new city district of Anyi County, Nanchang	100	51,893	103,786	103,786	291,300,000	291,300,000	2,807
12	Suqian	Land parcel No. 2018 (Jin) D Suyu 08 in Suqian	100	61,047	152,617	152,617	392,050,766	392,050,766	2,569
13	Changsha	Land parcel No.[2019]001 in Changsha County, Changsha City	100	87,316	165,900	165,900	337,080,000	337,080,000	2,032
14	Tianjin	Land parcel No.2018-017 located at Dazhang Village, Beichen District, Tianjin	60	62,087	103,133	61,880	445,760,000	267,456,000	4,322
15	Tianjin	Land parcel No.2018-018 located at Dazhang Village, Beichen District, Tianjin	60	54,988	89,311	53,587	345,000,000	207,000,000	3,863
16	Suining	A parcel of land with an area of 24mu located at the Jingkai South District, Suining	100	16,006	35,214	35,214	97,480,600	97,480,600	2,768
17	Suzhou	A parcel of land located at the east of Xiangcheng Avenue and the south of Kangyuan Road in Suzhou	100	47,434	104,355	104,355	1,411,900,000	1,411,900,000	13,530
18	Taizhou	A parcel of land located at the southern side of Wangjiang Road in Binjiang New City, Jingjiang	50	73,286	131,915	65,958	598,000,000	299,000,000	4,533
19	Hefei	Land parcel No.CF201901 located at Gangji Village, Changfeng County	100	69,271	124,687	124,687	675,415,000	675,415,000	5,417
20	Xi'an	A project with an area of 153mu located at Liguang Street in Qinhan New City, Xixian New Area	100	102,289	173,892	173,892	610,000,000	610,000,000	3,508

MANAGEMENT DISCUSSION AND ANALYSIS

City	Project	Intended primary use	The Group's equity interest (%)	Site area (sq.m.)	Planned GFA (excluding carparks) (sq.m.)	Attributable planned GFA (excluding carparks) (sq.m.)	Total consideration (RMB)	Attributable consideration (RMB)	Average land cost (excluding carparks) (RMB/sq.m.)	
21	Qingdao	A parcel of land located at the east of Qingdao Road, Laixi City	Residential/Commercial	80	35,097	98,851	79,081	93,680,000	74,944,000	948
22	Chenzhou	A parcel of land (Chen Tu Gua Gao Zi [2019] No.012) in Beihu District, Chenzhou City	Residential/Commercial	100	70,075	185,698	185,698	200,000,000	200,000,000	1,077
23	Cangzhou	Land parcel No.GTP-2017-11 in High-tech Zone, Cangzhou City	Residential/Commercial	100	69,928	153,841	153,841	590,000,000	590,000,000	3,835
24	Hangzhou	A parcel of land located at Kun Sheng Xiao Bang in Jiubao, Hangzhou	Residential/Commercial	34	62,475	16,382	5,570	347,300,000	118,082,000	21,200
25	Hefei	Land parcel No.E1903 in Yaohai District, Hefei	Residential/Commercial	36	59,233	118,466	42,648	928,478,686	334,252,327	7,838
26	Chongqing	Land parcel No.C-14-2/03 located at Zone C of Lijiatuo Division in Ba'nan District, Chongqing City	Residential/Commercial	100	7,391	14,782	14,782	89,500,000	89,500,000	6,055
27	Nanjing	Land parcel No.2018G66 located at Shangfa Town in Jiangning District, Nanjing City	Residential/Commercial	30	24,217	60,544	18,163	730,000,000	219,000,000	12,057
28	Changzhou	A parcel of land located at the northern side of Laodong Middle Road and the western side of Youyi Road in Tianning District, Changzhou City	Residential/Commercial	45	61,134	134,495	60,523	1,080,000,000	486,000,000	8,030
29	Yiyang	A parcel of land (Yi Tu Wang Pai Zi [2019] No.07) in High-tech Zone, Yiyang City	Residential/Commercial	80	36,605	102,494	81,995	206,730,000	165,384,000	2,017
30	Guigang	Land parcel No.2018G-109 in Qintang District, Guigang City	Residential/Commercial	100	46,461	92,921	92,921	83,880,000	83,880,000	903
31	Yantai	A redevelopment project located at Beishangfang of Zhifu District, Yantai	Residential/Commercial	34	66,667	114,000	38,760	256,630,200	87,254,268	2,251
32	Jinhua	A parcel of land located at the northern side of Xixi New City, Lanxi City	Residential/Commercial	54	40,850	81,700	44,118	287,580,000	155,293,200	3,520
33	Fuzhou	A parcel of land located at Meixi New City, Mingqing	Residential/Commercial	20	60,467	120,934	24,187	423,000,000	84,600,000	3,498
34	Chuxiong	Land parcel No.2019-G-4-1&2 with an area of 112.96mu located at Dongnan New City, Chuxiong City	Residential/Commercial	100	75,309	263,582	263,582	301,989,090	301,989,090	1,146
35	Guiyang	Land parcel No.G(19)014 located at Sanma Area of Yunyan District, Guiyang City	Residential/Commercial	100	27,663	69,158	69,158	493,041,000	493,041,000	7,129
36	Wenzhou	A parcel of land (Yong Zhong YB-08-D15) in Yongqiang North Area, Longwan	Residential/Commercial	100	50,068	90,122	90,122	994,000,000	994,000,000	11,029
37	Fuyang	Land parcel No.[2019]-7 in Yingquan District, Fuyang City	Residential/Commercial	100	198,625	407,659	407,659	1,101,512,400	1,101,512,400	2,702
38	Wenzhou	Land parcel No.B-c1-2 in Binhai New Area, Yueqing City	Residential/Commercial	100	31,677	63,354	63,354	520,500,000	520,500,000	8,216
39	Chizhou	Land parcel No. [2019]1 in Guichi District, Chizhou City	Residential/Commercial	100	99,532	159,251	159,251	495,000,000	495,000,000	3,108
40	Xinxiang	Land parcel No.(2019)03-2 in Weihui, Xinxiang City	Residential/Commercial	100	33,016	82,374	82,374	91,680,000	91,680,000	1,113
41	Anqing	Land parcel No.1901 located in the new city at the eastern part of Anqing City	Residential/Commercial	100	107,731	236,900	236,900	1,137,000,000	1,137,000,000	4,799
42	Fuzhou	Land parcel No.2019 Pai-04 at the north of Fuqing City	Residential/Commercial	100	33,948	101,844	101,844	312,000,000	312,000,000	3,064
43	Fuzhou	A parcel of land (Rong Gao Xin No. 2019-04) in High-tech Zone, Fuzhou City	Residential/Commercial	100	60,357	116,393	116,393	650,000,000	650,000,000	5,585
44	Wenzhou	Land parcel No.C-c25 located at the central district of Yueqing City	Residential/Commercial	100	12,605	31,513	31,513	309,000,000	309,000,000	9,805
45	Hangzhou	A parcel of land located at Xin An Jiang Street in Jiangde City, Hangzhou with a theatre erected thereon	Residential/Commercial	100	15,462	26,595	26,595	340,000,000	340,000,000	12,784
46	Quanzhou	Land parcel No.P2018-38 located at the south of Chidian Town, Jinjiang City	Residential/Commercial	100	34,205	85,513	85,513	502,000,000	502,000,000	5,870
47	Nanchang	Land parcel No.DAFJ2019005 located at the Hi-tech Zone in Qingshan Lake District, Nanchang City	Residential/Commercial	34	102,269	204,538	69,543	1,185,810,000	403,175,400	5,798
48	Sanming	Land parcel No.2019P002 in Guixiyang Area, Sanming	Residential/Commercial	31	45,119	103,700	32,168	438,000,000	135,867,600	4,224

MANAGEMENT DISCUSSION AND ANALYSIS

City	Project	Intended primary use	The Group's equity interest (%)	Site area (sq.m.)	Planned GFA (excluding car parks) (sq.m.)	Attributable planned GFA (excluding car parks) (sq.m.)	Total consideration (RMB)	Attributable consideration (RMB)	Average land cost (excluding car parks) (RMB/sq.m.)	
49	Xuancheng	A parcel of land located at the southern side of Baida Shopping Centre in Chengnan Area, Guangde County	Residential/Commercial	100	69,872	125,770	125,770	388,808,000	388,808,000	3,091
50	Zigong	Land parcel No.C-250-1 in Jianshe Road of Gongjing District, Zigong City	Residential/Commercial	100	26,634	39,951	39,951	63,919,300	63,919,300	1,600
51	Puer	Land parcel No.P01138 in Simao District, Puer	Residential/Commercial	100	17,342	31,215	31,215	73,728,000	73,728,000	2,362
52	Xi'an	Land parcel No.XXKG-DZ01-44 located at Konggang New City in Xixian, Xi'an City	Residential/Commercial	100	39,375	78,750	78,750	165,380,000	165,380,000	2,100
53	Weihai	A parcel of land (Rong Zi Jing Gao Zi [2019] No.5) located in Rongcheng, Weihai City	Residential/Commercial	100	19,240	61,588	61,588	125,536,525	125,536,525	2,038
54	Loudi	A parcel of land (Lou Tu Wang Gao Zi [2019] No.5) located in Louxing District, Loudi City	Residential/Commercial	100	38,989	136,461	136,461	181,180,000	181,180,000	1,328
55	Quanzhou	Land parcel No.2018-22 in Jinjiang, Quanzhou	Residential/Commercial	15	126,062	317,298	47,722	487,000,000	73,244,800	1,535
56	Wuxi	Project No. 2 located at Zhang Village in Huishan New City of Huishan District, Wuxi	Residential/Commercial	40	78,576	133,250	53,300	1,379,090,000	551,636,000	10,350
57	Shaoxing	A parcel of land located at Daojiupan in City West, Shengzhou	Residential/Commercial	100	33,205	49,808	49,808	194,000,000	194,000,000	3,895
58	Jinhua	Land parcel No.2 located at Jiangwan Organic Renewal Area in Economic and Technological Development Zone, Yiwu	Residential/Commercial	100	61,839	80,390	80,390	1,284,050,000	1,284,050,000	15,973
59	Beihai	A parcel of land located at the northern side of Cultural and Sports Centre No.1 Road of Lianzhou Town, Hepu County, Beihai City	Residential/Commercial	100	39,312	137,592	137,592	152,000,000	152,000,000	1,105
60	Lishui	A parcel of land located at the northwestern side of the intersection of Dongdi Road and Haoxi Road in City North Area, Lishui	Residential/Commercial	100	144,691	347,258	347,258	2,452,000,000	2,452,000,000	7,061
61	Jiyuan	A parcel of land located at the east of Qinyuan Road and the northern side of Binhe North Street in Hi-tech Zone of Jiyuan City	Residential/Commercial	93	29,758	59,336	54,993	188,814,500	174,993,279	3,182
62	Suzhou	A parcel of land located at Gutang Street, Taicang City District	Residential/Commercial	100	11,131	20,036	20,036	188,270,000	188,270,000	9,397
63	Xuancheng	A parcel of land in Old City District of Ningguo City with an old factory of Sierte erected thereon	Residential/Commercial	39	70,000	126,000	48,523	246,749,580	95,023,263	1,958
64	Huangshi	Land parcel No.WG(2019)14 in Huangshigang District, Huangshi City	Residential/Commercial	100	64,740	213,642	213,642	648,900,000	648,900,000	3,037
65	Cangzhou	Land parcel No.65 in Huanghua Development Zone under the public transfer 2018	Residential/Commercial	100	48,224	96,448	96,448	290,000,000	290,000,000	3,007
66	Ezhou	Land parcel No.WP(2019)003 in Gedian, Ezhou	Residential/Commercial	65	39,962	103,901	67,536	480,610,000	312,396,500	4,626
67	Wenzhou	Land parcels No. 02-41, 03-05, 03-06, 03-10 and 03-11 located at Phase 2, Nanbinjiang, Jiangnan New District, Ruian City	Residential/Commercial	15	114,285	300,329	45,049	793,370,000	119,005,500	2,642
68	Jiujiang	A parcel of land next to Liangxinjiayuan, Luliangxi Avenue, Liangtang New District, Xiushui County, Jiujiang City	Residential/Commercial	100	31,736	63,472	63,472	137,575,300	137,575,300	2,167
69	Yibin	Land parcel No.TD-A-05-03 in Linjiang New District, Yibin City	Residential/Commercial	56	40,816	101,632	56,914	410,609,000	229,941,040	4,040
70	Huangshi	Land parcel No.G18062 in Daye	Residential/Commercial	100	38,605	96,513	96,513	105,900,000	105,900,000	1,097
					3,814,277	8,135,861	6,525,007	32,004,893,262	25,151,430,473	3,934

As at 30 June 2019, the total land bank attributable to the Group, taken into account the total land bank of projects developed by subsidiaries, joint ventures and associates, was approximately 42.0 million sq.m., among which, approximately 1.5 million sq.m. were completed properties available for sale/leasable and approximately 40.5 million sq.m. were under development.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the breakdown of the total land bank attributable to the Group developed by the Group's subsidiaries in terms of geographic location as at 30 June 2019:

	Number of projects	Completed GFA available for sale/leasable GFA ⁽¹⁾ (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to the Group ⁽²⁾ (sq.m.)	% of total land bank attributable to the Group	Total land bank ⁽³⁾ (sq.m.)
Yangtze River Delta Economic Region							
Zhejiang Province	75	567,295	5,174,936	827,798	6,570,029	15.6%	6,570,029
Jiangsu Province	36	150,442	4,702,045	498,881	5,351,368	12.7%	5,351,368
Anhui Province	23	17,102	2,393,460	1,484,351	3,894,913	9.3%	3,894,913
Subtotal	134	734,839	12,270,441	2,811,030	15,816,310	37.6%	15,816,310
Midwest China Economic Region							
Henan Province	19	—	2,439,823	454,993	2,894,816	6.9%	2,894,816
Hunan Province	13	—	1,439,444	746,622	2,186,066	5.2%	2,186,066
Yunnan Province	10	—	1,469,661	396,073	1,865,734	4.5%	1,865,734
Hubei Province	6	—	673,338	489,073	1,162,411	2.8%	1,162,411
Sichuan Province	9	—	800,296	297,865	1,098,161	2.6%	1,098,161
Guangxi Zhuang Autonomous Region	7	—	727,089	258,203	985,292	2.3%	985,292
Shaanxi Province	6	—	524,875	347,027	871,902	2.1%	871,902
Inner Mongolia Autonomous Region	3	—	575,788	—	575,788	1.4%	575,788
Gansu Province	2	—	194,775	—	194,775	0.5%	194,775
Shanxi Province	1	—	181,995	—	181,995	0.4%	181,995
Ningxia Hui Autonomous Region	1	—	166,813	—	166,813	0.4%	166,813
Guizhou Province	2	—	61,473	90,531	152,004	0.4%	152,004
Chongqing	2	—	113,761	21,184	134,945	0.3%	134,945
Subtotal	81	—	9,369,131	3,101,571	12,470,702	29.8%	12,470,702
Pan-Bohai Economic Rim							
Shandong Province	17	—	1,754,003	308,645	2,062,648	4.9%	2,062,648
Hebei Province	2	—	173,306	203,841	377,147	0.9%	377,147
Tianjin	1	—	258,721	—	258,721	0.6%	258,721
Liaoning Province	2	—	147,370	—	147,370	0.4%	147,370
Subtotal	22	—	2,333,400	512,486	2,845,886	6.8%	2,845,886
Western Taiwan Straits Economic Zone							
Jiangxi Province	26	263,699	2,698,795	—	2,962,494	7.1%	2,962,494
Fujian Province	10	103,120	793,570	808,942	1,705,632	4.1%	1,705,632
Subtotal	36	366,819	3,492,365	808,942	4,668,126	11.2%	4,668,126
Pearl River Delta Economic Zone							
Guangdong Province	8	—	1,078,095	—	1,078,095	2.6%	1,078,095
Subtotal	8	—	1,078,095	—	1,078,095	2.6%	1,078,095
Total	281	1,101,658	28,543,432	7,234,029	36,879,119	88.0%	36,879,119

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the breakdown of the total land bank attributable to the Group developed by the Group's joint ventures and associates in terms of geographic location as at 30 June 2019:

	Number of projects	Completed GFA available for sale/leasable GFA ⁽¹⁾ (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to the Group ⁽²⁾⁽³⁾ (sq.m.)	% of total land bank attributable to the Group	Total land bank ⁽³⁾ (sq.m.)
Yangtze River Delta Economic Region							
Zhejiang Province	49	353,342	1,229,448	29,003	1,611,793	3.8%	5,593,340
Jiangsu Province	17	42,713	972,933	126,537	1,142,183	2.7%	2,961,554
Anhui Province	6	—	226,188	57,244	283,432	0.7%	1,536,196
Subtotal	72	396,055	2,428,569	212,784	3,037,408	7.2%	10,091,090
Midwest China Economic Region							
Chongqing	4	—	374,000	—	374,000	0.9%	955,396
Yunnan Province	2	—	81,771	109,940	191,711	0.5%	404,940
Hunan Province	3	—	165,165	—	165,165	0.4%	504,360
Hubei Province	2	—	31,909	110,726	142,635	0.3%	301,210
Henan Province	1	—	49,195	—	49,195	0.1%	98,390
Guangxi Zhuang Autonomous Region	1	—	20,478	—	20,478	0.0%	70,613
Subtotal	13	—	722,518	220,666	943,184	2.2%	2,334,909
Pan-Bohai Economic Rim							
Shandong Province	4	—	129,094	—	129,094	0.3%	561,762
Liaoning Province	1	—	—	17,093	17,093	0.0%	33,848
Subtotal	5	—	129,094	17,093	146,187	0.3%	595,610
Western Taiwan Straits Economic Zone							
Fujian Province	8	—	302,859	—	302,859	0.7%	945,020
Jiangxi Province	5	—	452,597	194,266	646,863	1.5%	1,987,333
Subtotal	13	—	755,456	194,266	949,722	2.2%	2,932,353
Pearl River Delta Economic Zone							
Guangdong Province	1	—	12,905	36,051	48,956	0.1%	163,186
Subtotal	1	—	12,905	36,051	48,956	0.1%	163,186
Total	104	396,055	4,048,542	680,860	5,125,457	12.0%	16,117,148
Total land bank	385	1,497,713	32,591,974	7,914,889	42,004,576	100.0%	52,996,267

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the breakdown of the total land bank attributable to the Group developed by the Group's subsidiaries, joint ventures and associate in terms of tier of city as at 30 June 2019:

	Number of projects	Completed GFA available for sale/leasable GFA ⁽¹⁾ (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to the Group ⁽²⁾ (sq.m.)	% of total land bank attributable to the Group	Total land bank ⁽³⁾ (sq.m.)
Second-tier cities	109	331,695	5,688,994	1,626,334	7,647,023	18.2%	11,955,041
Third-tier cities	224	998,647	20,607,066	5,313,793	26,919,506	64.1%	31,987,160
Forth-tier cities	52	167,371	6,295,914	974,762	7,438,047	17.7%	9,054,066
Total land bank	385	1,497,713	32,591,974	7,914,889	42,004,576	100.0%	52,996,267

Notes:

- (1) Includes saleable GFA remaining unsold, leasable GFA and completed GFA that have been pre-sold but yet delivered.
- (2) Total land bank attributable to the Group equals to the sum of (i) total completed GFA available for sale/leasable GFA; (ii) total planned GFA for properties under development; and (iii) total estimated GFA for properties held for future development, adjusted by the equity interest held by the Group in respect of the projects held by the Group's joint ventures and associates.
- (3) Total land bank equals to the sum of (i) total completed GFA available for sale/leasable GFA; (ii) total planned GFA for properties under development; and (iii) total estimated GFA for properties held for future development without adjusting the equity interest held by the Group in respect of the projects held by the Group's joint ventures or associates.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2019, the Group derived its revenue from three business lines, namely (i) sales of properties; (ii) management consulting services; and (iii) rental income from property lease. The revenue of the Group was primarily derived from the sales of properties in the PRC. The following table sets forth the details of the Group's revenue recognised by business line for the periods indicated:

	For the six months ended 30 June		Change in percentage
	2019 (RMB'000)	2018 (RMB'000)	
Revenue			
<i>Revenue from contracts with customers</i>			
Sales of properties	20,413,499	9,621,368	+112.2%
Management consulting services	138,918	103,479	+34.2%
Property management services	—	6,321	-100.0%
<i>Revenue from other sources</i>			
Rental income	4,148	—	N/A
Total	20,556,565	9,731,168	+111.2%

MANAGEMENT DISCUSSION AND ANALYSIS

The revenue of the Group increased by approximately 111.2% from RMB9,731.2 million for the six months ended 30 June 2018 to RMB20,556.6 million for the six months ended 30 June 2019. This increase was mainly attributable to:

- (i) the increase in the total recognised GFA by approximately 129.8% from 790,437 sq.m. for the six months ended 30 June 2018 to 1,816,690 sq.m. for the six months ended 30 June 2019;
- (ii) the increase in revenue from management consulting services by approximately 34.2% from RMB103.5 million for the six months ended 30 June 2018 to RMB138.9 million for the six months ended 30 June 2019; and
- (iii) the increase in rental income from property lease from nil for the six months ended 30 June 2018 to RMB4.1 million for the six months ended 30 June 2019. The rental income from property lease in the first half of 2019 was mainly contributed by the Group's investment properties located in Wenzhou.

The impact was partially offset by (i) the decrease in the recognised ASP of properties delivered by the Group by approximately 7.7% from RMB12,172 per sq.m. for the six months ended 30 June 2018 to RMB11,237 per sq.m. for the six months ended 30 June 2019 due to the decrease in proportion of recognised revenue contributed by Yangtze River Delta Economic Region where generally had higher ASP; and (ii) the decrease in revenue from property management services, which was an ancillary business of the Group, from RMB6.3 million for the six months ended 30 June 2018 to nil for the six months ended 30 June 2019 as a result of the disposal of such ancillary business from the Group upon reorganisation in the process of the Listing.

Revenue generated from the sales of properties amounted to RMB20,413.5 million for the six months ended 30 June 2019. The following table sets forth the details of the revenue generated from the sales of properties, the total recognised GFA and recognised ASP for the Group's projects by geographical location for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018:

	For the six months ended 30 June					
	2019			2018		
	Revenue (RMB'000)	Recognised GFA (sq.m.)	Recognised ASP (RMB/sq.m.)	Revenue (RMB'000)	Recognised GFA (sq.m.)	Recognised ASP (RMB/sq.m.)
Yangtze River Delta Economic Region						
Wenzhou	1,754,890	143,463	12,232	2,955,757	218,948	13,500
Ningbo	1,296,358	122,009	10,625	1,581,379	121,709	12,993
Suzhou	51,706	3,367	15,357	68,713	3,778	18,187
Shaoxing	47,499	6,118	7,764	243,075	28,946	8,398
Taizhou	3,099,525	247,486	12,524	1,380,590	101,440	13,610
Hangzhou	62,795	4,600	13,651	74,118	6,589	11,249
Others	10,843,444	887,042	12,224	2,587,325	212,234	12,191
Subtotal	17,156,217	1,414,085	12,132	8,890,957	693,644	12,818
Midwest China Economic Region						
Dazhou	52,437	7,870	6,663	100,924	15,523	6,502
Kunming	83,971	9,536	8,806	18,116	2,768	6,545
Changsha	7,334	1,407	5,213	11,449	2,183	5,245
Others	558,775	75,446	7,406	60,412	8,113	7,446
Subtotal	702,517	94,259	7,453	190,901	28,587	6,678

MANAGEMENT DISCUSSION AND ANALYSIS

	For the six months ended 30 June					
	2019			2018		
	Revenue (RMB'000)	Recognised GFA (sq.m.)	Recognised ASP (RMB/sq.m.)	Revenue (RMB'000)	Recognised GFA (sq.m.)	Recognised ASP (RMB/sq.m.)
Pan-Bohai Economic Rim						
Yantai	3,205	502	6,384	28,535	5,217	5,470
Linyi	10,466	1,014	10,321	7,831	955	8,200
Others	75,643	10,502	7,203	13,278	1,813	7,324
Subtotal	89,314	12,018	7,432	49,644	7,985	6,217
Western Taiwan Straits Economic Zone						
Ganzhou	695,637	65,915	10,554	197,694	24,889	7,943
Ningde	55,091	7,058	7,805	85,320	8,645	9,869
Jiujiang	13,672	1,772	7,716	67,973	7,502	9,061
Others	1,681,693	218,834	7,685	138,879	19,185	7,239
Subtotal	2,446,093	293,579	8,332	489,866	60,221	8,134
Pearl River Delta Economic Zone	19,358	2,749	7,042	—	—	—
Total	20,413,499	1,816,690	11,237	9,621,368	790,437	12,172

Cost of sales

The Group's cost of sales increased by approximately 119.5% from RMB7,070.9 million for the six months ended 30 June 2018 to RMB15,522.1 million for the six months ended 30 June 2019. This increase was generally in line with the increase in the Group's total revenue.

Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. As a result of the foregoing, the Group's gross profit increased by approximately 89.2% from RMB2,660.3 million for the six months ended 30 June 2018 to RMB5,034.5 million for the six months ended 30 June 2019.

The Group's gross profit margin decreased from 27.3% for the six months ended 30 June 2018 to 24.5% for the six months ended 30 June 2019, mainly because of higher land acquisition costs relative to the respective ASP in respect of property projects delivered during the period.

Finance income

The Group's finance income (mainly represents bank interest income) increased by approximately 29.9% from RMB148.1 million for the six months ended 30 June 2018 to RMB192.3 million for the six months ended 30 June 2019, primarily due to the increase in bank balances and cash.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and gains

The Group's other income and gains primarily include (i) gain on disposal of subsidiaries; (ii) forfeiture of deposits; (iii) government grants; and (iv) others, which mainly include sundry income. The Group's other income increased by approximately 11.0% from RMB56.0 million for the six months ended 30 June 2018 to RMB62.1 million for the six months ended 30 June 2019.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 134.0% from RMB430.6 million for the six months ended 30 June 2018 to RMB1,007.4 million for the six months ended 30 June 2019, primarily due to the increase in marketing expenses incurred for launching of property projects available for pre-sale during the period.

Administrative expenses

The Group's administrative expenses increased by approximately 67.9% from RMB628.6 million for the six months ended 30 June 2018 to RMB1,055.2 million for the six months ended 30 June 2019, primarily due to the increase in administrative and staff costs as a result of the Group's business expansion.

Finance costs

The Group's finance costs increased by approximately 74.3% from RMB143.9 million for the six months ended 30 June 2018 to RMB250.9 million for the six months ended 30 June 2019, primarily due to the increase in interest on the Group's bank and other borrowings as a result of the increase in amount of borrowings and interest rates, partially offset by the increase in interest capitalised in properties under development.

The Group's total finance costs expensed and capitalised for the six months ended 30 June 2019 was approximately RMB2,122.1 million, representing an increase of 61.0% from RMB1,318.3 million for the six months ended 30 June 2018. The increase was due to the increase in bank borrowings and interest rates.

The Group's weighted average effective cost of indebtedness for total borrowings for the period was approximately 10.0% (31 December 2018: approximately 9.9%).

Share of profits/losses of joint ventures

The Group recorded share of losses of joint ventures accounted for using the equity method of RMB49.4 million for the six months ended 30 June 2018 and share of profits of joint ventures of RMB44.1 million for the six months ended 30 June 2019. Such change was primarily due to the delivery of property projects held by the Group's joint ventures which generated profit during the six months ended 30 June 2019.

Share of profits of associates

The Group's share of profits of associates increased by approximately 63.5% from RMB103.7 million for the six months ended 30 June 2018 to RMB169.6 million for the six months ended 30 June 2019, primarily due to the increase in delivery of property projects held by the Group's associates during the six months ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit before tax

As a result of the aforementioned changes of the Group's financials, the Group's profit before tax increased by approximately 97.1% from RMB1,620.0 million for the six months ended 30 June 2018 to RMB3,193.3 million for the six months ended 30 June 2019.

Income tax expense

The Group's income tax expense comprises provisions made for CIT and LAT in the PRC less deferred tax during the period.

The Group's income tax expense increased by approximately 65.3% from RMB783.0 million for the six months ended 30 June 2018 to RMB1,294.6 million for the six months ended 30 June 2019.

The effective income tax rate of the Group for the six months ended 30 June 2019 was 29.4%, compared to 31.1% for the six months ended 30 June 2018. Effective income tax rate was calculated based on the quotient of (a) the result of CIT plus deferred tax, divided by (b) the result of profit before tax minus LAT.

Profit and core net profit for the period attributable to the owners of the Company

As a result of the aforementioned changes of the Group's financials, the Group's profit for the period attributable to owners of the Company increased by approximately 81.8% from RMB662.5 million for the six months ended 30 June 2018 to RMB1,204.1 million for the six months ended 30 June 2019. The Group's core net profit for the period attributable to the owners of the Company increased by approximately 88.4% from RMB654.2 million for the six months ended 30 June 2018 to RMB1,232.2 million for the six months ended 30 June 2019.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The industry in which the Group engages is a capital-intensive industry. The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with proceeds from the Listing and cash generated from operations including proceeds from sale and pre-sale of properties, bank loans, which include entrusted bank loans provided by ultimate third-party lenders through commercial banks as an intermediary, loans from independent third parties (excluding from financial institutions and private placement asset management plans), trust financing and asset management arrangements, capital contribution from non-controlling shareholders and other financings. The Group's need for long-term liquid capital is associated with capital allocated for new property development projects and repayment of long-term loans.

Net current assets

As at 30 June 2019, the Group's net current assets amounted to RMB14,900.9 million (31 December 2018: RMB11,945.2 million). Specifically, the Group's total current assets increased by approximately 17.4% from RMB160,394.2 million as at 31 December 2018 to RMB188,382.4 million as at 30 June 2019. The Group's total current liabilities increased by approximately 16.9% from RMB148,449.0 million as at 31 December 2018 to RMB173,481.5 million as at 30 June 2019. The increase in the Group's total current assets was primarily attributable to (i) the increase in properties under development; and (ii) the increase in prepayments and other receivables during the period.

Cash position

As at 30 June 2019, the Group had bank balances and cash of RMB24,721.4 million (31 December 2018: RMB23,080.4 million), of which RMB24,710.7 million (31 December 2018: RMB23,080.4 million) was denominated in RMB and RMB10.7 million (31 December 2018: RMB8,000) was denominated in HK\$.

MANAGEMENT DISCUSSION AND ANALYSIS

Indebtedness

As at 30 June 2019, the Group had total outstanding borrowings of RMB28,802.2 million (31 December 2018: RMB27,004.9 million), of which RMB20,933.1 million (31 December 2018: RMB20,259.4 million) was carried at fixed rates. All of the Group's borrowings were denominated in RMB.

The following table sets forth Group's total borrowings as at the dates indicated:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Current		
Bank loans		
— secured	1,033,900	490,000
— unsecured	227,000	232,000
Other loans		
— secured	5,613,528	5,854,621
— unsecured	720,460	673,201
Current portion of long-term bank loans		
— secured	3,283,915	4,593,900
Current portion of long-term other loans		
— secured	3,536,100	2,624,950
— unsecured	51,677	—
Total current borrowings	14,466,580	14,468,672
Non-current		
Bank loans		
— secured	8,860,414	5,211,318
— unsecured	1,150,000	820,000
Other loans		
— secured	4,024,806	4,844,927
— unsecured	300,400	1,660,000
Total non-current borrowings	14,335,620	12,536,245
Total borrowings	28,802,200	27,004,917
Total secured borrowings	26,352,663	23,619,716
Total unsecured borrowings	2,449,537	3,385,201

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the maturity profiles of the Group's total borrowings as at the dates indicated:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Bank loans repayable:		
— Within one year or on demand	4,544,815	5,315,900
— In the second year	5,131,891	3,979,318
— In the third to fifth year, inclusive	4,878,523	2,052,000
	14,555,229	11,347,218
Other borrowings repayable:		
— Within one year or on demand	9,921,765	9,152,772
— In the second year	4,001,829	6,104,927
— In the third to fifth year, inclusive	323,377	400,000
	14,246,971	15,657,699
Total	28,802,200	27,004,917

Pledge of assets

As at 30 June 2019, the Group's borrowings were secured by the Group's assets of RMB43,287.6 million (31 December 2018: RMB43,669.7 million) which included (i) investment properties; (ii) properties under development; and (iii) pledged deposits.

Financial risks

The Group's activities expose it to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management and did not use any derivatives or other instruments for hedging purposes during the period.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest bearing bank and other borrowings. The Group manages its interest cost using variable rate bank borrowings and other borrowings. During the period, the Group did not use derivative financial instruments to hedge interest rate risk.

MANAGEMENT DISCUSSION AND ANALYSIS

Credit risk

The Group divides financial instruments on the basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Group's counterparties. The Directors believe that, during the period, there is no material credit risk inherent in the Group's outstanding balance of financial assets included in prepayments and other receivables and amounts due from related companies.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

Foreign exchange exposure

The Group primarily operates its business in China and substantially all of its revenue and expenditures are denominated in RMB, while the net proceeds from the Listing and any payment of dividends will be made in HK\$. As at 30 June 2019, the Group had bank balances and cash denominated in RMB of RMB24,710.7 million and in HK\$ of RMB10.7 million, which are subject to fluctuations in exchange rates.

The Group does not have a foreign currency hedging policy. However, the Group will closely monitor the its exposure to exchange rates in order to best preserve the Group's cash value.

CONTINGENT LIABILITIES

Mortgage guarantees

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks. Under such arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within half a year to two years after the purchasers take possession of the relevant properties.

The total outstanding guarantee amounts provided by the Group to banks amounted to RMB40,261.6 million as at 30 June 2019 (31 December 2018: RMB28,897.3 million).

The Group did not incur any material losses during the period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The Directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial guarantees

As at 30 June 2019, the Group guaranteed certain of the bank and other borrowings made to its joint ventures and associates up to RMB8,326.9 million (31 December 2018: RMB6,594.2 million).

Legal contingents

The Group may be involved in lawsuits and other proceedings in its ordinary course of business from time to time. The Group believes that no liabilities resulting from these proceedings will have a material and adverse effect on its business, financial condition or operating results.

COMMITMENTS

As at 30 June 2019, the Group's property development expenditures and acquisition of land use rights and capital contributions payable to joint ventures and associates that had contracted but yet provided for were RMB48,822.5 million (31 December 2018: RMB44,047.4 million).

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as at 30 June 2019, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Save as disclosed in notes 18 and 19 to the interim condensed consolidated financial statements on page 59 to page 62 in this report, the Group did not have any material acquisition or disposal of subsidiaries, associated companies and joint ventures during the six months ended 30 June 2019.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

Save as disclosed in note 11 to the interim condensed consolidated financial statements on page 51 to page 52 in this report, there were no significant investment held by the Group as at 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group will continue to focus on its existing property development business and acquiring high-quality land parcel in China. No concrete plan for future investments is in place as at the date of this report.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

As at the date of this interim report, net proceeds from the Listing not utilised are held in bank and it is intended that they will be applied in the manner consistent with the proposed allocations as set out in the prospectus of the Company dated 27 June 2019 (the “Prospectus”).

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2019, the Group employed a total of 12,575 full-time employees. For the six months ended 30 June 2019, the staff cost recognised as expenses of the Group amounted to RMB719.0 million (30 June 2018: RMB355.3 million).

The Group offers its employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses, so as to attract and retain quality staff. In addition, subject to the Group’s management system, the Amoeba Ecosystem, employees who participate in the Group’s incentive plan, namely the co-investment schemes under the Amoeba Ecosystem may also be entitled to receive the benefit distribution derived from the relevant projects pursuant to the co-investment scheme and may also be rewarded additional bonuses when the project of the Amoeba unit he or she belongs to has achieved certain performance targets. In addition, the Group has adopted the post-IPO share option scheme (the “Share Option Scheme”) on 19 June 2019, details of which are set out in the Prospectus. As required by PRC regulations, the Group makes contributions to mandatory social security funds for the benefit of the Group’s PRC employees that provide for basic medical insurance, work-related injury insurance, basic retirement insurance, maternity insurance, unemployment insurance and housing funds.

EVENTS AFTER THE REPORTING PERIOD

- (1) In connection with the Listing, the Company issued 530,000,000 new ordinary shares with a nominal value of HK\$0.01 each at a price of HK\$5.55 per ordinary share for a total cash consideration of HK\$2,941.5 million, before deducting underwriting fees, commissions and related expenses. In addition, the Company issued 2,990,305,325 shares by way of capitalisation. Dealings in the shares of the Company on the Stock Exchange commenced on 16 July 2019.
- (2) As disclosed in the Prospectus, the guarantees provided by the Company’s controlling shareholders and one of its associates would be released prior to the Listing. Upon the Listing, such guarantees were released.
- (3) On 5 August 2019, the over-allotment option were partially exercised and the Company allotted and issued 51,791,500 additional shares at HK\$5.55 per share on 7 August 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the holders (the “Shareholders”) of the shares (the “Shares”) of the Company and to enhance corporate value and accountability.

The Company has adopted the corporate governance code (the “Corporate Governance Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code on corporate governance since the Listing.

As the Company was listed on 16 July 2019, the Company was not required to comply with the Corporate Governance Code during the period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the “Model Code”) as the guidelines for the Directors’ dealings in the securities of the Company since the Listing.

As the Company was listed on 16 July 2019, the Company was not required to comply with the Model Code during the period.

SHARE OPTION SCHEME

The Company approved and adopted the Share Option Scheme on 19 June 2019. The Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

Details of the Share Option Scheme

(1) Purpose

The purpose of the Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole. The Directors believe the Share Option Scheme will enable the Group to reward its employees, the Directors and other selected participants for their contributions to the Group. The Share Option Scheme provides the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

(2) Participants

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Company or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Company is entitled to be offered and granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(3) The maximum number of Shares available for issue

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the aggregate of the Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, and such 10% limit represents 353,000,000 Shares, representing 10% of the total Shares in issue as at the date of the Listing.

(4) The maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

(5) Time of acceptance and exercise of option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

(6) Subscription price for Shares

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share on the date of grant.

(7) The duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted under the Share Option Scheme), but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Share Option Scheme.

For further details of the Share Option Scheme, please refer to the section headed "Statutory and general information — D. Share incentive scheme" in Appendix V to the Prospectus.

Since the adoption of the Share Option Scheme and up to the date of this report, no option was granted or agreed to be granted, exercised or cancelled by the Company pursuant to the Share Option Scheme. There was no outstanding share option under the Share Option Scheme as at the date of this interim report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

The Shares were not listed on the Stock Exchange as at 30 June 2019. Accordingly, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the laws of the Hong Kong Special Administrative Region and Section 352 of the SFO were not applicable to the Company as at 30 June 2019. As at the date of this interim report, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

Interests in Shares of the Company

Name of Director/Chief Executive	Nature of Interest	Number of Shares or underlying Shares ^(Note 1)	Approximate percentage of shareholding ^(Note 1)
Mr. Yang Jian ("Mr. Yang")	Interest in controlled corporations ^(Note 2)	2,911,288,929 (L)	81.28%
	Interest of spouse ^(Note 3)	59,414,060 (L)	1.66%

Notes:

- (1) As at the date of this interim report, the Company issued 3,581,791,500 Shares. The letter (L) denotes the entity's long position in the relevant Shares.
- (2) Liangzhong International Co., Ltd. ("Liangzhong") and Liangyi International Co., Ltd. ("Liangyi"), each of which a company directly wholly-owned by Mr. Yang, directly holds 2,822,167,839 Shares and 89,121,090 Shares of the Company, respectively. Accordingly, Mr. Yang is deemed to be interested in 2,822,167,839 Shares and 89,121,090 Shares held by Liangzhong and Liangyi, respectively.
- (3) Liangtai International Co., Ltd. ("Liangtai"), a company directly wholly owned by Ms. Xu Xiaoqun ("Ms. Xu"), the spouse of Mr. Yang, directly holds 59,414,060 Shares of the Company. Accordingly, Ms. Xu is deemed to be interested in 59,414,060 Shares held by Liangtai. Under the SFO, Mr. Yang, as the spouse of Ms. Xu, is deemed to be interested in the same number of Shares in which Ms. Xu is interested.

Save as disclosed above, as at the date of this interim report, none of the Directors and chief executives of the Company had, or were deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

The Shares were not listed on the Stock Exchange as at 30 June 2019. Accordingly, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to the Company as at 30 June 2019. As at the date of this interim report, so far as is known to the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Name of Shareholder	Nature of Interest	Number of Shares or underlying Shares ^(Note 1)	Approximate percentage of shareholding ^(Note 1)
Liangzhong	Beneficial owner	2,822,167,839 (L)	78.79%
Liangyi	Beneficial owner	89,121,090 (L)	2.49%
Liangtai	Beneficial owner	59,414,060 (L)	1.66%
Ms. Xu	Interest in controlled corporation	59,414,060 (L)	1.66%
	Interest of spouse	2,911,288,929 (L)	81.28%

Note:

(1) As at the date of this interim report, the Company issued 3,581,791,500 Shares. The letter (L) denotes the entity's long position in the relevant Shares.

Save as disclosed above, as at the date of this interim report, the Company had not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

INTERIM DIVIDEND

On 22 August 2019, the Board resolved to declare an Interim Dividend of HKD15.3 cents (equivalent to RMB13.8 cents) per Share for the six months ended 30 June 2019 to the Shareholders whose name appear on the register of member of the Company at the close of business on Tuesday, 5 November 2019. The Interim Dividend is expected to be paid on or about Friday, 15 November 2019.

There is no arrangement under which the Shareholder has waived or agreed to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who qualify for the Interim Dividend, the register of members of the Company will be closed from Friday, 1 November 2019 to Tuesday, 5 November 2019, both days inclusive. In order to qualify for the Interim Dividend, all transfer documents should be lodged for registration the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 31 October 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company's shares were listed on the Stock Exchange on 16 July 2019. Save for that the Company had issued new shares in connection with the Listing as disclosed in this interim report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company since the Listing and up to the date of this interim report.

AUDIT COMMITTEE

The Board established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Corporate Governance Code. The terms of reference of the Audit Committee has been uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zldcgroup.com).

The primary duties of the Audit Committee are to review, supervise and approve the financial reporting process and internal control system and to provide advice and comments to the Board. The Audit Committee consists of three members, namely Mr. Au Yeung Po Fung, Mr. Wang Kaiguo and Mr. Wu Xiaobo, each of them is an independent non-executive Director. The chairman of the Audit Committee is Mr. Au Yeung Po Fung, who possesses appropriate professional qualifications.

The Audit Committee had reviewed the interim results for the six months ended 30 June 2019. The interim results for the six months ended 30 June 2019 has not been audited but has been reviewed by Ernst & Young, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board
Zhongliang Holdings Group Company Limited
Yang Jian
Chairman

Hong Kong, 22 August 2019

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



To the Board of Directors of Zhongliang Holdings Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 35 to 72, which comprises the condensed consolidated statement of financial position of Zhongliang Holdings Group Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2019 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
22 August 2019

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
REVENUE	5	20,556,565	9,731,168
Cost of sales		(15,522,059)	(7,070,862)
GROSS PROFIT		5,034,506	2,660,306
Finance income		192,294	148,082
Other income and gains	5	62,143	55,985
Selling and distribution expenses		(1,007,433)	(430,598)
Administrative expenses		(1,055,179)	(628,560)
Impairment losses on financial assets		(5,014)	(7,968)
Changes in provision for financial guarantee contracts		21,434	—
Other expenses		(41,527)	(116,275)
Fair value gains on investment properties	11	29,093	31,552
Fair value gains/(losses) on financial assets at fair value through profit or loss		210	(2,905)
Finance costs	7	(250,853)	(143,928)
Share of profits and losses of:			
Joint ventures		44,095	(49,362)
Associates		169,559	103,710
PROFIT BEFORE TAX	6	3,193,328	1,620,039
Income tax expense	8	(1,294,640)	(783,035)
PROFIT FOR THE PERIOD		1,898,688	837,004
Attributable to:			
Owners of the parent		1,204,108	662,461
Non-controlling interests		694,580	174,543
		1,898,688	837,004
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	RMB0.40	RMB0.22

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		99,726	105,269
Investment properties	11	1,033,300	928,900
Right-of-use assets	3(a)	128,247	—
Intangible assets		678	455
Investments in joint ventures		2,806,347	2,584,059
Investments in associates		2,740,796	2,113,159
Deferred tax assets		2,402,820	1,852,380
Prepayments and other receivables		96,202	96,202
Total non-current assets		9,308,116	7,680,424
CURRENT ASSETS			
Financial assets at fair value through profit or loss		233,967	228,757
Properties under development		118,503,135	99,481,406
Completed properties held for sale		1,436,442	3,596,396
Trade receivables	12	—	4,354
Due from related companies	22	7,877,700	9,841,443
Prepayments and other receivables		33,097,763	22,209,895
Tax recoverable		2,512,000	1,951,577
Restricted cash	13	12,961,477	7,892,069
Pledged deposits	13	1,695,586	636,777
Cash and cash equivalents	13	10,064,372	14,551,518
Total current assets		188,382,442	160,394,192
CURRENT LIABILITIES			
Trade and bills payables	14	10,591,380	8,498,295
Other payables and accruals		22,141,291	20,476,168
Contract liabilities		114,183,968	95,482,250
Due to related companies	22	9,695,817	7,419,138
Interest-bearing bank and other borrowings	15	14,466,580	14,468,672
Lease liabilities		24,054	—
Tax payable		2,260,852	1,960,281
Provision for financial guarantee contracts	16	63,435	84,869
Other financial liabilities		54,124	59,284
Total current liabilities		173,481,501	148,448,957
NET CURRENT ASSETS		14,900,941	11,945,235
TOTAL ASSETS LESS CURRENT LIABILITIES		24,209,057	19,625,659

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	14,335,620	12,536,245
Lease liabilities		93,288	—
Deferred tax liabilities		392,560	335,182
Total non-current liabilities		14,821,468	12,871,427
NET ASSETS		9,387,589	6,754,232
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	85	85
Reserves		3,873,331	2,578,591
		3,873,416	2,578,676
Non-controlling interests		5,514,173	4,175,556
TOTAL EQUITY		9,387,589	6,754,232

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent								
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 17								
As at 31 December 2018 and									
1 January 2019 (audited)	85	954,732	3,138	(145,332)	606,519	1,159,534	2,578,676	4,175,556	6,754,232
Profit for the period	—	—	—	—	—	1,204,108	1,204,108	694,580	1,898,688
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	733,233	733,233
Disposal of equity interests in subsidiaries without losing control	—	—	—	92,182	—	—	92,182	(92,182)	—
Acquisition of non-controlling interests	—	—	—	(1,550)	—	—	(1,550)	1,550	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	1,436	1,436
As at 30 June 2019 (unaudited)	85	954,732	3,138	(54,700)	606,519	2,363,642	3,873,416	5,514,173	9,387,589

	Attributable to owners of the parent										
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Asset revaluation reserve	Equity instrument revaluation reserve	Equity (Accumulated losses)/ Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 17										
As at 31 December 2017 and											
1 January 2018 (audited)	—	—	400,000	—	153,161	—	—	(318,444)	234,717	2,119,034	2,353,751
Profit for the period	—	—	—	—	—	—	—	662,461	662,461	174,543	837,004
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	1,098,161	1,098,161
Acquisition of subsidiaries by the Group from the then equity holder of subsidiaries	—	—	(300,000)	—	—	—	—	—	(300,000)	—	(300,000)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	71,937	71,937
As at 30 June 2018 (unaudited)	—	—	100,000	—	153,161	—	—	344,017	597,178	3,463,675	4,060,853

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,193,328	1,620,039
Adjustments for:			
Depreciation of items of property, plant and equipment	6	22,761	27,941
Depreciation of right-of-use assets		30,863	—
Amortisation of intangible assets	6	161	130
Impairment losses recognised for properties under development	6	31,952	37,931
Impairment losses recognised for financial assets		5,014	7,968
Changes in provision for financial guarantee contracts	16	(21,434)	—
Gain on disposal of subsidiaries	5	(29,128)	(38,322)
Gain on disposal of associates	5	—	(787)
Share of profits and losses of joint ventures		(44,095)	49,362
Share of profits and losses of associates		(169,559)	(103,710)
Fair value gains on investment properties	11	(29,093)	(31,552)
Fair value (gains)/losses on financial assets and liabilities at fair value through profit or loss		(210)	2,905
Finance costs	7	250,853	143,928
Finance income		(192,294)	(148,082)
Increase in properties under development and completed properties held for sale		(16,154,271)	(23,863,454)
Increase in prepayments and other receivables		(11,687,537)	(11,971,814)
Increase in restricted cash		(5,069,408)	(3,095,998)
Increase in pledged deposits		(870,299)	(272,744)
Decrease in trade receivables		4,354	—
Increase/(decrease) in trade and bills payables		2,101,101	(49,777)
Increase in other payables and accruals		2,841,523	10,184,462
Increase in contract liabilities		19,461,811	28,577,402
Cash (used in)/generated from operations		(6,323,607)	1,075,828
Interest received		192,294	95,168
Interest paid		(1,567,120)	(1,041,906)
Tax paid		(2,062,155)	(1,303,117)
Net cash flows used in operating activities		(9,760,588)	(1,174,027)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(17,259)	(21,417)
Purchase of intangible assets		(384)	(59)
Acquisition of financial assets at fair value through profit or loss		(5,000)	(1,407)
Acquisition of subsidiaries	18	(19,432)	(238,538)
Disposal of subsidiaries	19	(323,184)	—
Disposal of financial assets at fair value through profit or loss		—	28,723
Investments in joint ventures and associates		(1,084,187)	(964,524)
Disposal of investments in joint ventures and associates		—	101,318
Purchase of investment properties		(75,307)	(29,648)
Advance to related companies	22	(4,179,730)	(17,850,934)
Repayment of advance to related companies	22	6,143,473	20,781,623
Net cash flows from investing activities		438,990	1,805,137
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling shareholders of subsidiaries		733,233	1,397,132
Acquisition of subsidiaries by the Group from the then equity holder of subsidiaries		—	(300,000)
Advance from related companies	22	5,827,078	4,494,850
Repayment of advance from related companies	22	(3,550,399)	(3,409,727)
Increase/(decrease) in pledged deposits		(188,510)	276,367
Principal portion of lease payments		(41,768)	—
Proceeds from interest-bearing bank and other borrowings		18,000,990	9,016,570
Repayment of interest-bearing bank and other borrowings		(15,946,172)	(11,821,299)
Net cash flows from/(used in) financing activities		4,834,452	(346,107)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(4,487,146)	285,003
Cash and cash equivalents at beginning of the period		14,551,518	10,748,022
CASH AND CASH EQUIVALENTS AT END OF PERIOD		10,064,372	11,033,025
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	13	24,721,435	19,861,701
Less: Restricted cash	13	12,961,477	8,126,341
Pledged deposits	13	1,695,586	702,335
CASH AND CASH EQUIVALENTS AS STATED IN THE CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		10,064,372	11,033,025

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2019, the Group was principally engaged in property development, property leasing, and providing property management services and management consulting services. The immediate holding company of the Company is Liangzhong International Co., Ltd. The controlling shareholders of the Group are Mr. Yang Jian, Ms. Xu Xiaoqun, Liangzhong International Co., Ltd., Liangyi International Co., Ltd. and Liangtai International Co., Ltd. (the “Controlling Shareholders”).

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the “IASB”). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements included in the Accountants’ Report set forth in Appendix I to the Company’s Prospectus dated on 27 June 2019.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and revised International Financial Reporting Standards (“IFRSs”) effective as of 1 January 2019.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements 2015–2017 Cycle	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23</i>

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS 28 *Long-term Interests in Associates in Joint Ventures* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group’s interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Adoption of IFRS 16

IFRS 16 supersedes IAS 17 *Leases* (“IAS 17”), IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effects of initial adoption as adjustments to the opening balance of other right-of-use assets and lease liabilities at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of offices and office equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Adoption of IFRS 16 (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. There are no lease assets recognised previously under finance leases that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	108,485
Increase in total assets	108,485
Liabilities	
Increase in lease liabilities	108,485
Increase in total liabilities	108,485

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Adoption of IFRS 16 (Continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	144,292
Weighted average incremental borrowing rate as at 1 January 2019	6%
Discounted operating lease commitments at 1 January 2019	115,861
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(7,376)
Lease liabilities as at 1 January 2019	108,485

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties under development" and "completed properties held for sale". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Adoption of IFRS 16 (Continued)

Summary of new accounting policies (Continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Adoption of IFRS 16 (Continued)

Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the period are as follows:

	Right-of-use assets Buildings RMB'000	Lease liabilities RMB'000
As at 1 January 2019	108,485	108,485
Additions	50,625	50,625
Depreciation expense	(30,863)	—
Interest expense	—	3,254
Payments	—	(45,022)
As at 30 June 2019	128,247	117,342

- (b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. Based on the Group’s assessment, the interpretation did not have any significant impact on the Group’s interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group’s business which includes property development by project location for the purpose of making decisions about resource allocation and performance assessment, while no revenue, net profit or total assets from a single location exceeded 10% of the Group’s consolidated revenue, net profit or total assets, respectively. As all locations have similar economic characteristics with similar nature of property development and leasing and management, nature of the aforementioned business processes, type or class of customers for the aforementioned businesses and methods used to distribute the properties or provide the services, all locations were aggregated as one reportable operating segment.

Geographical information

No geographical information is presented as the Group’s revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No revenue from sales to a single customer or a Group of customers under common control accounted for 10% or more of the Group’s revenue for the six months ended 30 June 2019.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue from contracts with customers		
Sale of properties	20,413,499	9,621,368
Property management services	—	6,321
Management consulting services	138,918	103,479
Revenue from other sources		
Rental income	4,148	—
	20,556,565	9,731,168
Represented by:		
Revenue from the sale of properties:		
Recognised at a point in time	18,245,680	6,140,694
Recognised over time	2,167,819	3,480,674
Revenue from property management services:		
Recognised over time	—	6,321
Revenue from management consulting services:		
Recognised over time	138,918	103,479
Revenue from other sources:		
Rental income	4,148	—
	20,556,565	9,731,168
Other income and gains		
Gain on disposal of subsidiaries	29,128	39,696
Gain on disposal of associates	—	787
Forfeiture of deposits	11,595	6,860
Government grants	9,438	5,336
Others	11,982	3,306
	62,143	55,985

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cost of properties sold	15,387,074	7,002,971
Impairment losses recognised for properties under development	31,952	37,931
Depreciation of right-of-use assets	30,863	—
Depreciation of items of property, plant and equipment	22,761	27,941
Amortisation of intangible assets	161	130
Auditor's remuneration	3,800	2,888
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	596,231	298,868
Pension scheme contributions and social welfare	122,746	56,470

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest on bank and other borrowings and lease liabilities	1,595,503	1,033,585
Interest expense arising from revenue contracts	526,582	284,681
Total interest expense on financial liabilities not at fair value through profit or loss	2,122,085	1,318,266
Less: Interest capitalised	(1,871,232)	(1,174,338)
	250,853	143,928

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong for the six months ended 30 June 2019 and 2018.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax ("CIT") with a tax rate of 25%.

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Current tax:		
CIT	1,299,710	914,808
LAT	505,046	404,459
Deferred tax	(510,116)	(536,232)
Total tax charge for the period	1,294,640	783,035

9. DIVIDENDS

On 22 August 2019, the board of directors declared the payment of an interim dividend of HK15.3 cents (equivalent to RMB13.8 cents) per share for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil), totalling to approximately HK\$548.0 million (equivalent to RMB492.9 million).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB1,204,108,000 (six months ended 30 June 2018: RMB 662,461,000), and the weighted average number of ordinary shares of 3,000,000,000 (six months ended 30 June 2018: 2,990,305,331) shares in issue during the period. The calculation of weighted average number of ordinary shares comprises the weighted average number of shares issued during the six months ended 30 June 2019 and 2018, and 2,990,305,325 ordinary shares to be issued pursuant to the capitalisation issue after the reporting period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2019 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the period.

11. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2018	450,000	341,000	791,000
Additions	—	65,929	65,929
Transferred to completed investment properties	—	(15,600)	(15,600)
Transferred from investment properties under construction	15,600	—	15,600
Net gain from a fair value adjustment	3,400	68,571	71,971
Carrying amount at 31 December 2018 and 1 January 2019 (audited)	469,000	459,900	928,900
Additions	—	75,307	75,307
Transferred to completed investment properties	—	(158,300)	(158,300)
Transferred from investment properties under construction	158,300	—	158,300
Net gain from a fair value adjustment	(2,712)	31,805	29,093
Carrying amount at 30 June 2019 (unaudited)	624,588	408,712	1,033,300

The Group's investment properties as at 30 June 2019 and 31 December 2018 were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, on an open market, existing use basis.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

11. INVESTMENT PROPERTIES (Continued)

The fair value of completed commercial properties is determined using the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

The fair value of commercial properties under construction is determined using the comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the properties assuming they were completed and, where appropriate, after deducting the following items:

- Estimated construction cost and professional fees to be expensed to complete the properties that would be incurred by a market participant
- Estimated profit margin that a market participant would require to hold and develop the properties to completion

Investment properties included in Level 3 are all completed investment properties and investment properties under development. There were no transfers among Level 1, Level 2 and Level 3 during the reporting period.

As at 30 June 2019, certain of the Group's investment properties with an aggregate carrying amount of approximately RMB351,000,000 (31 December 2018: RMB349,000,000) have been pledged to secure bank and other borrowings granted to the Group (note 15).

12. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Less than 1 year	—	4,354

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

13. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cash and bank balances	24,721,435	23,080,364
Less: Restricted cash	12,961,477	7,892,069
Pledged deposits	1,695,586	636,777
Cash and cash equivalents	10,064,372	14,551,518
Denominated in RMB	10,053,670	14,551,510
Denominated in HK\$	10,702	8
	10,064,372	14,551,518

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 30 June 2019, such restricted cash amounted to RMB12,961,477,000 (31 December 2018: RMB7,892,069,000).

As at 30 June 2019, certain of the Group's pledged deposits were pledged with aggregate carrying amounts of approximately RMB88,100,000 (31 December 2018: RMB21,500,000), have been pledged to secure bank and other borrowings granted to the Group (note 15).

As at 30 June 2019, bank deposits of RMB1,607,486,000 (31 December 2018: RMB615,277,000) were pledged as security for purchasers' mortgage loans, or construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

14. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each of reporting period, based on the invoice date, is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Less than 1 year	10,499,502	8,421,930
Over 1 year	91,878	76,365
	10,591,380	8,498,295

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Current		
Bank loans — secured	1,033,900	490,000
Bank loans — unsecured	227,000	232,000
Other loans — secured	5,613,528	5,854,621
Other loans — unsecured	720,460	673,201
Current portion of long term bank loans — secured	3,283,915	4,593,900
Current portion of long term other loans — secured	3,536,100	2,624,950
Current portion of long term other loans — unsecured	51,677	—
	14,466,580	14,468,672
Non-current		
Bank loans — secured	8,860,414	5,211,318
Bank loans — unsecured	1,150,000	820,000
Other loans — secured	4,024,806	4,844,927
Other loans — unsecured	300,400	1,660,000
	14,335,620	12,536,245
	28,802,200	27,004,917

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

15. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	4,544,815	5,315,900
In the second year	5,131,891	3,979,318
In the third to fifth years, inclusive	4,878,523	2,052,000
	14,555,229	11,347,218
Other borrowings repayable:		
Within one year or on demand	9,921,765	9,152,772
In the second year	4,001,829	6,104,927
In the third to fifth years, inclusive	323,377	400,000
	14,246,971	15,657,699
	28,802,200	27,004,917

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of reporting period as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
	Notes	
Properties under development	42,848,499	43,299,210
Investment properties	11 351,000	349,000
Pledged deposits	13 88,100	21,500

Management of the Company has assessed that the fair values of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and independent third party financial institutions based on prevailing market interest rates.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

15. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

- i. The Group's bank and other borrowings were guaranteed by its related parties (note 22(3)).
- ii. As at 30 June 2019, 臨泉縣梁安置業有限公司 ("Linquan Liang'an Property Co., Ltd.") has guaranteed certain of the bank and other borrowings of up to RMB235,200,000 (31 December 2018: RMB355,900,000).
- iii. As at 30 June 2019, 漣水瑞發置業有限公司 ("Lianshui Ruifa Property Co., Ltd.") has guaranteed certain of the bank and other borrowings of up to nil (31 December 2018: RMB140,000,000).

16. PROVISION FOR FINANCIAL GUARANTEE CONTRACTS

	RMB'000
At 1 January 2018	—
Arising during the year	84,869
At 31 December 2018 and 1 January 2019 (audited)	84,869
Decreasing during the period	(21,434)
At 30 June 2019 (unaudited)	63,435

The financial guarantee contracts represent guarantees given to banks and other financial institutions in connection with borrowings made to the Group's joint ventures and associates. Details are set out in note 22 to the interim condensed consolidated financial information.

The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by the Chief Executive Officer.

The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the joint ventures and associates).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

17. SHARE CAPITAL

Shares

	30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
Authorised: 38,000,000 ordinary shares of HK\$0.01 each	380,000	380,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2018	—	—
Issuance of new shares	9,694,675	85
At 31 December 2018 and 1 January 2019 (audited)	9,694,675	85
Issuance of new shares	—	—
At 30 June 2019 (unaudited)	9,694,675	85

The Company was incorporated in the Cayman Islands on 22 March 2018 with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 at par value each. On the date of incorporation, 1 ordinary share of HK\$0.01 was allotted by the Company to a subscriber, and was transferred to Liangzhong International Co., Ltd., a company controlled by Mr. Yang Jian, on 29 March 2018.

On 29 March 2018, 1 ordinary share of HK\$0.01 was allotted and issued by the Company for cash to each of Liangyi International Co., Ltd. and Liangtai International Co., Ltd.

On 22 June 2018, 94 ordinary shares, 2 ordinary shares and 1 ordinary share were allotted and issued by the Company to Liangzhong International Co., Ltd., Liangyi International Co., Ltd., and Liangtai International Co., Ltd., respectively.

On 15 August 2018, 9,119,905 shares, 287,997 shares and 191,998 shares, which were all fully paid up at an aggregate consideration of US\$140,265,600, were allotted and issued to Liangzhong International Co., Ltd., Liangyi International Co., Ltd. and Liangtai International Co., Ltd., respectively.

On 29 August 2018, 94,675 shares were allotted and issued to Abundant Talent Global Co., Ltd., and the issued share capital of the Company was HK\$96,946.75.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

18. BUSINESS COMBINATIONS

Acquisition of Shandong Mingyao Property Co., Ltd. (“Shandong Mingyao”)

On 18 January 2019, the Group acquired a 54% equity interest in Shandong Mingyao, an unlisted company, with registered capital of RMB18,000,000. Shandong Mingyao is mainly engaged in property development and operation. The acquisition was part of the Group’s strategy to expand its market share of property development. The purchase consideration for the acquisition was in the form of cash, with RMB25,479,294 settled at the acquisition date.

The fair values of the identifiable assets and liabilities of the aforementioned subsidiary acquired as at the dates of acquisition were as follows:

	For the six months ended 30 June 2019 Fair value recognised on acquisition RMB’000 (Unaudited)
Properties under development	198,398
Cash and cash equivalents	6,047
Prepayments and other receivables	14,128
Trade and bills payables	(576)
Other payables and accruals	(188,755)
Deferred tax liabilities	(2,327)
Total identifiable net assets at fair value	26,915
Non-controlling interests measured at non-controlling interests’ proportionate share of the net assets	(1,436)
Net assets acquired	25,479
Satisfied by cash	25,479

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

18. BUSINESS COMBINATIONS (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	30 June 2019 RMB'000 (Unaudited)
Cash consideration	(25,479)
Cash and cash equivalents acquired	6,047
Net outflow of cash and cash equivalents included in cash flows from investing activities	(19,432)

19. DISPOSAL OF SUBSIDIARIES

(a) 杭州金悦企業管理有限公司 (“Hangzhou Jinyue Enterprise Management Co., Ltd.”)

Pursuant to the share transfer agreement dated 15 February 2019, the Group disposed of its 47% equity interest in Hangzhou Jinyue Enterprise Management Co., Ltd. to 溫州城際投資管理有限公司 (“Wenzhou Chengji Capital Management Co., Ltd.”) for a consideration of RMB2,078,685.

(b) 宜城市禦融置業有限公司 (“Yicheng Yurong Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 26 April 2019, the Group disposed of its 35% equity interest in Yicheng Yurong Property Co., Ltd. to 湖北恒鑫力置業有限公司 (“Hubei Hengxinli Real Estate Co., Ltd.”) for a consideration of RMB28,917,808.

(c) 南寧梁悅置業有限公司 (“Nanning Liangyue Group Co., Ltd.”)

Pursuant to the share transfer agreement dated 1 April 2019, the Group disposed of its 71% equity interest in Nanning Liangyue Group Co., Ltd. to 杭州金翰控股集團有限公司 (“Hangzhou Jinhan Holding Group Co., Ltd.”) and 寧波梅山保稅港區桂悅投資合夥企業(有限合夥) (“Ningbo Meishan Bonded Port Area Guiyue Investment Partnership (Limited Partnership)”), for a consideration of nil.

(d) 揚州梁瑞置業有限公司 (“Yangzhou Liangrui Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 29 January 2019, the Group disposed of its 67% equity interest in Yangzhou Liangrui Property Co. Ltd. to 南京正惠置業有限公司 (“Nanjing Zhenghui Real Estate Co., Ltd.”) and 恒通建設集團有限公司 (“Hengtong Construction Group Co., Ltd.”) for a consideration of nil.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

19. DISPOSAL OF SUBSIDIARIES (Continued)

(e) 蘇州恒信置業有限公司 (“Suzhou Hengxin Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 28 April 2019, the Group disposed of its 50% equity interest in Suzhou Hengxin Property Co Ltd. to 蘇州新力創悅房地產有限公司 (“Suzhou Xinli Chuangyue Real Estate Co., Ltd.”) for a consideration of RMB5,000,000.

(f) 贛州瑞禦置業有限公司 (“Ganzhou Ruiyu Property Co. Ltd.”)

Pursuant to the share transfer agreement dated 30 May 2019, the Group disposed of its 67% equity interest in Ganzhou Ruiyu Property Co Ltd. to 池州梁鑫企業管理諮詢服務有限公司 (“Chizhou Liangxin Enterprise Management Consulting Service Co., Ltd.”), 吉安市宏盛企業管理有限公司 (“Ji’an Hongsheng Enterprise Management Co., Ltd.”) and 萍鄉中梁榮房地產信息諮詢合夥企業(有限合夥) (“Pingxiang Zhongliangrong Real Estate Information Consulting Partnership (Limited Partnership)”) for a consideration of nil.

The carrying values of the assets and liabilities on the dates of disposal were as follows:

	For the six months ended 30 June 2019 RMB'000 (Unaudited)
Net assets disposed of:	
Property, plant and equipment	41
Properties under development	803,592
Tax recoverable	12,274
Cash and cash equivalents	359,180
Investments in associates	420,000
Prepayments and other receivables	785,424
Trade and bills payables	(8,592)
Contract liabilities	(760,093)
Interest-bearing bank and other borrowings	(263,500)
Other payables and accruals	(1,341,458)
	6,868
Gain on disposal of subsidiaries	29,128
Satisfied by Cash	35,996

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

19. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	For the six months ended 30 June 2019 RMB'000 (Unaudited)
Cash received	35,996
Cash and cash equivalents disposed of	(359,180)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(323,184)

The directors of the Company consider that not all subsidiaries disposed of were significant to the Group and thus the individual financial information of some subsidiaries on the disposal date was not disclosed.

20. CONTINGENT LIABILITIES

At the end of reporting period, contingent liabilities not provided for in the condensed consolidated financial information were as follows:

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	40,261,583	28,897,294
Guarantees given to banks in connection with facilities granted to related companies	(2)	8,326,894	6,594,169

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

20. CONTINGENT LIABILITIES (Continued)

- (1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within half a year to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

- (2) The Group provided guarantees to banks and other institutions in connection with borrowings made to the related companies. As of 30 June 2019, an allowance of RMB63,435,000 (31 December 2018: RMB84,869,000) was provided as a result of the guarantees provided to the related companies.

21. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contracted, but not provided for:		
Property development activities	41,927,106	40,652,123
Acquisition of land use rights	4,809,085	1,930,992
Capital contributions payable to joint ventures and associates	2,086,318	1,464,253
	48,822,509	44,047,368

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

22. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

The following transactions were carried out with related parties during the reporting period:

	For the six months ended	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Advance to related companies:		
Companies controlled by certain directors and/or their close family members	—	671,286
Joint ventures and associates	4,155,977	2,666,666
Companies controlled by the ultimate controlling shareholders	23,753	14,512,982
Repayment of advances to related companies:		
Companies controlled by certain directors and/or their close family members	57,655	126,627
Joint ventures and associates	5,839,174	3,525,437
Companies controlled by the ultimate controlling shareholders	246,644	17,129,559
Advance from related companies:		
Companies controlled by certain directors and/or their close family members	—	285,294
Joint ventures and associates	5,827,078	2,211,410
Companies controlled by the ultimate controlling shareholders	—	1,998,146
Repayment of advances from related companies:		
Companies controlled by certain directors and/or their close family members	119,458	82,588
Joint ventures and associates	3,360,163	1,099,735
Companies controlled by the ultimate controlling shareholders	70,778	2,227,404
Property management services to joint ventures and associates (Note)	—	1,199
Management consulting services to joint ventures and associates (Note)	86,607	43,479
Interest income from companies controlled by certain directors and/or their close family members (Note)	—	87,395
Finance costs from a company significantly impacted by certain directors (Note)	3,750	9,552
Property management services from companies controlled by the ultimate controlling shareholders (Note)	87,028	31,894

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties incurred.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

22. RELATED PARTY TRANSACTIONS (Continued)

(2) Disposal of subsidiaries

	For the six months ended	
	30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Consideration of disposal of subsidiaries	—	273,000

(3) Other transactions with related parties

- i. As at 30 June 2019, the Controlling Shareholders and Suzhou Industrial Park Huacheng Real Estate Development Limited have jointly guaranteed certain of the bank and other borrowings of up to RMB444,100,000 (31 December 2018: RMB5,262,550,000).
- ii. As at 30 June 2019, the Controlling Shareholders has guaranteed certain of the bank and other borrowings of up to RMB665,500,000 (31 December 2018: RMB2,320,339,000).
- iii. As at 30 June 2019, Suzhou Industrial Park Huacheng Real Estate Development Limited has guaranteed certain of the bank and other borrowings of up to RMB535,850,000 (31 December 2018: RMB2,055,880,000).
- iv. Jiangsu Zhongquanhe Construction Co., Ltd. provided a loan to the Group for real estate development with a term of two years and an interest rate of 7.45% per annum. As at 30 June 2019, the outstanding balance of the aforementioned loan amounted to nil (31 December 2018: RMB138,600,000). This loan was included in "Interest-bearing bank and other borrowings" in the consolidated statements of financial position of the Group.
- v. As at 30 June 2019, Rui'an Yuetang Property Co., Ltd. has guaranteed certain of the bank and other borrowings of up to nil (31 December 2018: RMB204,000,000).
- vi. As at 30 June 2019, Shucheng Wenzhu Real Estate Co., Ltd. has guaranteed certain of the bank and other borrowings of up to RMB48,700,000 (31 December 2018: RMB70,000,000).
- vii. As at 30 June 2019, Deqing Jinhao Property Co., Ltd. has guaranteed certain of the bank and other borrowings of up to RMB323,377,000 (31 December 2018: RMB400,000,000).
- viii. As at 30 June 2019, the Group has guaranteed certain of the bank and other borrowings made to its joint ventures and associates up to RMB 8,326,894,000 (31 December 2018: RMB6,594,169,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

22. RELATED PARTY TRANSACTIONS (Continued)

(4) Outstanding balances with related parties

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Due from related companies:		
Companies controlled by certain directors and/or their close family members	—	57,655
Joint ventures and associates	7,877,700	9,560,897
Companies controlled by the ultimate controlling shareholders	—	222,891
Due to related companies:		
Companies controlled by certain directors and/or their close family members	—	119,458
Joint ventures and associates	9,695,817	7,228,902
Companies controlled by the ultimate controlling shareholders	—	70,778

Balances with the above related parties were non-trade, unsecured, non-interest-bearing and repayable on demand.

(5) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Short-term employee benefits	18,739	17,979
Pension scheme contributions	335	310
Total compensation paid to key management personnel	19,074	18,289

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of reporting period, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Financial assets				
Financial assets at fair value through profit or loss ("FVPL")	233,967	228,757	233,967	228,757
Financial liabilities				
Interest-bearing bank and other borrowings	28,802,200	27,004,917	28,818,628	26,991,997
Other financial liabilities	54,124	59,284	54,124	59,284
Provision for financial guarantee contracts	63,435	84,869	63,435	84,869

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

For the fair values of the financial assets at FVPL, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value measurement of the financial assets at FVPL is categorised within level 3 of the fair value hierarchy.

For the fair values of other financial liabilities, management has estimated by discounting the expected future cash flows using expected return rates for the underlying assets in order to estimate the cash outflow amounts to settle the liability. The fair value measurement of the financial liability is categorised within level 3 of the fair value hierarchy.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group's corporate finance team headed by the group financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the group financial controller and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the group financial controller. The valuation process and results are discussed with the board of directors twice a year for financial reportings.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2019 and 31 December 2018:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Other financial liabilities	Discounted cash flow method	Incremental borrowing cost	30 June 2019:	1% increase/decrease in incremental borrowing cost would result in a decrease/increase in fair value by RMB50,000/RMB50,000
			8.2%–12.5%	
		2018:	1% increase/decrease in incremental borrowing cost would result in a decrease/increase in fair value by RMB78,000/RMB78,000	
		8.2%–12.5%		
Expected rate of return per annum	30 June 2019:	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB50,000/RMB50,000		
	9.87%–14.96%			
2018:	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB48,000/RMB48,000			
9.87%–14.96%				

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2019 and 31 December 2018: (continued)

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input		
Financial assets at FVPL	Discounted cash flow method	Expected rate of return per annum	30 June 2019: 8.5%–8.78%	1% increase/decrease in expected interest rate per annum would result in an increase/decrease in fair value by RMB6,000/RMB6,000		
			2018: 8.78%	1% increase/decrease in expected interest rate per annum would result in an increase/decrease in fair value by RMB2,000/RMB2,000		
		Discount rate	30 June 2019: 8.5%–8.78%	1% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB1,000/RMB1,000		
			2018: 3.17%	1% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB1,000/RMB1,000		
		Provision for financial guarantee contracts	Expected credit loss model	Recovery rate	30 June 2019: 38.3%–39.6%	1% increase/decrease in recovery rate would result in a decrease/increase in fair value by RMB182,808/ RMB182,808
					2018: 38.0%–39.5%	1% increase/decrease in recovery rate would result in a decrease/increase in fair value by RMB351,003/ RMB351,003
Discount rate	30 June 2019: 1.17%–3.93%			1% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB11,821/RMB11,830		
	2018: 2.39%–2.87%			1% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB26,422/RMB26,444		

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2019

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at FVPL	—	—	233,967	233,967

As at 31 December 2018

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Financial assets at FVPL	—	—	228,757	228,757

The movements in fair value measurement within Level 3 during the period are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Financial assets at FVPL		
— wealth management products at fair value:		
At 1 January	228,757	297,171
Acquisition of financial assets at fair value	5,000	2,500
Disposal of financial assets at fair value	—	(66,875)
Fair value changes	210	(4,039)
At the end of the reporting period	233,967	228,757

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 30 June 2019

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Other financial liabilities	—	—	54,124	54,124
Provision for financial guarantee contracts	—	—	63,435	63,435
	—	—	117,559	117,559

As at 31 December 2018

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Other financial liabilities	—	—	59,284	59,284
Provision for financial guarantee contracts	—	—	84,869	84,869
	—	—	144,153	144,153

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (six months ended 30 June 2018: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

24. EVENTS AFTER REPORTING PERIOD

- (1) In connection with the Listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), 530,000,000 new ordinary shares with a nominal value of HK\$0.01 each were issued at a price of HK\$5.55 per ordinary share for a total cash consideration of HK\$ 2,941,500,000, before deducting underwriting fees, commissions and related expenses. In addition, 2,990,305,325 shares were issued by way of capitalisation. Dealings in the shares of the Company on the Stock Exchange commenced on 16 July 2019.
- (2) On 5 August 2019, the over-allotment option has been partially exercised and the Company allotted and 51,791,500 additional shares were issued at HK\$5.55 per share on 7 August 2019.
- (3) As of 16 July 2019, the guarantees provided by the Controlling Shareholders and Suzhou Industrial Park Huacheng Real Estate Development Limited have been released.

25. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 22 August 2019.