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Group Introduction

Powerlong Real Estate Holdings Limited (HK.1238) (the “Company”) and its subsidiaries (collectively as the “Group”) are dedicated to developing and operating high quality, large-scale and multi-functional commercial real estate projects. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 14 October 2009. The Group is committed to improving the living standards of the citizens and driving the urbanization progress in the People’s Republic of China (“China” or the “PRC”).

The Group developed, owned and operated 137 real estate projects as at 30 June 2019. Powerlong Plaza, which comprises of shopping malls, restaurants, leisure and other recreational facilities, has created a unique business model drawing extensive attention and recognition from the government and the public. Each project does not only promote the regional economic development, but also improve the retail facilities of the cities and creates job opportunities. The improvement of people’s living standard is a key driver for city quality improvement.

The successful development of the Group is attributable to the innovative vision of the Chairman of the Company, Mr. Hoi Kin Hong, who has instilled his insights and visions since the beginning of the Group’s corporate development and driven its evolvement along the way. The Group will continue to uphold the belief of “Honest, Modest, Innovative and Devoted” and build up an efficient and excellent team to create values for society, customers, shareholders and its staff.



Corporate Information

DIRECTORS

Executive Directors

Mr. Hoi Kin Hong (*Chairman of the Board*)
 Mr. Hoi Wa Fong (*Chief Executive Officer*)
 Mr. Xiao Qing Ping (*Deputy Chief Executive Officer*)
 Ms. Shih Sze Ni Cecilia
 Mr. Zhang Hong Feng (*Deputy Chief Executive Officer*)

Non-executive Director

Ms. Hoi Wa Fan

Independent Non-executive Directors

Mr. Ngai Wai Fung
 Mr. Mei Jian Ping
 Mr. Ding Zu Yu

AUDIT COMMITTEE

Mr. Ngai Wai Fung (*Chairman*)
 Mr. Mei Jian Ping
 Mr. Ding Zu Yu

REMUNERATION COMMITTEE

Mr. Mei Jian Ping (*Chairman*)
 Mr. Hoi Wa Fong
 Mr. Ding Zu Yu

NOMINATION COMMITTEE

Mr. Hoi Kin Hong (*Chairman*)
 Mr. Mei Jian Ping
 Mr. Ding Zu Yu

COMPANY SECRETARY

Ms. Xiao Ying Lin

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong
 Ms. Xiao Ying Lin

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HONG KONG SHARE REGISTRAR

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PRINCIPAL BANKERS

Bank of Communication Co., Ltd.
 Agricultural Bank of China Limited
 China Construction Bank Corporation
 Industrial and Commercial Bank of China Limited
 Bank of China Limited
 China Minsheng Banking Corp., Ltd.
 China CITIC Bank Corporation Limited
 The Bank of East Asia Limited
 China Everbright Bank Co., Ltd.
 Bank of Beijing Co., Ltd.

AUDITOR

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HONG KONG LEGAL ADVISOR

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Management Discussion and Analysis

MARKET REVIEW

During the period under review, a high level of policy coordination was achieved between the policies of both the Central People's Government (the "Central Government") and local governments (the "Local Governments") of the PRC on the property market and also in terms of demand management and supply management. Whilst the Central Government made its timely remarks on the principle of "housing is for accommodation instead of speculation" at some key meetings, the Local Governments made their follow-up moves in response to latest market changes and adopted city-specific policies, under which market performance remained stable. The aggregate volume and amount of market transactions remained fairly flat as compared to the corresponding period in 2018. In major cities, commodity housings witnessed a slight drop in transaction scale while prices of newly completed projects remained solid. Across cities of different tiers, market performance diverged considerably. In core cities, in terms of site area, land supply went up whilst land transaction revived from a trough.

BUSINESS REVIEW

For the six months ended 30 June 2019, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) property management services; and (iv) other property development related businesses. During the period under review, property development remained the main revenue stream of the Group.

Property Development

For the six months ended 30 June 2019, the contracted sales of the Group together with its associates and joint ventures reached approximately RMB29,203 million (for the six months ended 30 June 2018: RMB16,341 million), representing an increase of approximately 78.7% as compared with the corresponding period in 2018. For the six months ended 30 June 2019, the contracted sales area of the Group together with its associates and joint ventures amounted to approximately 1,783,466 square meters (for the six months ended 30 June 2018: 1,159,970 square meters), representing an increase of approximately 53.8% as compared with the corresponding period in 2018.

During the period under review, the Group's contracted sales experienced a significant year-on-year increase, which was mainly attributable to a combination of, (i) the Group's commitment to quality and emphasis on customer experience in developing its products; (ii) the localized sales strategies adopted by the Group to accommodate local market needs and satisfy requirements of the Local Governments; and (iii) for residential projects, the "369" development model adopted by the Group to speed up the process of construction, sales and collection of sales proceeds, which has proven to be highly effective. During the period under review, key contributing projects, including those of the Group's subsidiaries and joint ventures, were located in Hangzhou, Ningbo, Shaoxing, Wenzhou and Shanghai.

Set forth below is the distribution of contracted sales during the period under review:

For the six months ended 30 June 2019

Distribution	Sales area sq.m.	Sales amount RMB'000	Average selling price RMB/sq.m.
Commercial	314,962	5,875,302	18,654
Residential	1,468,504	23,328,058	15,886
Total	1,783,466	29,203,360	16,375

Management Discussion and Analysis

Property Investment and Property Management Services

To generate a stable and recurring income, the Group also retained and operated certain commercial properties for leasing. As at 30 June 2019, the Group had an aggregate gross floor area ("GFA") of approximately 4,849,390 square meters (as at 31 December 2018: 4,817,380 square meters) held as investment properties (including completed properties and properties under construction), representing an increase of approximately 0.7% as compared with that as at 31 December 2018.

As at 30 June 2019, the Group operated and managed 36 commercial plazas and managed 3 light-asset projects, with the number of operating projects and size of operating area both being amongst the forefront of the industry. During the period under review, attributable to the increasing sophistication in the ability of regionalized operation and management, the Group managed to comprehensively enhance the quality of tenant sourcing, upgraded the tenant mix, and laid a solid foundation for the continuous development of the commercial operation and management. During the period under review, the Group further upgraded the existing benchmark projects, uplifted the quality of commercial management services, enhanced its operational efficacy and made full preparation for the intensive opening of new projects in the second half of the year.

Hotel Development

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

As at 30 June 2019, the Group owned nine international brand hotels, namely Le Meridien Shanghai Minhang (上海閔行寶龍艾美酒店), Radisson Blu Shanghai Pudong Jinqiao (上海寶龍麗笙酒店), Radisson Exhibition Center Shanghai (上海國展寶龍麗筠酒店), Four Points by Sheraton Taicang (太倉寶龍福朋喜來登酒店), Four Points by Sheraton Tai'an (泰安寶龍福朋喜來登酒店), Four Points by Sheraton Qingdao, Chengyang (青島城陽寶龍福朋喜來登酒店), Aloft Haiyang (海陽雅樂軒酒店), Aloft Yancheng (鹽城雅樂軒酒店) and Wyndham Grand Plaza Royale Powerlong Fuyang (阜陽寶龍溫德姆至尊豪廷大酒店), and also owned and operated eight self-owned brand chain hotels, namely ARTELS Qingdao (青島寶龍藝築酒店), ARTELS Anxi (安溪寶龍藝築酒店), ARTELS+ Huaian Jiangsu (江蘇淮安藝悅酒店), ARTELS+ Fuyang Hangzhou (杭州富陽藝悅酒店), ARTELS+ Collection Lingang Shanghai (上海臨港藝悅精選酒店), ARTELS+ Collection Hechuan Chongqing (重慶合川藝悅精選酒店), ARTELS+ Wujing Shanghai (上海吳涇藝悅酒店) and JUNTELS Binjiang Hangzhou (杭州濱江藝瑤酒店).

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support its property development pipeline for the forthcoming three to five years. Adhering to the development strategy of "Focus on Shanghai and Strengthen Development in Yangtze River Delta", the Group will ride on market cycles, lay out precise strategic plans and strictly comply with the principle of value investment.

As at 30 June 2019, the Group had a quality land bank amounting to a total GFA of approximately 24.4 million square meters, of which approximately 15.8 million square meters were properties under development and construction and approximately 8.6 million square meters were properties held for future development. The land bank under development will be used for the development of large-scale commercial and residential properties with cinema complexes, supermarkets, food courts, sports and leisure facilities, quality residential properties, serviced apartments, office buildings and hotels. As at 30 June 2019, more than 70% of the Group's land bank is located in the Yangtze River Delta region.

Management Discussion and Analysis

During the period under review, the Group upheld cautious and stringent standards on land investment decision, and the following prime land parcels were added to the Group's land bank:

Project Name	Land Nature	Site Area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Shanghai Jiading New Town Office Project (上海嘉定新城辦公項目)	Commercial/office	34	102.3	100.0%
Taizhou 2018 No. (6-1) Land Lot Project (泰州2018(6-1)號地塊項目)	Commercial/residential	122	220.3	46.7%
Ningbo Fenghua 3-18 Land Lot Project (寧波奉化3-18地塊項目)	Commercial/residential	39	96.5	77.9%
Ningbo Fenghua 3-02 Land Lot Project (寧波奉化3-02地塊項目)	Residential	23	57.1	77.9%
Shaoxing Shangyu Cao'e Scenic Area (2018) J5 Land Lot Project (紹興上虞曹娥景區(2018) J5地塊項目)	Commercial/residential	102	106.9	15.6%
Wenzhou Pingyang Kunya Road South Side A02 Land Lot Project (溫州平陽昆雅路南側A02地塊項目)	Residential	45	59.3	39.7%
Shaoxing Xinchang Xiashiyuan Land Lot Project (紹興新昌下石濱地塊項目)	Commercial/residential	56	111.2	39.0%
Lin'an Chengdong A-32 Land Lot Project (臨安城東A-32地塊項目)	Residential	44	53.2	19.5%
Taizhou Wenling Living Center Land Lot Project (台州溫嶺生活中心地塊項目)	Commercial/residential	91	272.5	50.6%
Hangzhou Gongshu Taoyuan Land Lot Project (杭州拱墅桃源地塊項目)	Commercial	42	126.0	46.7%
Shaoxing Keqiao Binhai Industrial Area Land Lot Project (紹興柯橋濱海工業區地塊項目)	Commercial/residential	153	275.7	38.9%
Taizhou Luqiao No. 5 Land Lot Project (台州路橋5號地塊項目)	Commercial/residential	100	104.7	46.7%
Jinhua Yiwu Qingkou Land Lot Project (金華義烏青口地塊項目)	Commercial/residential	72	198.7	25.7%
Taizhou Luqiao No. 6 Land Lot Project (台州路橋6號地塊項目)	Commercial/residential	22	26.2	46.7%
Changzhou Diaozhuang Fenghuang New Town Project (常州雕莊鳳凰新城項目)	Commercial/residential	115	246.2	48.5%
Zhoushan Putuo Area Dagan Land Lot Project (舟山市普陀區大幹地塊項目)	Commercial/residential	17	42.6	25.7%
Jinhua Pan'an Land Lot Project (金華磐安地塊項目)	Commercial/residential	112	217.3	54.5%

Management Discussion and Analysis

Project Name	Land Nature	Site Area (‘000 sq.m.)	Total GFA* (‘000 sq.m.)	Attributable interest
Qingdao Jimo Business and Trade Area Land Lot Project (青島即墨商貿城片區地塊項目)	Commercial/residential	127	200.7	24.6%
Zhoushan Dinghai Zhushanmen Residential Land Lot Project (舟山定海竹山門住宅地塊項目)	Commercial/residential	28	66.2	39.0%
Hangzhou Lin’an Jinnan (Northern Land Lot) Project (杭州臨安錦南北地塊項目)	Commercial/residential	37	93.3	39.7%
Nanjing Metro Heyan Road, Caohou Village Land Lot Project (南京地鐵和燕路、曹後村地塊項目)	Commercial/office	15	45.7	66.0%
Zhuji Chengxi Business Area Land Lot Project (諸暨城西商務區地塊項目)	Residential	124	148.6	32.3%
Taizhou Dazhuanpan Project (台州大轉盤項目)	Commercial/residential	99	238.0	77.9%
Total		1,619	3,109.2	

* Total GFA excludes underground and car parking spaces.

Management Discussion and Analysis

OUTLOOK

The macro control measures in connection with property policies in the PRC is unlikely to be relaxed in the second half of 2019. The long-term effective mechanism of property policies will continue to play a pivotal role, while “city-specific policies” will remain the main principle for macro control policies at local level. It is expected that transactions of properties will remain stable in general, and across regional markets will continue to have diverging performances.

With a focus on high-quality development, the Group put forth a development theme of “commencement and progression” at the beginning of 2019. For the seven months ended 31 July 2019, the Group has completed approximately 70.1% of the contracted sales target of RMB50.0 billion for the year 2019. The Company believes that the acquisition of land reserves at reasonable costs back in year 2018 and the first half of 2019 has become strong backup to the Group in facing the current market environment of the property sector. The Group is confident of enhancing the contracted sales target for the year 2019 to RMB55.0 billion.

Maintaining its prudent investment strategy and echoing the Chinese government’s “integration of the Yangtze River Delta” policy, the Group will adhere to the development layout of Yangtze River Delta which focuses on Shanghai. Through strengthening market tracking and research, value investments and precise formulation of geographical layout for its new projects, the Group will be in a position to keep expanding its market share in the regions where it operates.

The year 2019 will be a year of intensive opening of Powerlong plazas. In the remaining year, the Group will integrate its significant resources to ensure the opening of six commercial plazas within 2019. Efforts will be made to step up reform to achieve breakthroughs and further enhancement of commercial operation and management capability. The Group will continue to augment the demonstrative role of its currently existing benchmark projects, further improve its commercial asset management system, and increase return on assets. Meanwhile, the Group will foster the progress of collaboration in digital business, to further facilitate the tech-enabled “new business” strategy.

The Group will continue to promote safe and robust financial management and control. It will control the overall debt scale, optimize its financing structure, constantly enhance its financing capability and lower its financing cost.

The Group will continue to proactively promote the parallel development of both talents and the enterprise, ensuring the achievement of professionalism, competency and cultural recognition. The Group will establish a platform and create opportunities for the career development of its staff and fully unleash their vibrancy.

The board (the “Board”) of directors (the “Directors”) of the Company believes that “unity gathers strength which creates the future”. The Group will stick to its targets, take up its responsibilities, share vision and work together without fear of future challenges, so as to turn the Group into an ambitious and well-respected benchmarking player in the PRC real estate industry with even larger success.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises revenue from property sales, rental income from investment properties, income from property management services and other income from property development related businesses. For the six months ended 30 June 2019, the Group recorded a total revenue of approximately RMB12,251 million (for the six months ended 30 June 2018: approximately RMB9,284 million), representing an increase of approximately 32.0% as compared with the corresponding period in 2018. This was mainly attributable to an increase in revenue from each business category.

Revenue from Property Sales

During the period under review, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. Revenue from property sales during the six months ended 30 June 2019 amounted to approximately RMB10,498 million (for the six months ended 30 June 2018: approximately RMB7,916 million), representing an increase of approximately 32.6% as compared with the corresponding period in 2018. This was mainly attributable to an overall increase in the GFA delivered and average single price as compared with that of the corresponding period last year.

Set forth below are the distribution of the revenue from property sales during the period under review:

For the six months ended 30 June 2019

		GFA (sq.m.)	Amount (RMB'000)	Average selling price (RMB/sq.m.)
Yangtze River Delta	Commercial	173,971	1,958,940	11,260
	Residential	389,708	5,952,100	15,273
Bohai Rim	Commercial	12,417	108,274	8,719
	Residential	1,830	31,245	17,073
Central and Western Region	Commercial	133,950	883,352	6,595
	Residential	15,074	103,845	6,889
West Strait Economic Zone	Commercial	26,000	146,468	5,634
	Residential	45,993	379,494	8,251
Others	Residential	52,116	934,111	17,924
Total		851,059	10,497,829	12,335
	Commercial	346,338	3,097,034	8,942
	Residential	504,721	7,400,795	14,663

Management Discussion and Analysis

Rental Income from Investment Properties and Income from Property Management Services

For the six months ended 30 June 2019, the Group recorded rental income from investment properties of approximately RMB635 million (for the six months ended 30 June 2018: approximately RMB465 million), representing an increase of approximately 36.6% as compared to the amount in the corresponding period in 2018.

For the six months ended 30 June 2019, income from property management services is mainly generated from provision of property management services and rental assistance services in the projects developed by the Group. The net income after elimination of intra-group transactions amounted to approximately RMB756 million (for the six months ended 30 June 2018: approximately RMB595 million), representing an increase of approximately 27.1% as compared to the amount in the corresponding period in 2018.

For the six months ended 30 June 2019, rental income from investment properties and income from property management services fee amounted to approximately RMB1,391 million (for the six months ended 30 June 2018: approximately RMB1,060 million), representing an increase of approximately 31.2% as compared to the amount in the corresponding period in 2018. In addition to the increasing areas of properties held and commercial and residential properties managed by the Group, the new merchants matched the local consumer demand and the market penetration rate was increased as a result of the continuous enhancement of the commercial operating capability.

Income of Other Property Development Related Businesses

Income of other property development related businesses mainly comprises income from hotel operation, and construction and decoration services. For the six months ended 30 June 2019, the Group's income of other property development related businesses amounted to approximately RMB362 million (for the six months ended 30 June 2018: approximately RMB309 million), representing an increase of approximately 17.2% as compared to the amount in the corresponding period in 2018. It was mainly attributable to the year-on-year increase in income from hotel operation of the Group.

Cost of Sales

Cost of sales mainly represents the direct cost related to the property development of the Group. It comprises cost of land use rights, construction costs, decoration costs and other costs. For the six months ended 30 June 2019, cost of sales amounted to approximately RMB7,499 million (for the six months ended 30 June 2018: approximately RMB5,778 million), representing an increase of approximately 29.8% as compared to the amount in the corresponding period in 2018, which was mainly due to the increase in total costs as a result of the increase in total GFA of properties sold and delivered during the period under review.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2019, gross profit amounted to approximately RMB4,753 million (for the six months ended 30 June 2018: approximately RMB3,505 million), representing an increase of approximately 35.6% as compared with the corresponding period in 2018. Gross profit margin increased from 37.8% in the corresponding period in 2018 to 38.8% for the six months ended 30 June 2019.

Fair Value Gains on Investment Properties

For the six months ended 30 June 2019, the Group recorded revaluation gains of approximately RMB813 million (for the six months ended 30 June 2018: approximately RMB1,002 million), representing a decrease of approximately 18.9% over the amount in the corresponding period in 2018. The revaluation gains represented mainly the relatively moderate increase in market rent during the period under review.

Management Discussion and Analysis

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2019, selling and marketing costs and administrative expenses amounted to approximately RMB1,059 million (for the six months ended 30 June 2018: approximately RMB925 million), representing an increase of approximately 14.5% as compared with that in the corresponding period in 2018, which was mainly due to the Group's business expansion, which in turn caused the expansion in scale of sales and management projects. The Group will continue to exercise stringent control over expenses and costs whilst at the same time strive to continue the Group's business expansion.

Share of Profit of Investments Accounted for Using the Equity Method

For the six months ended 30 June 2019, share of profit of investments accounted for using the equity method amounted to approximately RMB256 million (for the six months ended 30 June 2018: approximately RMB46 million), representing an increase of approximately 456.5% as compared with the corresponding period in 2018, which was mainly due to the increase of profit of joint ventures.

Income Tax Expense

Income tax expense amounted to approximately RMB1,853 million (for the six months ended 30 June 2018: approximately RMB1,409 million) for the six months ended 30 June 2019, representing an increase of approximately 31.5% as compared with the corresponding period in 2018, primarily due to the increase in PRC corporate income tax and land appreciation tax.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2019, the Group recorded a profit attributable to owners of the Company of approximately RMB1,803 million (for the six months ended 30 June 2018: approximately RMB1,330 million), representing an increase of approximately 35.6% over the corresponding period in 2018.

For the six months ended 30 June 2019, basic earnings per share was approximately RMB45.1 cents (for the six months ended 30 June 2018: approximately RMB33.3 cents), representing an increase of approximately 35.4% over the corresponding period in 2018.

Core earnings (being the profit excluding the fair value gains on investment properties and foreign exchange losses on financing activities during the period under review) for the six months ended 30 June 2019 reached approximately RMB1,852 million (for the six months ended 30 June 2018: approximately RMB1,227 million), representing an increase by approximately 50.9% as compared with that in the corresponding period in 2018.

Core earnings attributable to the owners of the Company for the six months ended 30 June 2019 reached approximately RMB1,245 million (for the six months ended 30 June 2018: approximately RMB836 million), representing an increase of approximately 48.9% as compared with that in the corresponding period in 2018.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

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

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB18,526 million in total as at 30 June 2019 (as at 31 December 2018: approximately RMB15,776 million).

Management Discussion and Analysis

Borrowings

Total borrowings of the Group as at 30 June 2019 was approximately RMB49,594 million (as at 31 December 2018: approximately RMB49,102 million), representing a slight increase of approximately 1.0%. The Group's borrowings comprise bank and other borrowings of approximately RMB30,030 million, corporate bonds of approximately RMB10,190 million, short-term commercial papers of approximately RMB595 million and senior notes of approximately RMB8,779 million.

Out of the total borrowings, approximately RMB12,541 million was repayable within one year, while approximately RMB37,053 million was repayable after one year.

On 13 February 2018, the Company issued convertible bonds in an aggregate principal amount of HK\$1,990,000,000 with zero coupon and a maturity date of 11 February 2019 (the "Convertible Bonds"). On 11 February 2019, the Company redeemed the Convertible Bonds in full with an aggregate principal amount of RMB1,701,689,000. As at the date of this report, the Group has utilised all of the net proceeds from the issuance of the Convertible Bonds as intended. For further details, please refer to the announcements of the Company dated 30 January 2018 and 19 February 2018.

On 7 January 2019, the Company issued senior notes at 99.331% discount in an aggregate amount of US\$200 million, with a nominal interest rate of 9.125% per annum and a maturity date of 14 January 2021. Please refer to the announcements of the Company dated 8 January 2019 and 16 January 2019 for further details.

On 21 January 2019, Shanghai Powerlong Industrial Development Co., Ltd. (上海寶龍實業發展(集團)有限公司) ("Shanghai Powerlong Industrial"), a wholly-owned subsidiary of the Company, issued the first tranche of super short-term commercial paper for the year 2019 in an aggregate amount of RMB300 million, with a nominal interest rate of 5.85% per annum and a maturity date of 19 October 2019. Please refer to the announcement of the Company dated 22 January 2019 for further details.

On 5 March 2019, Shanghai Powerlong Industrial issued the first tranche of medium-term notes for the year 2019 in an aggregate amount of RMB1,000 million, with a nominal interest rate of 7.20% per annum and a maturity date of 7 March 2021. Please refer to the announcement of the Company dated 8 March 2019 for further details.

On 1 April 2019, Shanghai Powerlong Industrial issued corporate bonds specialized in rental housing (Tranche 1) in an aggregate amount of RMB300 million, with a nominal interest rate of 7.20% per annum. Please refer to the announcement of the Company dated 2 April 2019 for further details.

On 24 and 25 April 2019, Shanghai Powerlong Industrial issued the second tranche of super short-term commercial paper for the year 2019 in an aggregate amount of RMB300 million, with a nominal interest rate of 5.72% per annum and a maturity date of 22 December 2019. Please refer to the announcement of the Company dated 29 April 2019 for further details.

Events after the Reporting Period

On 23 July 2019, the Company issued senior notes at 98.974% discount in an aggregate amount of US\$170 million, with a nominal interest rate of 6.95% per annum due 2023. For further details, please refer to the announcements of the Company dated 16 July 2019 and 25 July 2019.

On 19 August 2019, Shanghai Powerlong Industrial issued the third tranche of super short-term commercial paper for the year 2019 in an aggregate amount of RMB400 million, with a nominal interest rate of 6.40% per annum and a maturity date of 17 May 2020. Please refer to the announcement of the Company dated 22 August 2019 for further details.

Management Discussion and Analysis

Net Gearing Ratio

As at 30 June 2019, the Group had a net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of approximately 91.4% (as at 31 December 2018: approximately 101.6%).

Borrowing Costs

Total interest expenses for the six months ended 30 June 2019 amounted to approximately RMB1,690 million (for the six months ended 30 June 2018: approximately RMB1,248 million), representing an increase of approximately 35.4% as compared to the corresponding period in 2018. The increase was mainly due to the increase in total borrowings of the Group as compared with the corresponding period last year. The effective interest rate slightly increased from approximately 5.95% in the corresponding period for 2018 to approximately 6.24% for 2019, which was due to changes in the capital market. The Group will continue to implement stringent control over finance costs.

Credit Policy

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

Pledge of Assets

As at 30 June 2019, the Group pledged its property and equipment, right-of-use assets, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of approximately RMB54,202 million (as at 31 December 2018: RMB56,291 million) to secure borrowings of the Group. The total secured bank and other borrowings as at 30 June 2019 amounted to approximately RMB29,858 million (as at 31 December 2018: approximately RMB30,167 million). The above senior notes are guaranteed and secured by share pledges of certain non-PRC subsidiaries and non-PRC joint ventures of the Group.

Financial Guarantees

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

	30 June 2019 RMB'000	31 December 2018 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	20,201,182	15,662,393
Guarantees for borrowings of joint ventures	987,500	822,500
	21,188,682	16,484,893

Commitments

(1) Commitments for property development expenditures

	30 June 2019 RMB'000	31 December 2018 RMB'000
Contracted but not provided for		
– Property development activities	11,618,282	7,663,384
– Acquisition of land use rights	15,344	1,311,565
	11,633,626	8,974,949

(2) Leases commitments

As at 30 June 2019, the Group did not have any material short-term leases commitments.

Management Discussion and Analysis

Contingent Liabilities

As at 30 June 2019, the Group had no significant contingent liabilities.

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. The major non-RMB financial assets or liabilities as at 30 June 2019 are the Group's borrowings denominated in US\$ or HK\$ totalling approximately RMB11,319 million. Any depreciation of Renminbi would adversely affect the value of any dividends the Group to be paid to shareholders of the Company (the "Shareholders") outside the PRC. The Group currently does not engage in hedging activities designed or used to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 June 2019, the Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Directors confirmed that as at the date of this report, there are no current plans to acquire any material investment or capital assets other than in the Group's ordinary business of property development.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2019, the Group employed a total of 11,033 full-time employees (as at 31 December 2018: 11,042 employees). The total staff costs of the Group incurred during the period under review was approximately RMB754 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the pay level in the industry. In relation to staff training, the Group also provides different types of training programs for its staff to improve their skills and develop their respective expertise.

INTERIM DIVIDEND

Payment of Interim Dividend

The Board has resolved to declare an interim dividend of HK\$9 cents per ordinary share (the "Interim Dividend") for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$6.8 cents), representing an increase of approximately 32.4% over the corresponding period in 2018.

The Interim Dividend will be paid on or around Tuesday, 10 December 2019 to the Shareholders whose names appear on the register of members of the Company on Friday, 29 November 2019.

Closure of Register of Members

For the purpose of ascertaining Shareholders' entitlement to the Interim Dividend, the register of members of the Company will be closed from Tuesday, 26 November 2019 to Friday, 29 November 2019, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be qualified for the Interim Dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 25 November 2019.

Disclosure of Interests

SHARE OPTION SCHEME

Pursuant to the shareholder's resolutions of the Company passed on 16 September 2009, the Company has adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who will contribute and had contributed to the success of the Group's operations.

Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme:

The Share Option Scheme is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group.

The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme:

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of shares of the Company as the Board may determine:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and
- (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. Total number of shares available for issue under the Share Option Scheme and percentage of the number of issued shares as at 30 June 2019:

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 400,000,000 shares (representing approximately 10.01% of the number of issued shares as at 30 June 2019).

Disclosure of Interests

4. Maximum entitlement of each participant under the Share Option Scheme:

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"); and
- (ii) the approval of the shareholders at general meeting and/or other requirements prescribed under the Listing Rules from time to time and in this respect, such Eligible Participant and his associates (as defined in the Listing Rules) shall abstain from voting at the meeting.

5. The period within which the options must be exercised under the Share Option Scheme to subscribe for shares:

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

6. The minimum period for which an option must be held before it can be exercised:

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid:

Options granted must be taken up within 21 days of the date of offer, upon payment of HK\$1 per grant.

8. The basis of determining the exercise price:

Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary share.

9. The remaining life of the Share Option Scheme:

It will remain in force for a period of 10 years, commencing on 16 September 2009.

Since the adoption of the Share Option Scheme and up to 30 June 2019, no options had been granted under the Share Option Scheme.

Disclosure of Interests

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2019, the interests of each Director and chief executive officer of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Long position in shares and underlying shares of the Company

Name of Directors	Number of ordinary shares			Total	Approximate percentage of interests to the issued share capital of the Company (Note 1)
	Personal interests	Interests of spouse	Interests of a controlled corporation		
Mr. Hoi Kin Hong	28,465,000	2,800,000	1,805,637,000 (Note 2)	1,836,902,000	45.95%
Mr. Hoi Wa Fong	8,988,000	503,400	590,468,000 (Note 3)	599,959,400	15.01%
Mr. Xiao Qing Ping	811,700	–	–	811,700	0.02%
Ms. Shih Sze Ni	503,400	599,456,000	–	599,959,400	15.01%
Mr. Zhang Hong Feng	184,300	–	–	184,300	0.01%
Ms. Hoi Wa Fan	61,470,000	–	203,106,000 (Note 4)	264,576,000	6.62%

Notes:

1. These percentages have been compiled based on the total number of issued shares (i.e. 3,997,303,000 shares) as at 30 June 2019.
2. These shares are held by Skylong Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Kin Hong.
3. These shares are held by Sky Infinity Holdings Limited, which is owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of The Sky Infinity Trust.
4. These shares are held by Walong Holdings Limited and Mantong (HK) Trading Co., Limited, which is wholly and beneficially owned by Ms. Hoi Wa Fan.

Saved as disclosed above, as at 30 June 2019, none of the Directors, chief executive officer of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2019, the interests of substantial shareholders, other than a director or chief executive officer of the Company, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares (Note 1)	Approximate percentage of interests in the Company (Note 2)
Skylong Holdings Limited (Note 3)	Beneficial owner	1,805,637,000	45.17%
Sky Infinity Holdings Limited (Note 4)	Beneficial owner	590,468,000	14.77%
Wason Holdings Limited	Beneficial owner	202,000,000	5.05%

Notes:

- All the interests represent long positions.
- These percentages have been compiled based on the total number of issued shares (i.e. 3,997,303,000 shares) as at 30 June 2019.
- Skylong Holdings Limited is wholly and beneficially owned by Mr. Hoi Kin Hong.
- Sky Infinity Holdings Limited is owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of The Sky Infinity Trust.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Facility Agreement dated 29 August 2017

On 29 August 2017, the Company as borrower, certain of its subsidiaries as guarantors and Bank of China (Hong Kong) Limited, Wing Lung Bank, Limited, The Bank of East Asia Limited and Tai Fung Bank Limited as lenders entered into a facility agreement (the "2017 Facility Agreement") in relation to a 3-year term loan facility in multiple currencies and tranches of up to US\$200,000,000 equivalent (the "2017 Facility"). Pursuant to the 2017 Facility Agreement, it is an event of default if (i) Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, does not, or ceases to hold legally and beneficially and directly or indirectly 40% or more of all classes of the equity interests of the Company carrying any entitlement to vote; and/or (ii) Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, does not, or ceases to directly or indirectly control the Company; and/or (iii) Mr. Hoi Kin Hong or Mr. Hoi Wa Fong is not, or ceases to be, chairman of the board of directors of the Company. Details of the 2017 Facility are set out in the announcement of the Company dated 29 August 2017.

Facility Agreement dated 18 April 2018

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

Disclosure of Interests

Facility Agreement dated 5 July 2018

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

Events after the Reporting Period

Facility Agreement dated 8 July 2019

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

As at the date of this report, for the purpose of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), Mr. Hoi Kin Hong and Mr. Hoi Wa Fong in aggregate were interested in approximately 60.96% of the total number of issued shares of the Company.

Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures for enhancing investor confidence in the Company and the Company's accountability. The Company reviews its corporate governance practices from time to time to ensure they comply with all applicable code provisions as set out in Appendix 14 to the Listing Rules ("CG Code") and align with the latest developments.

COMPLIANCE WITH THE CG CODE

The Directors are of the view that the Company has complied with all the applicable code provisions contained in Appendix 14 of the Listing Rules for the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save as otherwise disclosed in this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made of all Directors and all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2019.

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

During the six months ended 30 June 2019, no incident of non-compliance with the Model Code and the written guidelines by the Directors and the Relevant Employees was noted by the Company.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the interim report for the six months ended 30 June 2019 in conjunction with the Company's management and external auditor. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

ANNUAL GENERAL MEETING

The Chairman of the Board, most of the Directors, the Chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and the external auditor were present at the annual general meeting of the Company held on 8 June 2019.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the update on the biographical details of the Directors is as follows: Mr. Mei Jian Ping has been appointed as an independent non-executive director, the chairman of the nomination committee and a member of the audit committee of Dazzle Fashion Co., Ltd., a company whose shares are listed on the Main Board of The Shanghai Stock Exchange (stock code: 603587) with effect from 6 May 2019.

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

Interim Condensed Consolidated Balance Sheet

		30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
	Note		
ASSETS			
Non-current assets			
Property and equipment	3, 7	4,522,605	3,370,562
Land use rights	3, 7	–	1,181,965
Investment properties	3, 8	47,901,536	45,659,136
Investments accounted for using the equity method	9	4,689,201	4,127,443
Deferred income tax assets		486,407	499,343
Financial assets at fair value through other comprehensive income ("FVOCI")		348,435	348,461
		57,948,184	55,186,910
Current assets			
Properties under development	11	35,382,014	32,350,267
Completed properties held for sale	12	10,018,530	9,442,602
Contract assets		9,572	6,967
Trade receivables	13	1,628,713	1,519,989
Other receivables	14	15,639,013	14,732,697
Prepayments	10	1,854,626	2,014,617
Prepaid taxes		930,140	727,215
Financial assets at fair value through profit or loss		220,826	297,565
Restricted cash	15	1,918,570	935,935
Cash and cash equivalents	16	16,607,706	14,839,776
		84,209,710	76,867,630
Total assets		142,157,894	132,054,540
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	17	348,055	1,164,125
Other reserves	18	686,531	681,076
Retained earnings		27,240,381	25,442,263
		28,274,967	27,287,464
Perpetual Capital Instruments	19	1,046,820	1,552,254
Non-controlling interests		4,666,317	3,965,222
Total equity		33,988,104	32,804,940

Interim Condensed Consolidated Balance Sheet

		30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
	Note		
LIABILITIES			
Non-current liabilities			
Borrowings	20	37,052,622	34,380,408
Lease liabilities		161,101	–
Other payables		163,927	206,007
Deferred income tax liabilities		6,121,904	6,130,190
		43,499,554	40,716,605
Current liabilities			
Borrowings	20	12,541,183	12,977,220
Convertible bonds	21	–	1,743,638
Trade and other payables	23	25,763,315	20,725,848
Contract liabilities	22	18,809,031	16,444,184
Current income tax liabilities		7,429,648	6,642,105
Lease liabilities		127,059	–
		64,670,236	58,532,995
Total liabilities		108,169,790	99,249,600
Total equity and liabilities		142,157,894	132,054,540

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

The Interim financial information on pages 21 to 62 were approved by the Board of Directors of the Company (the "Board") on 22 August 2019 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June

	Note	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Revenue	6	12,251,494	9,283,879
Cost of sales	24	(7,498,963)	(5,778,402)
Gross profit		4,752,531	3,505,477
Fair value gains on investment properties – net	8	813,068	1,001,637
Selling and marketing costs	24	(427,237)	(356,755)
Administrative expenses	24	(631,809)	(568,588)
Other income and gains – net		165,192	157,043
Operating profit		4,671,745	3,738,814
Finance costs – net	25	(627,209)	(591,886)
Share of profit of investments accounted for using the equity method	9	256,250	46,110
Profit before income tax		4,300,786	3,193,038
Income tax expense	26	(1,852,661)	(1,409,433)
Profit for the period		2,448,125	1,783,605
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		474	3,927
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of financial assets at fair value through other comprehensive income ("FVOCI")		(19)	(14)
Total other comprehensive income for the period, net of tax		455	3,913
Total comprehensive income for the period		2,448,580	1,787,518
Profit attributable to:			
Owners of the Company		1,803,118	1,330,280
Holders of Perpetual Capital Instruments	19	25,562	46,316
Non-controlling interests		619,445	407,009
		2,448,125	1,783,605
Total comprehensive income attributable to:			
Owners of the Company		1,803,573	1,334,193
Holders of Perpetual Capital Instruments	19	25,562	46,316
Non-controlling interests		619,445	407,009
		2,448,580	1,787,518
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	27		
– Basic		45.108	33.279
– Diluted		44.895	31.310

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

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 17)	Other reserves RMB'000 (Note 18)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 19)	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended							
30 June 2019 (Unaudited)							
Balance as at 1 January 2019	1,164,125	681,076	25,442,263	27,287,464	1,552,254	3,965,222	32,804,940
Comprehensive income:							
Profit for the period	-	-	1,803,118	1,803,118	25,562	619,445	2,448,125
Other comprehensive income for the period							
– Changes in fair value of financial assets at fair value through other comprehensive income	-	(19)	-	(19)	-	-	(19)
– Currency translation differences	-	474	-	474	-	-	474
Total comprehensive income for the period	-	455	1,803,118	1,803,573	25,562	619,445	2,448,580
Transactions with owners:							
– Dividends (Note 28)	(816,070)	-	-	(816,070)	-	-	(816,070)
– Issuance of perpetual capital instruments	-	-	-	-	500,000	-	500,000
– Redemption of Perpetual Capital Instruments	-	-	-	-	(1,000,000)	-	(1,000,000)
– Distribution to holders of Perpetual Capital Instruments	-	-	-	-	(30,996)	-	(30,996)
– Capital injection from non-controlling interests	-	-	-	-	-	81,650	81,650
Total transactions with owners	(816,070)	-	-	(816,070)	(530,996)	81,650	(1,265,416)
Appropriation to statutory reserves	-	5,000	(5,000)	-	-	-	-
Balance at 30 June 2019	348,055	686,531	27,240,381	28,274,967	1,046,820	4,666,317	33,988,104

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium	Other reserves	Retained earnings	Total	Perpetual Capital Instruments	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 17)	(Note 18)			(Note 19)		
Six months ended							
30 June 2018 (Unaudited)							
Balance at 31 December							
2017 as originally presented	2,066,162	656,982	22,614,113	25,337,257	1,722,363	2,414,569	29,474,189
Adjustment on adoption of HKFRS 9, net of tax	–	(30,193)	30,193	–	–	–	–
Balance as at 1 January 2018	2,066,162	626,789	22,644,306	25,337,257	1,722,363	2,414,569	29,474,189
Comprehensive income:							
Profit for the period	–	–	1,330,280	1,330,280	46,316	407,009	1,783,605
Other comprehensive income for the period							
– Changes in fair value of financial assets at fair value through other comprehensive income	–	(14)	–	(14)	–	–	(14)
– Currency translation differences	–	3,927	–	3,927	–	–	3,927
Total comprehensive income for the period	–	3,913	1,330,280	1,334,193	46,316	407,009	1,787,518
Transactions with owners:							
– Dividends (Note 28)	(661,172)	–	–	(661,172)	–	–	(661,172)
– Redemption of Perpetual Capital Instruments	–	–	–	–	(690,400)	–	(690,400)
– Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(73,930)	–	(73,930)
– Transactions with non- controlling interests	–	–	–	–	–	635,701	635,701
– Disposal of a subsidiary	–	–	–	–	–	(490)	(490)
Total transactions with owners	(661,172)	–	–	(661,172)	(764,330)	635,211	(790,291)
Balance at 30 June 2018	1,404,990	630,702	23,974,586	26,010,278	1,004,349	3,456,789	30,471,416

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

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June

	Note	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Cash flows from operating activities			
Cash generated from operations		4,943,433	1,857,251
PRC corporate income tax paid		(580,036)	(450,750)
PRC land appreciation tax paid		(503,251)	(261,867)
Interest paid		(1,465,043)	(922,544)
Cash generated from operating activities – net		2,395,103	222,090
Cash flows from investing activities			
Cash acquired from change of joint ventures to subsidiaries		–	4,204
Net proceeds from disposal of a subsidiary		–	(370)
Payments for addition of property and equipment		(178,823)	(300,440)
Payments for addition of right-of-use assets		(2,109)	(71,774)
Payments for addition of investment properties		(815,283)	(1,425,261)
Prepayments for equity investments		–	(447,165)
Disposal of investment properties		11,284	–
Purchases of financial assets at fair value through other comprehensive income		–	(58,936)
Proceeds from disposal of financial assets at fair value through profit or loss		59,357	–
Proceeds from disposal of equipment		66,437	7,330
Investments in joint ventures and associates		(375,868)	(63,488)
Cash advances made to parties controlled by ultimate controlling shareholder		–	(19,815)
Cash advances made to joint ventures and associates		(3,545,130)	(3,831,158)
Collection of cash advances from joint ventures and associates		4,427,517	533,480
Interest received		153,081	67,696
Cash used in investing activities – net		(199,537)	(5,605,697)
Cash flows from financing activities			
Proceeds from borrowings		11,823,091	9,626,705
Repayments of borrowings		(9,393,349)	(2,816,988)
Proceeds from convertible bonds		–	1,609,433
Repayments of convertible bonds		(1,701,689)	–
(Increase)/decrease in guarantee deposits		(213,471)	222,919
Capital injection by non-controlling interests		81,650	245,751
Cash advances from parties controlled by ultimate controlling shareholder		2,776	251,613
Cash advance from joint ventures and associates		2,193,285	1,508,713
Repayments of cash advances to parties controlled by ultimate controlling shareholder		(49,441)	(7,447)
Repayments of cash advances to joint ventures and associates		(2,578,290)	(564,083)
Issuance of Perpetual Capital Instruments		500,000	–
Redemption of Perpetual Capital Instruments		(1,000,000)	(690,400)
Distribution to the holders of Perpetual Capital Instruments		(30,996)	(73,930)
Principal elements of lease payments		(61,359)	–
Cash (used in)/generated from financing activities – net		(427,793)	9,312,286
Net increase in cash and cash equivalents		1,767,773	3,928,679
Cash and cash equivalents at beginning of the period		14,839,776	9,386,757
Effect of foreign exchange rate changes		157	1,891
Cash and cash equivalents at end of the period	16	16,607,706	13,317,327

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

Notes to the Interim Financial Information

1 GENERAL INFORMATION

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

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

This interim financial information for the six months ended 30 June 2019 has been approved for issue by the Board on 22 August 2019.

The interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information has been prepared in accordance with HKAS 34 "Interim Financial Reporting". The interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements, except the adoption of new and amended standards and interpretation as described below.

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

HKFRS 16	Leases
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements	Annual Improvements to HKFRS Standards 2015-2017 Cycle
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

Save for the impact of adoption of HKFRS 16 set out in Note 3, the adoption of other new and amended standards and interpretation did not have any material impact on the interim financial information.

Notes to the Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

- (b) The following new and amended standards have been issued but are not effective for the financial year beginning on or after 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3 Financial Reporting	Definition of a Business Revised Conceptual Framework	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The above new and amended standards are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing this interim financial information. The impact of new and amended standards above is still under assessment by the Group.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial information and the new accounting policies that have been first applied from 1 January 2019.

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019.

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The land use rights are reclassified to right-of-use assets as at 30 June 2019 and 1 January 2019, respectively.

Notes to the Interim Financial Information

3 CHANGES IN ACCOUNTING POLICIES (continued)

(a) Adjustments recognised on adoption of HKFRS 16 (continued)

The recognised right-of-use assets mainly relate to the following types of assets:

	30 June 2019 RMB'000	1 January 2019 RMB'000
Land use rights	1,138,196	1,181,965
Commercial properties and car parks	92,806	132,560
Other properties	7,590	7,998
Total right-of-use assets	1,238,592	1,322,523

The recognised lease liabilities are classified as below:

	30 June 2019 RMB'000	1 January 2019 RMB'000
Current lease liabilities	127,059	82,335
Non-current lease liabilities	161,101	217,541
Total lease liabilities	288,160	299,876

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Property and equipment – increase by RMB1,181,965,000 of land use rights and RMB7,998,000 of other properties
- Investment properties – increase by RMB132,560,000 of commercial properties and car parks
- Land use rights – decrease by RMB1,181,965,000
- Trade and other payables – decrease by RMB159,318,000
- Lease liabilities – increase by RMB299,876,000

There was no significant impact on the Group's net profit after tax for the six months ended 30 June 2019 as a result of adoption of HKFRS 16.

Notes to the Interim Financial Information

3 CHANGES IN ACCOUNTING POLICIES (continued)

(a) Adjustments recognised on adoption of HKFRS 16 (continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices, commercial properties and car parks. Rental contracts are typically made for fixed periods of six months to eight years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset (included in "Property and equipment" (Note 7) and "Investment properties" (Note 8)) and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Notes to the Interim Financial Information

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) The Group's leasing activities and how these are accounted for (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

The right-of-use asset which was recognised as investment properties is carried at fair value at each reporting date after initial recognition and others being included in property and equipment is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(i) Variable lease payments

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group do not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognised in profit or loss when the events or conditions that triggers those payments occurs.

(ii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases of the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

Notes to the Interim Financial Information

4 ESTIMATES

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

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2018, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

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

5.2 Fair value estimation

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

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

Notes to the Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (continued)

5.2 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 30 June 2019 and 31 December 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2019				
Financial assets:				
– Financial assets at fair value through profit or loss	73,383	147,443	–	220,826
– Financial assets at fair value through other comprehensive income	–	–	348,435	348,435
Total	73,383	147,443	348,435	569,261
At 31 December 2018				
Financial assets:				
– Financial assets at fair value through profit or loss	155,189	142,376	–	297,565
– Financial assets at fair value through other comprehensive income	–	–	348,461	348,461
Total	155,189	142,376	348,461	646,026

There were no transfers between levels during the period. There was no significant financial liabilities measured at fair value as at 30 June 2019 (31 December 2018: nil).

The Group measures the fair value of the equity interests in these unlisted securities by using present value techniques of income approach.

The maximum exposure to credit risk at the reporting date is the carrying value of FVOCI as at 30 June 2019. There are no commitment or contingent liabilities relating to the Group's interests in these investments.

These financial assets were not past due or impaired as at 30 June 2019 and 31 December 2018.

Notes to the Interim Financial Information

6 SEGMENT INFORMATION

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

Segment results represent profit earned by each segment without unallocated operating costs, other income and gains, finance costs and income tax expense. Property management services comprise mainly of provision of property management services and rental assistance services. Other property development related businesses are mainly operations of hotels.

The segment results and other segment items for the six months ended 30 June 2019 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	10,497,829	634,809	842,047	362,457	-	12,337,142
Inter-segment revenue	-	-	(85,648)	-	-	(85,648)
Revenue	10,497,829	634,809	756,399	362,457	-	12,251,494
Share of post-tax profits of joint ventures	307,191	-	-	-	-	307,191
Share of post-tax (losses)/profits of associates	(51,024)	-	-	83	-	(50,941)
Segment results	3,707,327	1,200,710	258,993	(52,823)	-	5,114,207
Unallocated operating costs						(351,404)
Other income and gains – net						165,192
Finance costs – net (Note 25)						(627,209)
Profit before income tax						4,300,786
Income tax expense						(1,852,661)
Profit for the period						2,448,125
Depreciation and amortisation recognised as expenses (Note 7)	42,377	-	4,327	88,928	-	135,632
Fair value gains on investment properties – net (Note 8)	-	813,068	-	-	-	813,068

Notes to the Interim Financial Information

6 SEGMENT INFORMATION (continued)

The segment results and other segment items for the six months ended 30 June 2018 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	7,915,627	464,717	637,442	308,854	–	9,326,640
Inter-segment revenue	–	–	(42,761)	–	–	(42,761)
Revenue	7,915,627	464,717	594,681	308,854	–	9,283,879
Share of post-tax profits of joint ventures	61,295	–	–	–	–	61,295
Share of post-tax losses of associates	(15,185)	–	–	–	–	(15,185)
Segment results	2,610,960	1,270,981	132,248	(83,390)	–	3,930,799
Unallocated operating costs						(302,918)
Other income and gains – net						157,043
Finance costs – net (Note 25)						(591,886)
Profit before income tax						3,193,038
Income tax expense						(1,409,433)
Profit for the period						1,783,605
Depreciation and amortisation recognised as expenses (Note 7)	25,032	–	4,407	73,555	–	102,994
Fair value gains on investment properties – net (Note 8)	–	1,001,637	–	–	–	1,001,637

Notes to the Interim Financial Information

6 SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 30 June 2019 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	76,565,392	50,459,707	1,939,366	5,547,568	(5,895,470)	128,616,563
Other assets						13,541,331
Total assets						142,157,894
Segment assets include:						
Interests in joint ventures	3,667,018	-	-	-	-	3,667,018
Interests in associates	976,215	-	-	45,968	-	1,022,183
Segment liabilities	36,440,792	2,642,143	1,443,519	4,089,874	(5,895,470)	38,720,858
Other liabilities						69,448,932
Total liabilities						108,169,790
Capital expenditure	16,427	1,301,725	2,145	236,530	-	1,556,827

Segment assets and liabilities as at 31 December 2018 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	69,471,350	47,870,178	1,752,372	4,814,650	(5,325,247)	118,583,303
Other assets						13,471,237
Total assets						132,054,540
Segment assets include:						
Interests in joint ventures	3,151,990	-	-	-	-	3,151,990
Interests in associates	929,568	-	-	45,885	-	975,453
Segment liabilities	28,955,446	2,771,337	1,027,149	3,807,519	(5,325,247)	31,236,204
Other liabilities						68,013,396
Total liabilities						99,249,600
Capital expenditure (six months ended 30 June 2018)	250,973	1,571,430	1,062	100,031	-	1,923,496

Notes to the Interim Financial Information

6 SEGMENT INFORMATION (continued)

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

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

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

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

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment, right-of-use assets and investment properties.

7 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Property and equipment RMB'000	Right-of- use assets RMB'000	Total RMB'000
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Six months ended 30 June 2019

Opening net book amount as at 1 January 2019	3,370,562	1,189,963	4,560,525
Additions	252,993	2,109	255,102
Transfer to completed properties held for sale	(62,012)	(28,941)	(90,953)
Disposals	(66,437)	–	(66,437)
Depreciation/amortisation charges	(118,287)	(17,345)	(135,632)
Closing net book amount as at 30 June 2019	3,376,819	1,145,786	4,522,605

	Property and equipment RMB'000	Land use rights RMB'000	Total RMB'000
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Six months ended 30 June 2018

Opening net book amounts as at 1 January 2018	3,528,545	1,059,237	4,587,782
Additions	280,292	71,774	352,066
Consolidations of entities previously held as joint ventures	1,538	–	1,538
Disposals	(7,330)	–	(7,330)
Depreciation/amortisation charges	(87,348)	(15,646)	(102,994)
Closing net book amounts as at 30 June 2018	3,715,697	1,115,365	4,831,062

Notes to the Interim Financial Information

7 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

As at 30 June 2019, properties with net book amounts totalling RMB1,493,890,000 (31 December 2018: RMB1,984,276,000) and right-of-use assets of RMB109,895,000 (31 December 2018: RMB676,490,000) were pledged as collateral for the Group's borrowings (Note 20).

The capitalisation rate of borrowings for the six months ended 30 June 2019 was 6.08% (six months ended 30 June 2018: 5.88%).

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

8 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Right-of-use assets RMB'000	Total RMB'000
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Six months ended 30 June 2019

Opening amount as at 1 January 2019	39,372,689	6,286,447	132,560	45,791,696
Additions	69,547	1,232,178	–	1,301,725
Fair value gains/(losses) – net	574,719	278,103	(39,754)	813,068
Disposal	(4,953)	–	–	(4,953)
Closing amount as at 30 June 2019	40,012,002	7,796,728	92,806	47,901,536

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
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Six months ended 30 June 2018

Opening amount as at 1 January 2018	34,145,966	5,071,703	39,217,669
Additions	291,457	1,279,973	1,571,430
Transfers	108,648	(108,648)	–
Transfers to completed properties held for sale – net	(128,205)	–	(128,205)
Fair value gains – net	938,726	62,911	1,001,637
Closing amount as at 30 June 2018	35,356,592	6,305,939	41,662,531

Investment properties as at 30 June 2019 and 31 December 2018 are held in the PRC on leases between 10 to 50 years.

The capitalisation rate of borrowings for the six months ended 30 June 2019 was 6.08% (six months ended 30 June 2018: 5.88%).

As at 30 June 2019, investment properties of RMB26,263,345,000 (31 December 2018: RMB31,560,192,000) were pledged as collateral for the Group's borrowings (Note 20).

Notes to the Interim Financial Information

8 INVESTMENT PROPERTIES (continued)

(i) Valuation processes of the Group

The Group's certain investment properties were valued at 30 June 2019 by an independent valuer. For all investment properties, their current use equates to the highest and best use.

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

(ii) Valuation techniques

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

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

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

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

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

Notes to the Interim Financial Information

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

There was no associate nor joint venture of the Group as at 30 June 2019 which, in the opinion of the executive directors, was material to the Group. For those individually immaterial associates and joint ventures that are accounted for using the equity method, amounts recognised in the interim condensed consolidated balance sheet and the interim condensed consolidated statement of comprehensive income are set out as below:

Amounts recognised in the interim condensed consolidated balance sheet

	30 June 2019 RMB'000	31 December 2018 RMB'000
Investments accounted for using the equity method:		
– Joint ventures	3,667,018	3,151,990
– Associates	1,022,183	975,453
	4,689,201	4,127,443

Amounts recognised in the interim condensed consolidated statement of comprehensive income

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Share of net profit of associates and joint ventures accounted for using the equity method:		
– Joint ventures	307,191	61,295
– Associates	(50,941)	(15,185)
	256,250	46,110

Notes to the Interim Financial Information

10 PREPAYMENTS

	30 June 2019 RMB'000	31 December 2018 RMB'000
Acquisition of land use rights (Note (a))	1,398,532	1,861,210
Construction materials – third parties	456,094	153,407
	1,854,626	2,014,617

- (a) Payments on land acquisitions were made in accordance with the payment terms as stipulated in the land acquisition contracts. The relevant land use rights certificates have not been obtained as at 30 June 2019. The land acquisition costs which are contracted but not provided for are included in commitments (Note 30 (a)).

11 PROPERTIES UNDER DEVELOPMENT

	30 June 2019 RMB'000	31 December 2018 RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	8,610,758	7,655,046
– Interests capitalised	3,762,828	3,085,253
– Land use rights	23,008,428	21,609,968
	35,382,014	32,350,267

The properties under development are all located in the PRC and expected to be completed within an operating cycle. The relevant land use rights in the PRC are on leases of 40 to 70 years.

As at 30 June 2019, properties under development of approximately RMB20,124,936,000 (31 December 2018: RMB18,288,430,000) were pledged as collateral for the Group's borrowings (Note 20).

The capitalisation rate of borrowings for the six months ended 30 June 2019 was 6.08% (six months ended 30 June 2018: 5.88%).

12 COMPLETED PROPERTIES HELD FOR SALE

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

As at 30 June 2019, completed properties held for sale of approximately RMB5,471,803,000 (31 December 2018: RMB3,258,498,000) were pledged as collateral for the Group's borrowings (Note 20).

Notes to the Interim Financial Information

13 TRADE RECEIVABLES

	30 June 2019 RMB'000	31 December 2018 RMB'000
Trade receivables – third parties (Note (a))	1,687,326	1,539,849
Less: loss allowance	(58,613)	(19,860)
	1,628,713	1,519,989

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

As at 30 June 2019 and 31 December 2018, the ageing analysis of trade receivables of the Group was as follows:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Within one year	1,621,711	1,484,871
Over one year	65,615	54,978
	1,687,326	1,539,849

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2019, a provision of RMB58,613,000 was made against the gross amounts of trade receivables (31 December 2018: RMB19,860,000).
- (c) The maximum exposure to credit risk of the trade receivables at each balance sheet date was the carrying value of each class of receivables. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.

Notes to the Interim Financial Information

14 OTHER RECEIVABLES

	30 June 2019 RMB'000	31 December 2018 RMB'000
Deposits for acquisition of land use rights	181,059	83,000
Other receivables	15,457,954	14,649,697
– Related parties (Note 31 (d))	7,573,841	8,456,228
– Non-controlling interests	5,741,598	4,261,886
– Third parties	2,142,515	1,931,583
	15,639,013	14,732,697

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

Included in other receivables from related parties, there are amounts due from the joint ventures of approximately RMB1,164,942,000 (31 December 2018: RMB1,488,173,000) are bearing interest at average rate of 7.42% per annum (31 December 2018: 7.76% per annum), which are receivable within one year from 30 June 2019.

Other receivables from third parties mainly consist of deposits for construction projects. No material other receivables were impaired or past due as at 30 June 2019 and 31 December 2018.

As at 30 June 2019 and 31 December 2018, the fair value of other receivables approximated their carrying amounts. The maximum exposure to credit risk of the other receivables at the reporting date was the carrying value of each class of receivables.

15 RESTRICTED CASH

	30 June 2019 RMB'000	31 December 2018 RMB'000
Guarantee deposits for construction projects (Note (a))	1,086,688	382,595
Guarantee deposits for bank acceptance notes	5,159	1,153
Guarantee deposits for bank borrowings (Note (b))	738,260	524,789
Others	88,463	27,398
	1,918,570	935,935

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for construction of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of construction of the related pre-sold properties.

Notes to the Interim Financial Information

15 RESTRICTED CASH (continued)

- (b) As at 30 June 2019, the Group placed cash deposits of approximately RMB738,260,000 (31 December 2018: RMB524,789,000) with designated banks as security for bank borrowings (Note 20).

At 30 June 2019 and 31 December 2018, restricted cash were denominated in RMB.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

16 CASH AND CASH EQUIVALENTS

	30 June 2019 RMB'000	31 December 2018 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	16,584,275	14,810,786
– Denominated in US\$	15,330	7,321
– Denominated in HK\$	7,905	21,669
– Denominated in SGD	196	–
	16,607,706	14,839,776

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

17 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorised:				
At 1 January 2019 and 30 June 2019	30,000,000,000			
Issued and fully paid:				
As at 1 January 2019	3,997,303,000	35,486	1,128,639	1,164,125
Dividends (Note 28)	–	–	(816,070)	(816,070)
As at 30 June 2019	3,997,303,000	35,486	312,569	348,055
As at 1 January 2018	3,997,303,000	35,486	2,030,676	2,066,162
Dividends (Note 28)	–	–	(661,172)	(661,172)
As at 30 June 2018	3,997,303,000	35,486	1,369,504	1,404,990

Notes to the Interim Financial Information

18 OTHER RESERVES

	Merger reserve RMB'000 (Note (a))	Other reserves RMB'000 (Note (b))	Statutory reserves RMB'000 (Note (c))	Revaluation reserves RMB'000 (Note (d))	Transaction with non- controlling interests RMB'000	Total RMB'000
At 1 January 2019	337,203	(1,179)	95,746	247,700	1,606	681,076
Transfer to statutory reserves	-	-	5,000	-	-	5,000
Revaluation – net of tax	-	-	-	(19)	-	(19)
Currency translation differences	-	474	-	-	-	474
At 30 June 2019	337,203	(705)	100,746	247,681	1,606	686,531
At 1 January 2018	337,203	(46,451)	56,696	277,735	1,606	626,789
Revaluation – net of tax	-	-	-	(14)	-	(14)
Currency translation differences	-	3,927	-	-	-	3,927
At 30 June 2018	337,203	(42,524)	56,696	277,721	1,606	630,702

(a) Merger reserve

Merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

(b) Other reserves

Other reserves represents currency translation differences.

(c) Statutory reserves

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

Notes to the Interim Financial Information

18 OTHER RESERVES (continued)

(d) Revaluation reserves

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value losses on FVOCI – gross	(26)	(19)
Tax charge – deferred income tax	7	5
Total other comprehensive income – net of tax	(19)	(14)

19 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Balance as at 1 January 2019	1,546,000	6,254	1,552,254
Issuance of Perpetual Capital Instruments	500,000	–	500,000
Redemption of Perpetual Capital Instruments	(1,000,000)	–	(1,000,000)
Profit attributable to holders of Perpetual Capital Instruments	–	25,562	25,562
Distribution to holders of Perpetual Capital Instruments	–	(30,996)	(30,996)
Balance as at 30 June 2019	1,046,000	820	1,046,820
Balance as at 1 January 2018	1,690,400	31,963	1,722,363
Redemption of Perpetual Capital Instruments	(690,400)	–	(690,400)
Profit attributable to holders of Perpetual Capital Instruments	–	46,316	46,316
Distribution to holders of Perpetual Capital Instruments	–	(73,930)	(73,930)
Balance as at 30 June 2018	1,000,000	4,349	1,004,349

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

Notes to the Interim Financial Information

20 BORROWINGS

	30 June 2019 RMB'000	31 December 2018 RMB'000
Borrowings included in non-current liabilities:		
Senior notes (Note (a))	8,779,330	7,529,298
Corporate bonds (Note (b))	10,190,038	9,202,345
Bank borrowings (Note (c))	25,253,314	23,836,141
– secured	25,081,732	23,678,425
– unsecured	171,582	157,716
Other borrowings – secured (Note (d))	3,253,100	3,399,400
Less: amounts due within one year	(10,423,160)	(9,586,776)
	37,052,622	34,380,408
Borrowings included in current liabilities:		
Short-term commercial papers	594,945	300,000
Bank borrowings – secured (Note (c))	986,980	2,184,344
Other borrowings – secured (Note (d))	536,098	906,100
Current portion of long-term borrowings	10,423,160	9,586,776
	12,541,183	12,977,220
Total borrowings	49,593,805	47,357,628

(a) Senior notes

On 15 September 2016, the Company issued 4.875%, five years senior notes, with an aggregated principal amount of US\$200,000,000 at 99.018% discount to face value (“2021 Notes I”). The net proceeds, after deducting the issuance costs, amounted to US\$195,006,519 (equivalent to approximately RMB1,304,496,000).

On 19 July 2017, the Company issued 5.95%, three years senior notes, with an aggregated nominal value of US\$200,000,000 at 99.191% discount to face value; on 28 July 2017, the Company issued an additional senior notes in the same terms with an aggregate principal amount of US\$100,000,000 at 99.196% discount of the face value (“Existing Notes”). The net proceeds, after deducting the issuance costs, amounted to US\$294,698,861 (equivalent to approximately RMB1,987,774,000).

On 8 August 2018, the Company issued 5.95%, two years senior notes, with an aggregated nominal value of US\$250,000,000 at 94.702% discount to face value (“New Notes” and together with Existing Notes, “2020 Notes”). The terms and conditions for the New Notes are the same as those for the Existing Notes in all respects except for the issue date and issue price. The net proceeds, after deducting the issuance costs, amounted to US\$234,500,000 (equivalent to approximately RMB1,616,114,000).

Notes to the Interim Financial Information

20 BORROWINGS (continued)

(a) Senior notes (continued)

On 17 April 2018, the Company issued 6.95%, three years senior notes, with an aggregated nominal value of US\$350,000,000 at 99.204% discount to face value ("2021 Notes II"). The net proceeds, after deducting the issuance costs, amounted to US\$342,300,000 (equivalent to approximately RMB2,158,882,000).

On 7 January 2019, the Company issued 9.125%, two years senior notes, with an aggregated nominal value of US\$200,000,000 at 99.331% discount to face value ("2021 Notes III"). The net proceeds, after deducting the issuance costs, amounted to US\$195,965,000 (equivalent to approximately RMB1,323,573,000).

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

(b) Corporate bonds

(i) Panda bonds

On 24 November 2016, the Company issued 5.85% three-year panda bonds and 4.98% two-year corporate bonds with an aggregated principal amount of RMB3,500,000,000 at 100% of the face value. The Company redeemed the matured 4.98% two-year corporate bonds with the principal amount of RMB500,000,000 in 2018.

(ii) Asset-backed securities ("ABS")

On 11 November 2016, a PRC subsidiary of the Group issued ABS in the principal amount of RMB1,700,000,000, with a term of three years and bearing an interest ranging from 3.90% to 5.50% per annum and the principal is repayable by instalments, amongst which RMB100,000,000 was subordinate securities subscribed by the PRC subsidiary. The proceeds from the ABS, after net of the issuance costs and the subordinate securities subscribed by the PRC subsidiary, amounted to approximately RMB1,593,125,000.

The PRC subsidiary of the Group has redeemed part of the ABS by instalments of RMB300,000,000 and RMB550,000,000 on 31 October 2017 and 29 October 2018 respectively.

The ABS is secured by pledge of the Group's certain investment properties and the rights over certain receivables arising from sales of the Group's properties.

(iii) PRC Corporate bonds

On 19 January 2016, a PRC subsidiary of the Group issued 6.20% PRC corporate bond with an aggregated principal amount of RMB2,700,000,000 at 100% of the face value. The bond will be matured in five years; at the third anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods. On 18 January 2019, the interest rate was adjusted to 7.50% per annum and no put option was exercised.

Notes to the Interim Financial Information

20 BORROWINGS (continued)

(b) Corporate bonds (continued)

(iii) PRC Corporate bonds (continued)

On 8 March 2016, a PRC subsidiary of the Group issued 6.00% PRC corporate bond with an aggregated principal amount of RMB500,000,000 at 100% of the face value. The bond will be matured in five years; at the third anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods. On 7 March 2019, the interest rate was adjusted to 7.00% per annum and no put option was exercised.

On 25 August 2016, a PRC subsidiary of the Group issued 5.25% PRC corporate bond with an aggregated principal amount of RMB800,000,000 at 100% of the face value. The bond will be matured in four years; at the second anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods. On 24 August 2018, the PRC subsidiary redeemed the corporate bonds with the principal amount of RMB767,697,500 and the remaining RMB32,302,500 bonds are held to maturity with the original interest rate.

On 29 August 2017, a PRC subsidiary of the Group issued 6.80%, three-year PRC corporate bonds with aggregated principal amount of RMB1,000,000,000 at 100% of the face value.

On 13 December 2018, a PRC subsidiary of the Group issued 7.5%, three-year PRC corporate bonds with an aggregated principal amount of RMB1,000,000,000 at 100% of the face value.

On 5 March 2019, a PRC subsidiary of the Group issued 7.20%, two-year PRC corporate bonds with an aggregate principal amount of RMB1,000,000,000 at 100.00% of the face value.

On 1 April 2019, a PRC subsidiary of the Group issued 7.20%, three-year PRC corporate bonds with an aggregate principal amount of RMB300,000,000 at 100.00% of the face value.

(c) Bank borrowings

As at 30 June 2019, borrowings of RMB26,068,712,000 (31 December 2018: RMB25,862,769,000) were secured by certain property and equipment and right-of-use assets (Note 7), investment properties (Note 8), properties under development (Note 11), completed properties held for sale (Note 12) and restricted cash (Note 15); secured bank borrowings of RMB3,288,337,000 (31 December 2018: RMB3,502,866,000) were additionally guaranteed by certain related parties (Note 31 (b)(iii)).

(d) Other borrowings – secured

As at 30 June 2019, borrowings from other non-bank financial institutions of RMB3,789,198,000 (31 December 2018: RMB4,305,500,000) were secured by certain property and equipment and right-of-use assets (Note 7), investment properties (Note 8), properties under development (Note 11) and completed properties held for sale (Note 12).

Notes to the Interim Financial Information

21 CONVERTIBLE BONDS

On 13 February 2018, the Company issued convertible bonds with a zero coupon rate with an initial conversion price of HK\$5.4463 each in an aggregate principal amount of HK\$1,990,000,000 (the "Convertible Bonds"). The Convertible Bonds are denominated in HK\$. The estimated net proceeds from the subscription of the Convertible Bonds, after deduction of commission and expenses, amounted to approximately HK\$1,964,000,000 (equivalent to approximately RMB1,589,328,000).

The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the Convertible Bonds and maturity date on 11 February 2019 (the "Conversion Option"). The Conversion Option is not closely related to the host debt and is classified as a derivative liability. If the convertible bonds have not been converted, they will be redeemed on 11 February 2019 on the face value with 2.75% yield to maturity.

These Convertible Bonds have been fully redeemed on 11 February 2019 with an aggregated principle amount of RMB1,701,689,000.

22 CONTRACT LIABILITIES

	30 June 2019 RMB'000	31 December 2018 RMB'000
Current contract liabilities – sales of properties	18,809,031	16,444,184

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

	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	7,330,028	1,820,287

- (b) The amount of unsatisfied performance obligation is approximately the same as the balance of contract liability, which are expected to be recognized in 1 to 3 years as of 30 June 2019 and 31 December 2018.

Notes to the Interim Financial Information

23 TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000	31 December 2018 RMB'000
Trade payables (Note (a))	11,340,288	9,705,474
– Related parties (Note 31 (d))	7,371	11,678
– Third parties	11,327,758	9,686,795
– Notes payable – third parties	5,159	7,001
Other payables	12,195,749	10,205,657
– Related parties (Note 31 (d))	5,259,530	5,686,893
– Non-controlling interests	1,499,931	2,028,688
– Third parties	5,436,288	2,490,076
Payables for retention fee	824,885	683,152
Payables for acquisition of land use rights	1,725	56,981
Other taxes payable	748,525	280,591
Dividend payables to owners of the Company	816,070	–
	25,927,242	20,931,855
Less: non-current portion		
Other payables – third parties	(163,927)	(206,007)
Current portion	25,763,315	20,725,848

- (a) As at 30 June 2019 and 31 December 2018, the ageing analysis of trade payables of the Group based on invoice date was as follows:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Within one year	10,189,609	8,901,250
Over one year	1,150,679	804,224
	11,340,288	9,705,474

- (b) The Group's trade and other payables are mainly denominated in RMB, except the dividend payable was denominated in HK\$.
- (c) The carrying amounts of trade and other payables approximate their fair values.

Notes to the Interim Financial Information

24 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Cost of properties sold (including construction costs, land costs and interests capitalised)	6,536,890	4,902,829
Staff costs (including directors' emoluments)	719,733	536,164
Hotel operation expenses	164,616	159,408
Advertising costs	229,300	185,876
Property management fees	201,685	181,211
Business taxes and other levies	79,195	90,230
Depreciation and amortisation (Note 7)	135,632	102,994
Donations to governmental charity	32,611	48,470
Auditor's remuneration – audit services	2,000	2,000

25 FINANCE COSTS – NET

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Interest expense:		
– Borrowings	1,677,431	1,231,557
– Convertible Bonds	5,135	16,628
– Lease liabilities	7,262	–
	1,689,828	1,248,185
Foreign exchange losses on financing activities – net	14,046	306,164
Less: capitalised	(1,076,665)	(962,463)
	627,209	591,886

Notes to the Interim Financial Information

26 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Current income tax:		
– PRC corporate income tax	905,815	639,098
– PRC land appreciation tax	942,191	602,017
	1,848,006	1,241,115
Deferred income tax:		
– PRC corporate income tax	103,906	180,813
– PRC land appreciation tax	(99,251)	(12,495)
	4,655	168,318
	1,852,661	1,409,433

PRC corporate income tax

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

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

PRC land appreciation tax ("LAT")

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

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

Notes to the Interim Financial Information

26 INCOME TAX EXPENSE (continued)**Overseas income tax**

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

Hong Kong profits tax

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

27 EARNINGS PER SHARE**(a) Basic**

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

	Six months ended 30 June	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	1,803,118	1,330,280
Weighted average number of ordinary shares in issue (thousand shares)	3,997,303	3,997,303
Basic earnings per share (RMB cents per share)	45.108	33.279

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Profit attributable to owners of the Company

	Six months ended 30 June	
	2019	2018
Profit attributable to owners of the Company (RMB'000):		
Used in calculating basic earnings per share	1,803,118	1,330,280
Add: interest expense on Convertible Bonds	5,135	16,628
Used in calculating diluted earnings per share	1,808,253	1,346,908

Notes to the Interim Financial Information

27 EARNINGS PER SHARE (continued)

(b) Diluted (continued)

Weighted average number of ordinary shares

	Six months ended 30 June	
	2019	2018
Weighted average number of ordinary shares and potential ordinary shares (thousand shares):		
Used in calculating basic earnings per share	3,997,303	3,997,303
Adjustments:		
– Convertible Bonds	30,449	304,488
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	4,027,752	4,301,791
Diluted earnings per share (RMB cents per share)	44.895	31.310

Convertible Bonds issued during the period are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The Convertible Bonds have not been included in the determination of basic earnings per share.

28 DIVIDENDS

On 22 August 2019, the Company declared an interim dividend of HK\$9.0 cents per ordinary share in form of cash for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$6.8 cents per ordinary share). Total amount of interim dividend would be HK\$359,757,000 (equivalent to RMB316,464,000) which was calculated according to the number of ordinary shares in issue as of 30 June 2019. This interim dividend has not been recognised as liabilities in this interim financial information.

The 2018 final cash dividend amounting to HK\$927,374,000 (equivalent to RMB816,070,000) (2017: HK\$783,471,000, equivalent to RMB661,172,000) was approved by the annual general meeting of the Company held on 18 June 2019 and was paid on 9 July 2019.

Notes to the Interim Financial Information

29 FINANCIAL GUARANTEE CONTRACTS

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

	30 June 2019 RMB'000	31 December 2018 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	20,201,182	15,662,393
Guarantees for borrowings of joint ventures (Note (b))	987,500	822,500
	21,188,682	16,484,893

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

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore the fair value of these financial guarantees is immaterial.

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

30 COMMITMENTS

- (a) Commitments for property development expenditures

	30 June 2019 RMB'000	31 December 2018 RMB'000
Contracted but not provided for		
– Property development activities	11,618,282	7,663,384
– Acquisition of land use rights	15,344	1,311,565
	11,633,626	8,974,949

- (b) Leases commitments

As at 30 June 2019, the Group did not have any material short-term leases commitments.

Notes to the Interim Financial Information

31 RELATED PARTY TRANSACTIONS

(a) Name and relationship with significant related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Company (incorporated in Cayman Islands)
Mr Hoi Kin Hong	The ultimate controlling shareholder and also the director of the Company
The Controlling Shareholders, including Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	A close family member of ultimate controlling shareholder, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also the directors of the Company
Sky Infinity Holdings Limited	Shareholder of the Company and fully owned subsidiary of Mr. Hoi Kin Hong
Powerlong Group Development Co., Ltd. 寶龍集團發展有限公司	Controlled by the ultimate Controlling Shareholder
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Controlled by the ultimate Controlling Shareholder
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Controlled by the ultimate Controlling Shareholder
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊文化發展有限公司	Controlled by the ultimate Controlling Shareholder
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Controlled by the ultimate Controlling Shareholder
United Famous Co., Ltd. 匯名有限公司	Controlled by the ultimate Controlling Shareholder
Tianjin Powerlong Jinjun Real Estate Co., Ltd. 天津寶龍金駿房地產開發有限公司	Joint venture of the Group
Hangzhou Xiaoshan Powerlong Property Co., Ltd. 杭州蕭山寶龍置業有限公司	Joint venture of the Group
Baohui Real Estate (Hong Kong) Holdings Limited 寶匯地產(香港)控股有限公司	Joint venture of the Group
Shanghai Xingwan Property Co., Ltd. 上海興萬置業有限公司	Joint venture of the Group
Shanghai Xuting Property Co., Ltd. 上海旭亭置業有限公司	Joint venture of the Group
Yangzhou Golden Wheel Powerlong Real Estate Co., Ltd. 揚州金輪寶龍置業有限公司	Joint venture of the Group

Notes to the Interim Financial Information

31 RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship with significant related parties (continued)

Name	Relationship
Tianjin Shunji Real Estate Development Co., Ltd. 天津順集置業有限公司	Joint venture of the Group
Ningbo Powerlong Huafeng Real Estate Development Co., Ltd. 寧波寶龍華豐置業發展有限公司	Joint venture of the Group
Shanghai Xiaofeng Enterprise Management Co., Ltd. 上海夏鋒企業管理有限公司	Joint venture of the Group
Shanghai Baozhan Real Estate Development Co., Ltd. 上海寶展房地產開發有限公司	Joint venture of the Group
Nanjing Weirun Real Estate Development Co., Ltd. 南京威潤房地產開發有限公司	Joint venture of the Group
Ningbo Youngor New Longland Real Estate Development Co., Ltd. 寧波雅戈爾新長島置業有限公司	Joint venture of the Group
Shanghai Mijie Property Management Co., Ltd. 上海畢傑企業管理有限公司	Joint venture of the Group
Tianjin Yujing City Real Estate Development Co., Ltd. 天津愉景城置業有限公司	Joint venture of the Group
Tianjin Binhui Real Estate Co., Ltd. 天津濱輝置業有限公司	Joint venture of the Group
Changzhou Chengyuan Real Estate Development Co., Ltd. 常州誠遠置業發展有限公司	Joint venture of the Group
Taizhou Powerlong Real Estate Co., Ltd. 泰州寶龍房地產有限公司	Joint venture of the Group
Hangzhou Ju Li Enterprise Management Co., Ltd. 杭州聚厲企業管理有限公司	Joint venture of the Group
Taizhou Pengmiao Real Estate Development Co., Ltd. 台州鵬淼房地產開發有限公司	Joint venture of the Group
Hangzhou Jumao Enterprise Management Co., Ltd. 杭州聚茂企業管理有限公司	Joint venture of the Group
Taizhou Huayi Real Estate Co., Ltd. 台州華懿置業有限公司	Joint venture of the Group

Notes to the Interim Financial Information

31 RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship with significant related parties (continued)

Name	Relationship
Taizhou Tianqu Real Estate Co., Ltd. 台州天衢置業有限公司	Joint venture of the Group
Hangzhou Powerlong Taoyuan Real Estate Development Co., Ltd. 杭州寶龍桃源置業發展有限公司	Joint venture of the Group
Hangzhou Guiyu Investment Management Co., Ltd. 杭州貴宇投資管理有限公司	Joint venture of the Group
Shanghai Duxuan Enterprise Management Co., Ltd. 上海都絢企業管理有限公司	Associate of the Group
Quanzhou Shimao New mileage Real Estate Co., Ltd. 泉州世茂新里程置業有限公司	Associate of the Group
Xuzhou Jinbi Real Estate Development Co., Ltd. 徐州金碧房地產開發有限公司	Associate of the Group
Nanjing Baomao Real Estate Co., Ltd. 南京寶茂置業有限公司	Associate of the Group
Hangzhou Zhanxiang Industrial Co., Ltd. 杭州展驥實業有限公司	Associate of the Group
Changshu Shibao Real Estate Development Co., Ltd. 常熟世寶房地產開發有限公司	Associate of the Group
Quanzhou Shimao Shiyue Real Estate Co., Ltd. 泉州世茂世悅置業有限公司	Associate of the Group
Zhejiang Zhoushan Zhongzhou Real Estate Development Co., Ltd. 浙江舟山中軸置業有限公司	Associate of the Group
Jinhua Ruilin Real Estate Development Co., Ltd. 金華市瑞麟房地產開發有限公司	Associate of the Group
Zhenjiang Hengrun Real Estate Development Co., Ltd. 鎮江恒潤房地產開發有限公司	Associate of the Group
Yiwu Zhongyao Real Estate Development Co., Ltd. 義烏眾耀房地產開發有限公司	Associate of the Group
Suzhou Macalline Real Estate Co., Ltd. 蘇州紅星美凱龍房地產開發有限公司	Associate of the Group
Shaoxing Keqiao Juhang Real Estate Development Co., Ltd. 紹興柯橋聚杭房地產開發有限公司	Associate of the Group

Notes to the Interim Financial Information

31 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

- (i) During the six months ended 30 June 2019 and 2018, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Controlled by the ultimate controlling shareholder		
Rental income	1,685	1,879
Property management fee income	–	64
Purchase of office equipment and security intelligentization system services from related parties	11,208	6,084
Hotel accommodation service fee charged by a related party	1,168	384
Joint ventures		
Sales of construction materials to joint ventures	57,007	18,272
Interest income from joint ventures	65,625	51,982
Consultation services provided to joint ventures	9,298	1,190

The above transactions were charged in accordance with the terms of the underlying agreements.

- (ii) The Group have provided guarantees for borrowings of certain joint ventures of RMB987,500,000 as at 30 June 2019 (31 December 2018: RMB822,500,000) (Note 29).
- (iii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB3,288,337,000 at 30 June 2019 (31 December 2018: RMB3,502,866,000) (Note 20 (c)).
- (iv) In the opinion of the Directors, the related party transactions were conducted in the ordinary course of business.

(c) Key management compensation

Key management compensation is set out below:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Key management compensation		
– Salaries and other employee benefits	10,171	8,331
– Pension costs	855	743
	11,026	9,074

Notes to the Interim Financial Information

31 RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties

As at 30 June 2019 and 31 December 2018, the Group had the following material balances with related parties:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Amounts due from related parties included in other receivables (Note (i)):		
Controlled by the ultimate controlling shareholder	21,376	21,376
Joint ventures	5,132,421	5,243,081
Associates	2,420,044	3,191,771
	7,573,841	8,456,228
Amounts due to related parties included in trade payables (Note (ii)):		
Controlled by the ultimate controlling shareholder	7,371	11,678
Amounts due to related parties included in other payables (Note (i)):		
Controlled by the ultimate controlling shareholder	646,193	495,065
Joint ventures	3,348,264	4,245,084
Associates	1,265,073	946,744
	5,259,530	5,686,893
Amounts due to related parties included in contract liabilities (Note (iii)):		
The Controlling Shareholders	9,686	9,686

Notes to the Interim Financial Information

31 RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties (continued)

- (i) Amounts due from/to related parties included in other receivables/payables are cash advances in nature. Apart from certain amounts due from certain joint ventures are interest bearing (Notes 14), others are unsecured, interest-free and receivable/repayable on demand.
- (ii) Amounts due to related parties included in trade payables are mainly derived from purchase of office equipment and security intelligentisation system services, which are unsecured, interest-free and to be settled according to contract terms.
- (iii) Amounts due to related parties included in contract liabilities are mainly advance paid by the Controlling Shareholders for purchase of properties from the Group.

32 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 23 July 2019, the Company issued 6.95%, 4-year senior notes, with an aggregated principal amount of US\$170,000,000 at 98.974% to the principal amount. The total net proceeds of the notes, after deduction of the issuance costs, amounted to approximately US\$168,256,000 (equivalent to approximately RMB1,156,087,000).

On 19 August 2019, the Company issued 6.40%, 270 days short-term commercial paper, with an aggregated principal amount of RMB400,000,000 at 100.00% of the face value.