



CHINA SCE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1966.HK

2020

INTERIM REPORT



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CORPORATE PROFILE

China SCE Group Holdings Limited (“China SCE” or the “Company”), together with its subsidiaries (collectively, the “Group”), was established in 1996 and with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) in February 2010 (Stock Code: 1966.HK). The Group’s major businesses include property development, commercial management, property management and rental apartments business. The Company is headquartered in Shanghai for its business operations, while implementing key focused strategy in the Yangtze River Delta Economic Zone, the Guangdong — Hong Kong — Macao Greater Bay Area, the Bohai Rim Economic Zone, the West Taiwan Strait Economic Zone and the Central Western Region.

The Group’s property projects are distributed in 54 cities, including Beijing, Shanghai, Shenzhen, Tianjin, Chongqing, Chengdu, Suzhou, Hangzhou, Nanjing, Zhengzhou, Qingdao, Jinan, Xiamen, Nanchang and Kunming, etc. Its products cover a wide range of properties including high-rise residential buildings, offices, shopping malls and rental apartments. The Company upholds “We Build to Inspire” (專築您的感動) as its key value proposition, “Creating Smart Living to Help Seize Happiness” (創建智慧生活 · 讓幸福觸手可及) as its mission. The Company was awarded the “2020 Best 40 China Real Estate Listed Companies with Strongest Comprehensive Strengths”, “2020 Best 50 of China Real Estate Developers” (2020中國房地產開發企業50強) and “Fortune China 500” in 2020.

As of 30 June 2020, the Group together with its joint ventures and associates owned a land bank with an aggregate planned gross floor area (“GFA”) of approximately 33.03 million square metres (“sq.m.”), which is believed to suffice the development by the Group in the next three years. In the future, China SCE will continue to deepen the strategic plan of “One Body Two Wings” (一體兩翼) and secure the regional leading position by implementing more proactive and prudent development strategies. In addition, the Company will strive to become a more competitive property developer in the People’s Republic of China (“PRC”).



Shanghai • SCE Plaza

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Chiu Yeung (*Chairman*)
Mr. Chen Yuanlai
Mr. Cheng Hiu Lok
Mr. Huang Youquan
Mr. Wong Lun

Independent Non-executive Directors

Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te
Mr. Dai Yiyi

COMPANY SECRETARY

Mr. Li Siu Po

AUTHORISED REPRESENTATIVES

Mr. Wong Chiu Yeung
Mr. Li Siu Po

AUDIT COMMITTEE

Mr. Ting Leung Huel Stephen (*Chairman*)
Mr. Lu Hong Te
Mr. Dai Yiyi

REMUNERATION COMMITTEE

Mr. Dai Yiyi (*Chairman*)
Mr. Wong Chiu Yeung
Mr. Ting Leung Huel Stephen

NOMINATION COMMITTEE

Mr. Wong Chiu Yeung (*Chairman*)
Mr. Lu Hong Te
Mr. Dai Yiyi

CORPORATE GOVERNANCE COMMITTEE

Mr. Huang Youquan (*Chairman*)
Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS AS TO HONG KONG LAWS

Chiu & Partners

REGISTERED OFFICE

Cricket Square
Hutchins Drive
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Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

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China

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2801, Hysan Place
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Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
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HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
China Merchants Bank Co., Ltd.
Ping An Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
BOC Hong Kong (Holdings) Limited
The Bank of East Asia, Limited
CMB Wing Lung Bank Limited

INVESTOR RELATIONS

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STOCK CODE

The Stock Exchange of Hong Kong Limited: 1966.HK

COMPANY WEBSITE

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FINANCIAL HIGHLIGHTS

SUMMARY OF STATEMENT OF PROFIT OR LOSS

	For the six months ended 30 June		
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000	Change (%)
Revenue	15,135,207	10,422,829	45.2
Gross profit	4,224,949	3,010,580	40.3
Profit for the period	2,516,639	2,194,020	14.7
Profit attributable to owners of the parent	2,114,397	1,916,809	10.3
Core profit attributable to owners of the parent ¹	1,840,936	1,543,997	19.2
Interim dividend per share	HK11 cents	HK10 cents	10.0

SUMMARY OF STATEMENT OF FINANCIAL POSITION

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000	Change (%)
Total assets	161,582,295	149,382,054	8.2
Cash and bank balances	24,981,810	23,898,660	4.5
Total debts	(45,507,848)	(42,077,082)	8.2
Total liabilities	(131,510,646)	(119,095,867)	10.4
Total equity	30,071,649	30,286,187	(0.7)

¹ It represents profit attributable to owners of the parent excluding the post-tax net changes in fair value of investment properties of subsidiaries and joint ventures, fair value gain of derivative financial instruments — transactions not qualifying as hedges, net fair value gain/loss of financial assets at fair value through profit or loss, net loss on disposal of subsidiaries and equity-settled share option expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2020, the COVID-19 pandemic spread around the world, having a huge impact on the world's economy. The pandemic also had an enormous impact on land transactions and sales volume for China's real estate industry in the first quarter. In order to stimulate economic growth, the Chinese central government adopted proactive fiscal policies and suitably eased monetary policies in the first quarter, maintaining a high level of market liquidity. Interest rates for loans have been lowered in light of the relatively looser real estate financing environment, and home-buyers' confidence has increased since China started to get the pandemic under control in March. At the same time, real estate policies for different tiers of cities have become more flexible, and many local governments have increased supply and demand side policy stimulus. Additionally, pent-up housing demand in the first quarter was being released, and by the second quarter, the real estate market continued to get back on track. Transaction amounts and area for May and June this year showed breakthrough growth compared to previous months. Overall, the first half of 2020 exhibited initial lows followed by highs, and transactions shrank slightly compared to the same period last year. Data from the National Bureau of Statistics shows that in the first half of 2020, the sales amount of commodity house was approximately RMB6,689.5 billion, representing a decrease of 5.4% compared with the same period last year, including a 2.8% drop in residential sales. The sales area of commodity house was approximately 694 million sq.m., dropping 8.4% compared to the same period last year, including a 7.6% drop in residential housing sales area.



Shanghai • Funlive SCE Plaza International Residence

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Contracted Sales

In the six months ended 30 June 2020, the Group together with its joint ventures and associates achieved a contracted sales amount reaching approximately RMB40.076 billion (including the contracted sales amount of approximately RMB22.561 billion from the joint ventures and associates), and contracted sales area was about 2.73 million sq.m., (including the contracted sales area of approximately 1.18 million sq.m. from the joint ventures and associates), representing a year-on-year growth of 8.2% and decrease of 8.0%, respectively. The average selling price of properties during the period was RMB14,680 per sq.m., representing an increase of 17.6% compared with the same period last year. With regards to its sales strategy, the Group requires all project companies have a profound understanding of the market and their customer base, and have a handle on inherent practices and logic, ensuring that the right judgements and policy decisions are made. They shall also take advantage of pent-up purchasing power accumulated in the market during the pandemic and ample saleable products in the second quarter to accelerate sales and to shore up cash flow as top priority.



Kunming • Cloud Valley

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2020, the Group together with its joint ventures and associates had an aggregate of over 100 projects for sale in 45 cities, mainly in second-tier and strong third-tier cities. Among them, 15 projects were newly launched in the year, details of which are listed as follows:

City	Project Name
Zhangzhou	Cloudview Palace
Zhangzhou	Parkview Palace
Heyuan	Funworld
Shanwei	Century Palace
Xiamen	The Regent
Shangrao	Cloudview Terrace
Shangqiu	Imperial Manor
Qingdao	Parkview Palace
Taizhou (泰州)	Parkview Mount
Lishui	Mansion Park
Yiwu	Garden Mansion
Jiaxing	Parkview Palace
Taizhou (台州)	Powerlong Plaza
Suqian	Sky Mansion
Hangzhou	China Chic



Beijing • The Paramount

MANAGEMENT DISCUSSION AND ANALYSIS

The contracted sales realised by the Group together with its joint ventures and associates during the period are set out below:

By City

City	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB Million)	Percentage of Contracted Sales Amount (%)
Beijing	54,413	2,551	6.4
Chongqing	299,611	2,434	6.1
Tianjin	134,098	1,781	4.4
Nanjing	123,740	2,573	6.4
Hangzhou	81,999	1,590	4.0
Suzhou	78,420	2,131	5.3
Xiamen	130,573	6,716	16.8
Kunming	196,931	2,397	6.0
Wuxi	79,989	1,210	3.0
Quanzhou	240,033	2,192	5.5
Xuzhou	184,989	1,793	4.5
Lishui	73,905	1,295	3.2
Taizhou (台州)	67,952	1,415	3.5
Others	983,346	9,998	24.9
Total	2,729,999	40,076	100.0

An analysis of distribution across cities shows that contracted sales in the second-tier cities of Xiamen, Nanjing, Chongqing and first-tier city of Beijing, have performed the best at approximately RMB6.716 billion, RMB2.573 billion, RMB2.434 billion and RMB2.551 billion, respectively. These cities have given our Group an exceptional sales record. In addition, Quanzhou exhibited the best performance amongst third-tier cities, with a contracted sales amount of approximately RMB2.192 billion, representing 5.5% of total contracted sales amount.

MANAGEMENT DISCUSSION AND ANALYSIS

By Region

Region	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB Million)	Percentage of Contracted Sales Amount (%)
Yangtze River Delta Economic Zone	956,115	15,782	39.4
West Taiwan Strait Economic Zone	571,654	10,531	26.3
Central Western Region	789,046	6,720	16.8
Bohai Rim Economic Zone	327,437	5,696	14.2
Guangdong–Hong Kong–Macao Greater Bay Area	85,747	1,347	3.3
Total	2,729,999	40,076	100.0

Due to the large number of new projects for sale in the West Taiwan Strait Economic Zone and Yangtze River Delta Economic Zone, the majority contracted sales amount of the Group together with its joint ventures and associates are concentrated in these two regions at 26.3% and 39.4%, respectively. This represents an increase of 106.3% and 15.8%, and contracted sales amount of RMB10.531 billion and RMB15.782 billion, respectively. Contracted sales amount of Central Western Region also reached a new high this half year, at RMB6.720 billion, representing 16.8% of total contracted sales amount.

By City Tier

City Tier	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB Million)	Percentage of Contracted Sales Amount (%)
First-tier cities	68,790	2,979	7.4
Second-tier cities	1,359,746	24,326	60.7
Third- and fourth-tier cities	1,301,463	12,771	31.9
Total	2,729,999	40,076	100.0

An analysis of different tiers of cities shows that the popularity of new projects in Xiamen and our development of second-tier cities in previous years have caused contracted sales amount in second-tier cities to continue to reach new highs, contributing approximately 60.7% of sales amount, an increase of 56.6% from the same period last year, with a worth of RMB24.326 billion. Contracted sales amount reached RMB2.979 billion for first-tier cities, and RMB12.771 billion for third- and fourth-tier cities.

MANAGEMENT DISCUSSION AND ANALYSIS

Recognised Property Sales Income

During the period, the Group recognised a property sales income of approximately RMB14.686 billion and delivered property area of 1,974,545 sq.m., representing a year-on-year increase of 45.9% and 109.3%, respectively. The average selling price of properties was approximately RMB7,438 per sq.m. Details of the Group's recognised property sales income are as follows:

By City

City	Recognised Property Sales Area (sq.m.)	Recognised Property Sales Income (RMB Million)	Percentage of Recognised Property Sales Income (%)
Shenzhen	43,286	1,376	9.4
Kunming	175,618	1,239	8.4
Tianjin	89,861	692	4.7
Quanzhou	507,800	3,993	27.2
Xuzhou	260,802	1,843	12.6
Dezhou	160,913	1,108	7.5
Shangqiu	127,267	753	5.1
Shangrao	108,945	709	4.8
Other	500,053	2,973	20.3
Total	1,974,545	14,686	100.0

By Region

Region	Recognised Property Sales Area (sq.m.)	Recognised Property Sales Income (RMB Million)	Percentage of Recognised Property Sales Income (%)
Bohai Rim Economic Zone	381,256	2,866	19.5
West Taiwan Strait Economic Zone	679,247	5,104	34.8
Guangdong — Hong Kong — Macao Greater Bay Area	43,286	1,376	9.4
Yangtze River Delta Economic Zone	296,953	2,024	13.8
Central Western Region	573,803	3,316	22.5
Total	1,974,545	14,686	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

By City Tier

City Tier	Recognised Property Sales Area (sq.m.)	Recognised Property Sales Income (RMB Million)	Percentage of Recognised Property Sales Income (%)
First-tier cities	48,657	1,526	10.4
Second-tier cities	431,269	3,041	20.7
Third-fourth-tier cities	1,494,619	10,119	68.9
Total	1,974,545	14,686	100.0



Jinan • Parkview Bay

MANAGEMENT DISCUSSION AND ANALYSIS

Land Bank

During the first quarter of 2020, under the impact of the COVID-19 pandemic, land auctions of most cities had been delayed, and land transactions volume fell noticeably. Some cities allowed property developers to delay payments for land, extended the completion time allowed for construction projects, and introduced other support policies. At the same time, the central bank reduced reserve requirements ratio and interest rates, along with other measures. These measures improved corporate cash reserves, and since the second quarter, property developers ramped up their eagerness on land investments. During this period, the Group continued to uphold the “One Body Two Wings” development model, focusing on the West Taiwan Strait Economic Zone, Central Western Region, and Guangdong–Hong Kong–Macao Greater Bay Area. The Group will adhere to its two-pronged approach, namely the development of shopping centres and long-term rental apartments, forming a synergy with the property development business. This strategy assists the Group to acquire prime land at a low price and improves property development operations. In the first half of 2020, the Group together with its joint ventures and associates were proactive in expanding their land reserves, adding a total of 10 new projects located across eight cities, including Xiamen, Fuzhou, Weifang, Xuchang and others. The aggregate land cost was approximately RMB19.431 billion (the Group’s attributable land cost was approximately RMB15.354 billion), and the aggregate above-ground buildable area was approximately 3.32 million sq.m.



Chongqing • Imperial Manor

MANAGEMENT DISCUSSION AND ANALYSIS

The new land acquisitions were as follows:

City	Project Name	Type of Property	Above-ground GFA (sq.m.)	Land Cost (RMB Million)	Average Land Cost (RMB per sq.m.)	Percentage of Interest Attributable to the Group (%)
Bohai Rim Economic Zone						
Weifang	Funworld	Commercial	97,634	67	682	100%
Weifang	Parkview Mount	Residential	293,868	309	1,050	100%
Yangtze River Delta Economic Zone						
Zhangjiagang	Imperial Manor	Residential and commercial	324,797	748	2,304	90%
West Taiwan Strait Economic Zone						
Xiamen	The Skyland	Residential and commercial	210,000	10,355	49,310	65%
Fuzhou	Imperial Manor	Residential and commercial	330,062	4,560	13,816	99%
Guangdong–Hong Kong–Macao Greater Bay Area						
Jieyang	Funworld	Residential and commercial	501,874	690	1,375	53%
Shaoguan	Royal Bay	Residential	457,612	900	1,968	100%
Central Western Region						
Xiangtan	Funworld	Residential and commercial	741,812	1,321	1,780	100%
Xuchang	Parkview Mount	Residential	167,188	221	1,322	100%
Xuchang	Imperial Manor	Residential	195,199	260	1,334	100%
			3,320,046	19,431	5,853	

As at 30 June 2020, the Group together with its joint ventures and associates had a land bank with an aggregate planned GFA of approximately 33.03 million sq.m. (the aggregate planned GFA attributable to the Group was 20.06 million sq.m.), distributing in 54 cities. From the perspective of geographic distribution, the land bank costs (excluding investment properties) of the Group together with its joint ventures and associates located in the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, the West Taiwan Strait Economic Zone, Guangdong–Hong Kong–Macao Greater Bay Area and Central Western Region accounted for 32.9%, 20.4%, 26.9%, 6.2% and 13.6% respectively. Considering the city tier, the land bank costs (excluding investment properties) of the Group together with its joint ventures and associates located in first-tier, second-tier as well as third- and fourth-tier cities accounted for 8.9%, 68.5% and 22.6% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Debt Management

The capital market was volatile due to the spread of the COVID-19 pandemic in the first half of 2020. Despite this, the Group was able to take advantage of the windows to complete certain financing and refinancing activities, successfully extending average tenor and lowering financing costs. In January 2020, the Company successfully issued additional offshore senior notes due 2024 with aggregate principal amount of US\$150,000,000 at yield of 6.5%. The additional senior notes have been consolidated and formed a single class with the senior notes at coupon rate of 7.375% with aggregate principal amount of US\$350,000,000 issued in April 2019. Moreover, the Company has utilised a dual tranche term facility with principal amounts of HK\$516,000,000 and US\$180,000,000 in the first quarter of 2020. The loan matures in three years and six months and the annual interest rate is the Hong Kong Interbank Offered Rate or the London Interbank Offered Rate plus 3.6%. In the domestic capital market, the Group successfully issued the domestic corporate bonds of RMB1,460,000,000 in July 2020 at a coupon rate of 5.5% and matures in four years. At the end of the second year subsequent to the inception date, the Group is entitled to adjust the interest rate and the holders of the domestic bonds may at their options sell back the bonds to the Group.

As at 30 June 2020, the coverage ratio of cash and bank balances to short-term loans was 1.2 times, showing that the Group had ample funds and liquidity. In the first half of 2020, average financing costs was 6.7%, which is similar to that of the same period last year.

OUTLOOK

Our Group believes that the worst of the COVID-19 pandemic in China is over, and the Chinese economy will slowly recover over the latter half of the year. But as there are more and more uncertainties in the wider scheme of things both domestically and abroad, there will still be burdens to economic growth. We believe that the government will continue its proactive fiscal policies and relatively relaxed monetary policies into the latter half of the year, in order to maintain market liquidity. A relatively relaxed financial environment can benefit the real estate industry. The central government will continue its stance that “No Speculation of Residential Properties”, as well as its principle of tailoring real estate policies to different cities. Therefore, we anticipate that the real estate market will remain stable for the latter half of the year.

As new types of urbanisation strategies are implemented, cities and city clusters in the east, central, and western parts of the country will continue to have a developmental advantage, as they are attractive destinations for talents. The Group will pay close attention to information concerning land in the West Taiwan Strait Economic Zone, Yangtze River Economic Zone, and Guangdong-Hong Kong-Macao Greater Bay Area. However, we will not get ahead of ourselves in an attempt to be at the top of the pack. Our Group will continue to implement the “One Body Two Wings” development plan, helping our Group to acquire land at a reasonable price, and providing stable rental income and asset management income. In the latter half of 2020, the Group plans to launch a large number of new projects in the West Taiwan Strait Economic Zone, Bohai Rim Economic Zone, and Central Western Region, with the intent of improving residential accommodations. With ample and balanced saleable resources, the Company is confident we can achieve the RMB93 billion contracted sales goal for this year that we set at the beginning of the year.

MANAGEMENT DISCUSSION AND ANALYSIS



Tianjin • Royal Palace



Hangzhou • Funlive Future SCI-TECH City Apartment



Xiamen • Polaris Palace



Xiamen • The Prestige

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue of the Group is mainly derived from sales of properties, rental income, property management fees and project management income.

The revenue increased significantly by 45.2% from approximately RMB10,422,829,000 in the first half of 2019 to approximately RMB15,135,207,000 in the first half of 2020, which was attributable to the increase in property sales income.

- **Sales of properties**

Income from property sales increased significantly by 45.9% from approximately RMB10,066,254,000 in the first half of 2019 to approximately RMB14,686,375,000 in the first half of 2020. Delivered property area increased significantly by 109.3% from 943,545 sq.m. in the first half of 2019 to 1,974,545 sq.m. in the first half of 2020. The average unit selling price decreased from RMB10,669 per sq.m. in the first half of 2019 to RMB7,438 per sq.m. in the first half of 2020.

- **Rental income**

Rental income increased by 15.8% from approximately RMB133,392,000 in the first half of 2019 to approximately RMB154,445,000 in the first half of 2020, which was mainly attributable to the larger contribution of rental income from the office buildings of SCE Plaza in Shanghai and the shopping mall of World City in Nan'an.

- **Property management fees**

Property management fees increased significantly by 46.4% from approximately RMB159,177,000 in the first half of 2019 to approximately RMB233,061,000 in the first half of 2020, which was mainly attributable to the increase in number and floor area of properties under the management.

- **Project management income**

The project management income decreased by 4.2% from approximately RMB64,006,000 in the first half of 2019 to approximately RMB61,326,000 in the first half of 2020, which was attributable to the income from the project management service and other property related service provided to joint ventures.

Gross Profit

Gross profit increased significantly by 40.3% from approximately RMB3,010,580,000 in the first half of 2019 to approximately RMB4,224,949,000 in the first half of 2020. Gross profit margin decreased from 28.9% in the first half of 2019 to 27.9% in the first half of 2020. The decrease in gross profit margin was attributable to the impact on average unit selling price of projects as result of price restriction policy.

MANAGEMENT DISCUSSION AND ANALYSIS

Changes in Fair Value of Investment Properties

The fair value gains of investment properties decreased significantly by 36.9% from approximately RMB732,250,000 in the first half of 2019 to approximately RMB462,241,000 in the first half of 2020. The fair value gains of investment properties during the period were mainly attributable to the value appreciation of certain shopping malls and long-term rental apartments.

Selling and Marketing Expenses

Selling and marketing expenses increased significantly by 34.7% from approximately RMB231,294,000 in the first half of 2019 to approximately RMB311,609,000 in the first half of 2020. The increase in selling and marketing expenses was mainly attributable to the significant increase in the number of projects for sale during the period.

Administrative Expenses

Administrative expenses increased significantly by 63.7% from approximately RMB628,687,000 in the first half of 2019 to approximately RMB1,029,044,000 in the first half of 2020. The increase in administrative expenses was mainly attributable to the increase in administrative staff costs to cope with the needs for business expansion.

Finance Costs

Finance costs decreased by 6.8% from approximately RMB266,873,000 in the first half of 2019 to approximately RMB248,720,000 in the first half of 2020. Finance costs mainly represented partial borrowing costs which have not been capitalised as certain funds were not used for project developments. Due to the increase in bank and other borrowings (including senior notes and domestic bonds), total interest expense increased by 14.5% from approximately RMB1,418,926,000 in the first half of 2019 to approximately RMB1,624,070,000 in the first half of 2020.

Share of Profits and Losses of Joint Ventures and Associates

Share of losses of joint ventures and associates decreased significantly by approximately 95.1% from approximately RMB134,136,000 in the first half of 2019 to approximately RMB6,526,000 in the first half of 2020. The losses were mainly attributable to the operating expenses of projects under development of joint ventures and associates during the period.

Income Tax Expense

Income tax expense amounted to approximately RMB1,043,197,000 in the first half of 2020, which was approximately RMB1,047,616,000 in the first half of 2019. The income tax expense charged for the period as a percentage of profit before tax decreased from approximately 32.3% in the first half of 2019 to approximately 29.3% in the first half of 2020. The decrease was mainly due to the decrease in gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent increased by 10.3% from approximately RMB1,916,809,000 in the first half of 2019 to approximately RMB2,114,397,000 in the first half of 2020. Basic earnings per share amounted to approximately RMB50.6 cents in the first half of 2020. Core profit attributable to owners of the parent increased by 19.2% from approximately RMB1,543,997,000 in the first half of 2019 to approximately RMB1,840,936,000 in the first half of 2020.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2020, the Group's cash and bank balances were denominated in different currencies as set out below:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Renminbi	20,148,285	20,974,502
Hong Kong dollars	1,917,188	1,837,305
US dollars	2,916,337	1,086,853
Total cash and bank balances	24,981,810	23,898,660

According to the relevant laws and regulations of the PRC, certain property development companies of the Group are required to place certain amounts of cash and bank deposits into designated bank accounts to provide guarantees for the development of the relevant properties. The Group also places certain deposits in banks in the PRC to secure certain bills issued from banks in the PRC. As at 30 June 2020, the amount of restricted cash and pledged deposits were approximately RMB4,035,775,000 (31 December 2019: approximately RMB4,297,558,000) and approximately RMB207,966,000 (31 December 2019: approximately RMB450,253,000), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings and Pledged Assets

The maturity profile of the borrowings of the Group as at 30 June 2020 is as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Bank and other borrowings:		
Within one year or on demand	9,534,808	8,858,490
In the second year	6,193,280	6,529,786
In the third to fifth years, inclusive	6,488,711	4,761,871
Beyond fifth years	1,025,949	1,110,109
	23,242,748	21,260,256
Senior notes and domestic bonds:		
Within one year or on demand	11,184,977	3,436,692
In the second year	3,512,640	7,574,832
In the third to fifth years, inclusive	7,567,483	9,805,302
	22,265,100	20,816,826
Total borrowings	45,507,848	42,077,082

MANAGEMENT DISCUSSION AND ANALYSIS

The borrowings were denominated in different currencies as set out below:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Bank and other borrowings:		
Renminbi	18,010,587	17,846,768
Hong Kong dollars	3,933,984	3,351,778
US dollars	1,298,177	61,710
	23,242,748	21,260,256
Senior notes and domestic bonds:		
Renminbi	3,980,842	3,976,692
US dollars	18,284,258	16,840,134
	22,265,100	20,816,826
Total borrowings	45,507,848	42,077,082

As at 30 June 2020, approximately RMB18,546,435,000 (31 December 2019: approximately RMB18,043,449,000) of bank and other borrowings was secured by the Group's bank deposits, property and equipment, investment properties, properties under development and completed properties held for sale with a total carrying value of approximately RMB51,924,658,000 (31 December 2019: approximately RMB44,342,558,000), and capital stocks of certain subsidiaries. The senior notes of US\$500,000,000 at a coupon rate of 5.875% due 2022 issued in March 2017 and April 2017 (the "2017 Senior Notes"), the senior notes of US\$600,000,000 at a coupon rate of 7.45% due 2021 issued in April 2018 (the "2018 Senior Notes"), the senior notes of US\$500,000,000 at a coupon rate of 8.75% due 2021 issued in January 2019 (the "2019 January Senior Notes"), the senior notes of US\$500,000,000 at a coupon rate of 7.375% due 2024 issued in April 2019 and January 2020 (the "2019 April Senior Notes"), the senior notes of US\$500,000,000 at a coupon rate of 7.25% due 2023 issued in July 2019 (the "2019 July Senior Notes") and approximately RMB4,340,750,000 (31 December 2019: approximately RMB2,868,147,000) of bank and other borrowings were guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

As at 30 June 2020, except for certain bank and other borrowings of approximately RMB3,360,620,000 (31 December 2019: approximately RMB5,961,790,000) bearing interest at fixed interest rates, all the Group's bank and other borrowings bear interest at floating interest rates. The 2017 Senior Notes, the 2018 Senior Notes, the 2019 January Senior Notes, the 2019 April Senior Notes, the 2019 July Senior Notes, the domestic corporate bonds of RMB1,974,058,000 at an adjusted coupon rate of 7.6% due 2020 issued in October 2015, the domestic corporate bonds of RMB1,470,200,000 at an adjusted coupon rate of 7.6% due 2020 issued in December 2015 and the domestic corporate bonds of RMB540,000,000 at a coupon rate of 6.95% due 2023 issued in August 2019 bear interest at fixed interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

The net gearing ratio was calculated by dividing the net amount of borrowings (including bank and other borrowings, senior notes and domestic bonds after deduction of cash and cash equivalents, restricted cash and pledged deposits) by total equity. As at 30 June 2020, the net gearing ratio was 68.3% (31 December 2019: 60.0%).

Exchange Rate Fluctuation Exposures

The Group's businesses are located in the PRC and all of the Group's revenue and substantially all of the Group's operating expenses are denominated in RMB. The majority of the Group's assets and liabilities are denominated in RMB. As at 30 June 2020, except for certain bank deposits, financial assets at fair value through profit or loss, bank and other borrowings, the 2017 Senior Notes, the 2018 Senior Notes, the 2019 January Senior Notes, the 2019 April Senior Notes and the 2019 July Senior Notes which were denominated in foreign currencies, exchange rate changes of RMB against foreign currencies will not have material adverse effect on the results of operations of the Group.

No foreign currency hedging arrangement was made as at 30 June 2020. The Group will closely monitor its exposure to fluctuation in foreign currency exchange rates.

FINANCIAL GUARANTEE

As at 30 June 2020, the Group provided financial guarantees to the banks in respect of the following items:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	19,738,165	20,307,223

In addition, the Group's share of the joint ventures and associates' own financial guarantees, which are not included in the above, is as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the joint ventures and associates' properties	3,882,555	2,652,313

As at 30 June 2020, the Group provided guarantees to banks in connection with loan amount of RMB14,656,056,000 (31 December 2019: RMB7,935,790,000), granted to joint ventures and associates.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

As at 30 June 2020, the capital commitments of the Group are as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development and construction of investment properties in Mainland China	22,076,070	18,951,500

In addition, the Group's share of the joint ventures and associates' own capital commitments, which are not included in the above, is as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Contracted, but not provided for:		
Capital expenditure for joint ventures and associates' properties under development and construction of investment properties in Mainland China	4,914,122	3,737,499

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total of 8,238 employees (31 December 2019: 7,592 employees). During the period under review, the total cost of employment was approximately RMB823,958,000 (six months ended 30 June 2019: approximately RMB552,974,000). The Group provides employees with competitive remuneration and benefits and has adopted share option schemes to provide incentives and rewards to, among others, the employees (please refer to the section headed "Disclosure of Interests — Share Option Scheme" of this report for further details of the share option schemes). The Group reviews the employee remuneration plan at least annually to ensure that it maintains market competitiveness and allows the employees to receive fair and equal rewards. The promotion decision is also based on considering the employees' assessment results, experience, skills and personal characteristics. In addition, the Group has established China SCE College to provide employees with three types of training programs, namely business courses, quality skills and cultural identity. The Group has launched its management trainee programme since 2011 for positions in selected functional areas in order to build pipeline for succession.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Details of material acquisition and disposal of subsidiaries of the Group during the period are set out in notes 16 to 18 to the unaudited interim condensed consolidated financial statements.

Save as disclosed, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the period.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), are as follows:

Long positions in ordinary shares (the "Shares") of the Company:

Name of Director	Interest in Shares		Total Number of Shares Held or Interested	Percentage of the Company's Issued Share Capital
	Beneficial Owner	Interest of Controlled Corporation		
Mr. Wong Chiu Yeung ("Mr. Wong")	–	2,108,000,000 (Note 1)	2,108,000,000	50.40%
Mr. Chen Yuanlai ("Mr. Chen")	20,000,000	210,230,000 (Note 2)	230,230,000	5.51%
Mr. Cheng Hiu Lok ("Mr. Cheng")	–	210,230,000 (Note 3)	210,230,000	5.03%

Long positions in share options of the Company:

Name of Director	Number of Share Options Directly Beneficially Owned	Percentage of the Company's Issued Share Capital
Mr. Chen	20,000,000	0.48%
Mr. Cheng	20,000,000	0.48%
Mr. Huang Youquan	16,000,000	0.38%

Note 1: These 2,108,000,000 Shares were registered in the name of Newup Holdings Limited ("Newup"). Mr. Wong held 100% of the entire issued share capital of Newup and was deemed to be interested in the 2,108,000,000 Shares held by Newup pursuant to the SFO.

Note 2: These 210,230,000 Shares were registered in the name of Rising Trade Holdings Limited ("Rising Trade"). Mr. Chen held 100% of the entire issued share capital of Rising Trade and was deemed to be interested in the 210,230,000 Shares held by Rising Trade pursuant to the SFO.

Note 3: These 210,230,000 Shares were registered in the name of Wealthy Gate Holdings Limited ("Wealthy Gate"). Mr. Cheng held 100% of the entire issued share capital of Wealthy Gate and was deemed to be interested in the 210,230,000 Shares held by Wealthy Gate pursuant to the SFO.

DISCLOSURE OF INTERESTS

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 30 June 2020, the interests and short positions of the persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and Nature of Interest	Number of Shares Held or Interested	Percentage of the Company's Issued Share Capital
Newup (Note 1)	Beneficial owner	2,108,000,000	50.40%
Rising Trade (Note 2)	Beneficial owner	210,230,000	5.03%
Wealthy Gate (Note 3)	Beneficial owner	210,230,000	5.03%

Note 1: Newup was wholly-owned and controlled by Mr. Wong; accordingly, Mr. Wong was deemed to be interested in the Shares held by Newup pursuant to the SFO. Mr. Wong was the sole director of Newup.

Note 2: Rising Trade was wholly-owned and controlled by Mr. Chen; accordingly, Mr. Chen was deemed to be interested in the Shares held by Rising Trade pursuant to the SFO. Mr. Chen was the sole director of Rising Trade.

Note 3: Wealthy Gate was wholly-owned and controlled by Mr. Cheng; accordingly, Mr. Cheng was deemed to be interested in the Shares held by Wealthy Gate pursuant to the SFO. Mr. Cheng was the sole director of Wealthy Gate.

Save as disclosed above, as at 30 June 2020, no person, other than a Director or chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DISCLOSURE OF INTERESTS

SHARE OPTION SCHEME

The Company adopted a share option scheme on 23 April 2018 (the “2018 Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The participants of the Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The 2018 Scheme became effective on 23 April 2018 and unless otherwise cancelled or amended, will remain in force for a period of 10 years to 22 April 2028.

During the six months ended 30 June 2020, details of movements in the share options under the 2018 Scheme are as follows:

Category and Name of Grantee	Outstanding at 1 January 2020	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding at 30 June 2020	Exercise Price per Share	Date of Grant	Exercise Period	Weighted Average Closing Price Immediately before the Date(s) of Exercise
Directors										
Mr. Chen	20,000,000	–	–	–	–	20,000,000	HK\$2.78	12 December 2018	1 July 2020 to 11 December 2028	–
Mr. Cheng	20,000,000	–	–	–	–	20,000,000	HK\$2.78	12 December 2018	1 July 2020 to 11 December 2028	–
Mr. Huang Youquan	16,000,000	–	–	–	–	16,000,000	HK\$2.78	12 December 2018	1 July 2020 to 11 December 2028	–
Sub-total	56,000,000	–	–	–	–	56,000,000				–
Employees of the Group										
	135,000,000	–	–	–	–	135,000,000	HK\$2.78	12 December 2018	1 July 2019 to 11 December 2028	–
	135,000,000	–	–	–	–	135,000,000	HK\$2.78	12 December 2018	1 July 2020 to 11 December 2028	–
Sub-total	270,000,000	–	–	–	–	270,000,000				–
Total	326,000,000	–	–	–	–	326,000,000				–

DISCLOSURE OF INTERESTS

As at 30 June 2020, the Company had 326,000,000 share options outstanding under the 2018 Scheme. Should they be fully exercised, the Company will receive HK\$906,280,000 (before issue expenses). The fair value of these unexercised options measured in accordance with the Group's accounting policy amounted to HK\$117,676,000.

The exercise price of the share options is determinable by the board (the "Board") of Directors of the Company, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Hong Kong Stock Exchange's daily quotation sheets on the date of the offer of the share options; (ii) the average closing price of the Company's shares as quoted on the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has been committed to maintain a high standard of corporate governance so as to enhance the operational efficiency of the Company. The Company believes that such commitment is beneficial to safeguard the interests of the Company and its shareholders. During the six months ended 30 June 2020, save as disclosed below, the Company and the Board had been in compliance with the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules.

Under provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the period under review, Mr. Wong performed his duties as both the chairman and the chief executive officer of the Company. The Board believes that serving by the same individual as chairman and chief executive officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

According to the provision of the CG Code, the Company established the Audit Committee on 6 January 2010. Under Rule 3.21 of the Listing Rules, the audit committee of issuers must comprise of non-executive directors only. The Audit Committee comprises three independent non-executive Directors, with Mr. Ting Leung Huel Stephen as the chairman, and Mr. Lu Hong Te and Mr. Dai Yiyi as members.

Mr. Ting Leung Huel Stephen, chairman of the Audit Committee, has considerable experience in accounting and financial management, which is in line with the requirement of Rule 3.10(2) of the Listing Rules which requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise.

During the period under review, the Audit Committee oversaw the Company’s financial reporting system, risk management and internal control system; and discussed the accounting principles and policies adopted by the Group together with the management. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 and had no disagreement with the accounting treatment adopted by the Group.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

As disclosed in the announcement of the Company dated 14 March 2018, pursuant to an agreement (the “2018 March Facility Agreement”) dated 14 March 2018 entered into by and among, inter alia, the Company as borrower, certain of its subsidiaries as original guarantors, and a syndicate of banks, the banks have agreed to grant to the Company a HK\$3,172,100,000 and US\$9,000,000 dual tranche term loan facility (the “2018 March Facility”) to refinance existing financial indebtedness and finance the general corporate funding requirements of the Group.

The 2018 March Facility is for a term of three years and six months commencing from the date on which the first utilisation of the 2018 March Facility is made under the 2018 March Facility Agreement, and is guaranteed by certain subsidiaries of the Company.

As disclosed in the announcement of the Company dated 22 October 2018, the Company as borrower accepted the facility letter (the “2018 October Bank Facility Letter”) issued by a bank dated 22 October 2018 granting a term loan (the “2018 October Bank Facility”) in the amount of up to HK\$390,000,000 to finance or partly refinance the existing indebtedness of the Group and to finance the general corporate funding requirement of the Group.

The 2018 October Bank Facility is for a term of 36 months commencing from the date of the first drawdown.

As disclosed in the announcement of the Company dated 6 September 2019, pursuant to an agreement (the “2019 Facility Agreement”) dated 6 September 2019 entered into by and among, inter alia, the Company as borrower, certain of its subsidiaries as original guarantors, and a syndicate of banks, the banks have agreed to grant to the Company a HK\$516,000,000 and US\$180,000,000 dual tranche term loan facility (the “2019 Facility”) to refinance existing financial indebtedness of the Group and finance the general corporate funding requirements of the Group.

The 2019 Facility is for a term of three years and six months commencing from the date on which the first utilisation of the 2019 Facility is made under the 2019 Facility Agreement, and is guaranteed by certain subsidiaries of the Company.

As disclosed in the announcement of the Company dated 3 January 2020, by an agreement dated 2 January 2020 (the “2020 January Facility Agreement”) entered into by and among, inter alia, Sleek Time Limited, a non-wholly owned subsidiary of the Company, as borrower, and a syndicate of banks, the banks have agreed to grant to the borrower a term loan facility in an aggregate of the Hong Kong dollar equivalent of RMB560,000,000 (the “2020 January Facility”).

OTHER INFORMATION

The 2020 January Facility is for a term of three years and six months commencing from the date on which the first utilisation of the 2020 January Facility is made under the 2020 January Facility Agreement, and is guaranteed by the Company and the Sleek Time Limited's other shareholders on a several basis.

As disclosed in the announcement of the Company dated 9 July 2020, by an agreement dated 8 July 2020 (the "2020 July Facility Agreement") entered into by and among, inter alia, Best Access International Limited, a non-wholly owned subsidiary of the Company, as borrower, and a bank, the bank has agreed to grant to the borrower a term loan facility in an aggregate of the Hong Kong dollar or United States dollar equivalent of up to RMB400,000,000 (the "2020 July Facility") to, amongst others, finance the repayment of shareholders' loan owed by the borrower's indirect holding company.

The 2020 July Facility is for a term of three years commencing from the date on which the first utilisation of the 2020 July Facility is made under the 2020 July Facility Agreement, and is guaranteed by the Company and the Best Access International Limited's other shareholder on a several basis.

Each of the 2018 March Facility Agreement, 2018 October Bank Facility Letter, 2019 Facility Agreement, 2020 January Facility Agreement and 2020 July Facility Agreement contains a requirement that Mr. Wong, a controlling shareholder of the Company and an executive Director, and his family members (together with Mr. Wong, the "Wong Family"), (a) must remain as the single largest shareholder in the Company; (b) must hold legally and beneficially and directly or indirectly 35% (under the 2020 July Facility Agreement only) or 40% (under the rest of the agreements) or more of all classes of the Company's voting share capital and/or must directly or indirectly control (as defined in the Code on Takeovers and Mergers) the Company; and (c) Mr. Wong or a member of the Wong Family must remain as the chairman of the Board of the Company throughout the respective life of 2018 March Facility, 2018 October Bank Facility, 2019 Facility, 2020 January Facility and 2020 July Facility. A breach of such requirements will constitute an event of default or (as the case may be) mandatory prepayment event under the 2018 March Facility Agreement, 2018 October Bank Facility Letter, 2019 Facility Agreement, 2020 January Facility Agreement and 2020 July Facility Agreement, and as a result, 2018 March Facility, 2018 October Bank Facility, 2019 Facility, 2020 January Facility and 2020 July Facility be liable to be declared immediately due and payable.

As at the approval date of this report, Mr. Wong and his associates jointly own approximately 50.16% of the voting share capital of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors.

The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the period under review.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK11 cents per ordinary share for the six months ended 30 June 2020 (six months ended 30 June 2019: HK10 cents). The interim dividend will be payable on or about 8 October 2020 to shareholders whose names appear on the register of members of the Company on 11 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 11 September 2020, when no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2020, all transfer documents should be lodged for registration with Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 10 September 2020.

By order of the Board

Wong Chiu Yeung

Chairman

Hong Kong, 19 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	4	15,135,207	10,422,829
Cost of sales		(10,910,258)	(7,412,249)
Gross profit		4,224,949	3,010,580
Other income and gains	4	624,719	759,796
Changes in fair value of investment properties, net		462,241	732,250
Selling and marketing expenses		(311,609)	(231,294)
Administrative expenses		(1,029,044)	(628,687)
Other expenses		(156,174)	–
Finance costs	5	(248,720)	(266,873)
Share of profits and losses of:			
Joint ventures		16,964	(117,468)
Associates		(23,490)	(16,668)
PROFIT BEFORE TAX	6	3,559,836	3,241,636
Income tax expense	7	(1,043,197)	(1,047,616)
PROFIT FOR THE PERIOD		2,516,639	2,194,020
OTHER COMPREHENSIVE LOSS:			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of joint ventures		(3,596)	(53)
Share of other comprehensive loss of associates		(10)	–
Exchange differences on translation of foreign operations		(405,665)	(52,073)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(409,271)	(52,126)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(409,271)	(52,126)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,107,368	2,141,894

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Profit attributable to:			
Owners of the parent		2,114,397	1,916,809
Holders of perpetual capital instruments		–	31,850
Non-controlling interests		402,242	245,361
		2,516,639	2,194,020
Total comprehensive income attributable to:			
Owners of the parent		1,751,996	1,866,493
Holders of perpetual capital instruments		–	31,850
Non-controlling interests		355,372	243,551
		2,107,368	2,141,894
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		RMB50.6 cents	RMB46.5 cents
Diluted		RMB49.6 cents	RMB45.6 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment	10	808,373	827,422
Investment properties		27,143,443	22,631,743
Intangible asset		3,069	3,153
Properties under development	10	10,879,952	13,248,794
Contract in progress	10	344,968	343,244
Investments in joint ventures		12,330,839	8,863,038
Investments in associates		1,084,091	1,036,532
Prepayments and other assets		1,128,729	4,969,729
Deferred tax assets		704,876	714,805
Total non-current assets		54,428,340	52,638,460
CURRENT ASSETS			
Properties under development	10	54,686,717	49,136,052
Completed properties held for sale		9,508,292	8,021,749
Trade receivables	11	591,646	782,142
Prepayments, other receivables and other assets		11,194,371	8,449,634
Financial assets at fair value through profit or loss		752,467	665,070
Due from related parties		3,726,696	4,379,165
Prepaid income tax		1,711,956	1,411,122
Restricted cash		4,035,775	4,297,558
Pledged deposits		207,966	450,253
Cash and cash equivalents		20,738,069	19,150,849
Total current assets		107,153,955	96,743,594
CURRENT LIABILITIES			
Trade and bills payables	12	17,767,383	14,959,698
Other payables and accruals		16,880,439	12,433,555
Contract liabilities		34,401,611	34,902,065
Interest-bearing bank and other borrowings	13	9,534,808	8,858,490
Senior notes and domestic bonds	14	11,184,977	3,436,692
Due to related parties		9,169,362	7,505,159
Tax payable		3,424,220	2,953,045
Total current liabilities		102,362,800	85,048,704
NET CURRENT ASSETS		4,791,155	11,694,890
TOTAL ASSETS LESS CURRENT LIABILITIES		59,219,495	64,333,350

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		59,219,495	64,333,350
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	13,707,940	12,401,766
Senior notes and domestic bonds	14	11,080,123	17,380,134
Lease liabilities		177,176	186,421
Deferred tax liabilities		4,122,081	4,026,165
Provision for major overhauls		60,526	52,677
Total non-current liabilities		29,147,846	34,047,163
Net assets		30,071,649	30,286,187
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	361,497	361,497
Reserves		18,197,431	17,217,513
		18,558,928	17,579,010
Non-controlling interests		11,512,721	12,707,177
Total equity		30,071,649	30,286,187

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent													Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Statutory surplus reserve	Merger reserve	Property revaluation reserve	Other reserves	Share option reserve	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
At 1 January 2020	361,497	1,096,688*	(847,849)*	1,177,608*	30*	82,872*	2,083*	83,562*	(44,811)*	(630,113)*	16,297,443*	17,579,010	12,707,177	30,286,187	
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,114,397	2,114,397	402,242	2,516,639	
Other comprehensive loss for the period:															
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	(3,596)	-	-	-	-	(3,596)	-	(3,596)	
Share of other comprehensive loss of associates	-	-	-	-	-	-	(10)	-	-	-	-	(10)	-	(10)	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	(358,795)	-	(358,795)	(46,870)	(405,665)	
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(3,606)	-	-	(358,795)	2,114,397	1,751,996	355,372	2,107,368	
Capital reduction of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(90,400)	(90,400)	
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	121,717	121,717	
Acquisition of non-controlling interests	-	-	(270,071)	-	-	-	-	-	-	-	-	(270,071)	(148,636)	(418,707)	
Acquisition of subsidiaries (note 16(a))	-	-	-	-	-	-	-	-	-	-	-	-	94,075	94,075	
Disposal of subsidiaries (note 18)	-	-	-	-	-	-	-	-	-	-	-	-	(1,526,584)	(1,526,584)	
2019 final dividend approved	-	(523,436)	-	-	-	-	-	-	-	-	-	(523,436)	-	(523,436)	
Equity-settled share option arrangements	-	-	-	-	-	-	-	21,429	-	-	-	21,429	-	21,429	
At 30 June 2020	361,497	573,252*	(1,117,920)*	1,177,608*	30*	82,872*	(1,523)*	104,991*	(44,811)*	(988,908)*	18,411,840*	18,558,928	11,512,721	30,071,649	

* These reserve accounts comprise the consolidated reserves of RMB18,197,431,000 (31 December 2019: RMB17,217,513,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent												Perpetual capital instruments	Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Statutory surplus reserve	Merger reserve	Property revaluation reserve	Other reserves	Share option reserve	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	353,077	1,726,337	(266,975)	1,286,932	30	82,872	2,172	14,321	(44,811)	(349,843)	12,678,074	15,482,186	700,000	5,957,221	22,139,407
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,916,809	1,916,809	31,850	245,361	2,194,020
Other comprehensive loss for the period:															
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	(53)	-	-	-	-	(53)	-	-	(53)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	(50,263)	-	(50,263)	-	(1,810)	(52,073)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(53)	-	-	(50,263)	1,916,809	1,866,493	31,850	243,551	2,141,894
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	1,157,011	1,157,011
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(140,000)	(140,000)
Acquisition of non-controlling interests	-	-	(276,380)	-	-	-	-	-	-	-	-	(276,380)	-	(230,220)	(506,600)
Acquisition of subsidiaries (note 16(b))	-	-	-	-	-	-	-	-	-	-	-	-	-	1,054,868	1,054,868
Acquisition of a subsidiary that is not a business (note 17)	-	-	-	-	-	-	-	-	-	-	-	-	-	15,750	15,750
Distribution to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	(31,850)	-	(31,850)
Share options exercised	3,389	87,322	-	-	-	-	-	(7,159)	-	-	-	83,552	-	-	83,552
2018 final dividend approved	-	(507,878)	-	-	-	-	-	-	-	-	-	(507,878)	-	-	(507,878)
Equity-settled share option arrangements	-	-	-	-	-	-	-	71,048	-	-	-	71,048	-	-	71,048
At 30 June 2019	356,466	1,305,781	(543,355)	1,286,932	30	82,872	2,119	78,210	(44,811)	(400,106)	14,594,883	16,719,021	700,000	8,058,181	25,477,202

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations		(1,777,746)	2,163,703
Interest received		83,382	81,724
Interest paid		(1,459,851)	(1,180,455)
PRC corporate income tax paid		(479,988)	(592,232)
PRC land appreciation tax paid		(420,390)	(384,812)
Net cash flows from/(used in) operating activities		(4,054,593)	87,928
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		(19,126)	(52,912)
Proceeds from disposal of items of property and equipment		498	142
Additions to investment properties		(258,060)	(925,150)
Proceeds from disposal of investment properties		58,787	–
Prepayment for establishment of joint ventures		–	(103,848)
Acquisition of subsidiaries	16, 17	(15,641)	(914,996)
Disposal of subsidiaries, net	18	(34,818)	–
Investment in joint ventures		(1,594,979)	(828,296)
Proceeds from disposal of a joint venture		–	65,000
Investment in associates		–	(190,000)
Dividend from associates		–	24,075
Loans with joint ventures and associates		595,344	(4,935,184)
Decrease in restricted cash		261,783	419,284
Decrease/(increase) in pledged deposits		242,287	(120,548)
Increase in time deposits with original maturity over three months		(1,607,992)	(871,165)
Other investing cash flows, net		(49,171)	(81,123)
Net cash flows used in investing activities		(2,421,088)	(8,514,721)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of senior notes		1,071,615	5,640,528
Issuance costs of senior notes		(14,584)	(65,956)
New bank and other borrowings		10,482,779	8,066,155
Repayment of bank and other borrowings		(6,197,635)	(6,802,254)
Payment of lease liabilities		(24,010)	(29,359)
Acquisition of non-controlling interests		(418,707)	(506,600)
Capital contribution from non-controlling shareholders		121,717	1,157,011
Distribution to holders of perpetual capital instruments		–	(31,850)
Increase in amounts due to related parties, net		1,664,203	3,314,885
Other financing cash flows, net		(264,445)	633,677
Net cash flows from financing activities		6,420,933	11,376,237
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		19,150,849	15,515,314
Effect of foreign exchange rate changes, net		33,976	2,298
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
		19,130,077	18,467,056
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents stated in consolidated statement of financial position		20,738,069	19,338,221
Less: Non-pledged time deposits with original maturity of over three months when acquired		(1,607,992)	(871,165)
		19,130,077	18,467,056

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

1. BASIS OF PREPARATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and whose shares are publicly traded on the Hong Kong Stock Exchange. The principal activities of the Group are described in note 3 to the unaudited interim condensed consolidated financial statements.

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Appendix 16 to the Listing Rules.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has fully assessed and adopted, to the extent that is relevant to the Group, the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Except for Amendments to HKFRS 3 *Definition of a Business* and Amendments to HKAS 1 and HKAS 8 *Definition of Material*, other amendments and interpretations are applied for the first time in 2020, but do not have significant impact on the unaudited interim condensed consolidated financial statements.

The nature and impact of the revised HKFRSs are described below:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any significant impact on the Group's unaudited interim condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment, property management, land development and project management. For management purposes, the property development and property investment businesses are monitored as one operating segment on a project basis to allocate resources and assess performance. For financial reporting purposes, the property management segment, land development segment and project management segment are combined with the property development and investment segment as its reported revenue, reported results and assets are less than 10% of the consolidated revenue, consolidated profit and consolidated assets of the Group.

The Group's revenue from external customers from each product or service is set out in note 4 to the unaudited interim condensed consolidated financial statements.

The Group's revenue from external customers is derived solely from its operations in the PRC, and the non-current assets of the Group are substantially located in the PRC.

During the period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenue from contracts with customers		
Sales of properties	14,686,375	10,066,254
Property management fees	233,061	159,177
Project management income	61,326	64,006
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	3,562	–
Other lease payments, including fixed payments	150,883	133,392
	15,135,207	10,422,829

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

4. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2020

	Sales of properties (Unaudited) RMB'000	Property management fees (Unaudited) RMB'000	Project management income (Unaudited) RMB'000	Total (Unaudited) RMB'000
Timing of revenue recognition:				
Goods transferred at a point in time	14,686,375	–	–	14,686,375
Services transferred over time	–	233,061	61,326	294,387
Total revenue from contracts with customers	14,686,375	233,061	61,326	14,980,762

For the six months ended 30 June 2019

	Sales of properties (Unaudited) RMB'000	Property management fees (Unaudited) RMB'000	Project management income (Unaudited) RMB'000	Total (Unaudited) RMB'000
Timing of revenue recognition:				
Goods transferred at a point in time	10,066,254	–	–	10,066,254
Services transferred over time	–	159,177	64,006	223,183
Total revenue from contracts with customers	10,066,254	159,177	64,006	10,289,437

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

4. REVENUE, OTHER INCOME AND GAINS *(continued)*

An analysis of the Group's other income and gains is as follows:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Other income and gains		
Bank interest income	83,382	81,724
Consultancy service income	90,532	–
Gain on disposal of items of property and equipment, net	99	76
Fair value gain on financial assets at fair value through profit or loss, net	56,511	–
Fair value gain of derivative financial instruments — transactions not qualifying as hedges	–	15,300
Fair value gain on remeasurement of investment in joint ventures	151,560	–
Gain on bargain purchase (note 16)	33,673	563,844
Gain on disposal of a joint venture	–	14,046
Gain on disposal of investment properties	11,157	–
Foreign exchange differences, net	17,102	–
Others	180,703	84,806
	624,719	759,796

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Interest on bank and other borrowings, senior notes and domestic bonds	1,612,469	1,406,794
Interest on lease liabilities	9,053	9,924
Increase in a discounted amount of provision for major overhauls arising from the passage of time	2,548	2,208
Total interest expense on financial liabilities not at fair value through profit or loss	1,624,070	1,418,926
Less: Interest capitalised	(1,375,350)	(1,152,053)
	248,720	266,873

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cost of properties sold	10,800,553	7,295,841
Cost of services provided	109,622	116,325
Depreciation of property and equipment	22,018	28,030
Depreciation of right-of-use assets	24,167	30,036
Amortisation of an intangible asset*	83	83
Lease payments not included in the measurement of lease liabilities	4,658	—
Employee benefit expenses (including directors' remuneration):		
Salaries and other staff costs	728,600	389,591
Equity-settled share option expenses	21,429	71,048
Pension scheme contributions	73,929	92,335
Less: Amount capitalised	(196,677)	(174,382)
	627,281	378,592
Foreign exchange differences, net	(17,102)	18,313
Fair value gain of derivative financial instruments — transactions not qualifying as hedges	—	(15,300)
Fair value loss/(gain) of financial assets at fair value through profit or loss, net	(56,511)	18,536
Fair value gain on remeasurement of investment in joint ventures	(151,560)	—
Gain on disposal of investment properties	(11,157)	—
Gain on disposal of items of property and equipment, net	(99)	(76)
Loss on disposal of subsidiaries, net**	156,174	—

* The amortisation of an intangible asset for the period is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

** This item is included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2019: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Current charge for the period:		
PRC corporate income tax	894,972	685,072
PRC land appreciation tax	182,903	188,147
Under-provision in prior years, net:		
Mainland China	29,797	18,176
	1,107,672	891,395
Deferred tax charged/(credited) for the period	(64,475)	156,221
Total tax charge for the period	1,043,197	1,047,616

During the six months ended 30 June 2020, the share of tax charge attributable to joint ventures amounting to RMB2,462,000 (six months ended 30 June 2019: tax charge of RMB33,158,000); and the share of tax credit attributable to associates amounted to RMB43,000 (six months ended 30 June 2019: tax charge of 575,000) are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

8. DIVIDENDS

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Interim — HK11 cents (six months ended 30 June 2019: HK10 cents) per ordinary share	419,414	362,770

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 4,182,133,380 (six months ended 30 June 2019: 4,123,576,711) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculations	2,114,397	1,916,809
	Number of shares Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	4,182,133,380	4,123,576,711
Effect of dilution — weighted average number of ordinary shares: Share options	83,149,916	77,151,142
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	4,265,283,296	4,200,727,853

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

10. ADDITIONS TO PROPERTY AND EQUIPMENT, PROPERTIES UNDER DEVELOPMENT AND CONTRACT IN PROGRESS

During the six months ended 30 June 2020, the Group incurred approximately RMB27,728,000 (six months ended 30 June 2019: RMB52,912,000) on the addition of items of property and equipment.

During the six months ended 30 June 2020, the Group incurred approximately RMB23,643,644,000 (six months ended 30 June 2019: RMB15,159,665,000) and approximately RMB1,724,000 (six months ended 30 June 2019: RMB6,795,000) on the additions to properties under development and contract in progress, respectively.

11. TRADE RECEIVABLES

The Group's trade receivables arise from the sales of properties, leasing of investment properties and provision of property management services.

Consideration in respect of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services. The Group generally grants a rent-free period for three months to the lessees of the Group's investment properties, extending up to six months for major customers.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. All trade receivables are non-interest-bearing.

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Current to 90 days	524,502	697,530
91 to 180 days	60,527	76,036
181 to 365 days	19	123
Over 365 days	6,598	8,453
	591,646	782,142

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

12. TRADE AND BILLS PAYABLES

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 1 year	17,531,672	14,702,354
Over 1 year	235,711	257,344
	17,767,383	14,959,698

The trade and bills payables are unsecured and non-interest-bearing and are normally settled based on the progress of construction.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Contractual interest rate (%) per annum	Maturity	RMB'000	Contractual interest rate (%) per annum	Maturity	RMB'000
Current						
Bank loans — secured	3.37–7.13	2020–2021	8,090,911	3.82–8.70	2020	5,808,229
Bank loans — unsecured	3.74	2020	35,556	5.97	2020	34,866
Other loans — secured	5.22–10.90	2020–2021	1,408,341	5.22–10.90	2020	3,015,395
			9,534,808			8,858,490
Non-current						
Bank loans — secured	3.37–7.30	2021–2034	12,320,224	4.40–7.30	2021–2034	9,646,567
Bank loans — unsecured	3.74	2021–2022	320,007	5.97	2021–2022	313,794
Other loans — secured	8.50–10.90	2021–2022	1,067,709	6.43–10.80	2021–2022	2,441,405
			13,707,940			12,401,766
			23,242,748			21,260,256

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

13. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	8,126,467	5,843,095
In the second year	5,125,571	4,768,381
In the third to fifth years, inclusive	6,488,711	4,081,871
Beyond fifth years	1,025,949	1,110,109
	20,766,698	15,803,456
Other borrowings repayable:		
Within one year	1,408,341	3,015,395
In the second year	1,067,709	1,761,405
In the third to fifth years, inclusive	–	680,000
	2,476,050	5,456,800
	23,242,748	21,260,256

Notes:

- Certain of the Group's bank and other borrowings are secured by the Group's bank deposits, property and equipment, investment properties, properties under development and completed properties held for sale, details of which are disclosed in note 21 to the unaudited interim condensed consolidated financial statements.
- As at 30 June 2020, certain of the Group's bank and other borrowings with an aggregate amount of RMB6,304,008,000 (31 December 2019: RMB5,649,205,000) were secured by share charges in respect of the equity interests of certain subsidiaries of the Group.
- Except for certain bank and other borrowings of RMB3,933,984,000 (31 December 2019: RMB3,351,778,000) and RMB1,298,177,000 (31 December 2019: RMB61,710,000) as at 30 June 2020, which were denominated in Hong Kong dollars ("HK\$") and United States dollars ("US\$"), respectively, all of the Group's bank and other borrowings were denominated in RMB.
- At the end of the reporting period, except for certain bank and other borrowings of RMB3,360,620,000 (31 December 2019: RMB5,961,790,000) with fixed interest rates, all of the Group's bank and other borrowings bear interest at floating interest rates.
- As at 30 June 2020, the Group's bank and other borrowings of RMB5,232,161,000 (31 December 2019: RMB3,216,807,000) has a specific performance obligation imposed on the Wong Family and pursuant to which (i) the Wong Family must remain the single largest shareholder in the Company; (ii) the Wong Family must hold legally and beneficially and directly or indirectly 40% or more of all classes of the Company's voting share capital and/or must directly or indirectly control the Company; and (iii) Mr. Wong or a member of the Wong Family must remain to be the chairman of the Board of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

14. SENIOR NOTES AND DOMESTIC BONDS

	30 June 2020 (Unaudited)				31 December 2019 (Audited)			
	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000
2017 Senior Notes	US\$500	5.875	2022	3,512,640	US\$500	5.875	2022	3,438,934
2018 Senior Notes	US\$600	7.45	2021	4,222,756	US\$600	7.45	2021	4,131,251
2019 January Senior Notes	US\$500	8.75	2021	3,521,379	US\$500	8.75	2021	3,443,581
2019 April Senior Notes	US\$500	7.375	2024	3,523,082	US\$350	7.375	2024	2,395,960
2019 July Senior Notes	US\$500	7.25	2023	3,504,401	US\$500	7.25	2023	3,430,408
2015 Domestic Bonds	RMB3,444	7.6	2020	3,440,842	RMB3,444	7.6	2020	3,436,692
2019 Domestic Bonds	RMB540	6.95	2023	540,000	RMB540	6.95	2023	540,000
Non-current portion				22,265,100 (11,080,123)				20,816,826 (17,380,134)
Current portion				11,184,977				3,436,692

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Repayable:		
Within one year	11,184,977	3,436,692
In the second year	3,512,640	7,574,832
In the third to fifth years, inclusive	7,567,483	9,805,302
	22,265,100	20,816,826

(a) Senior Notes

The Company, at its option, can redeem all or a portion of the 2017 Senior Notes, the 2018 Senior Notes, the 2019 January Senior Notes, the 2019 April Senior Notes and the 2019 July Senior Notes (collectively, the "Senior Notes") at any time prior to the maturity date at the redemption prices (principal amount plus applicable premium) plus accrued and unpaid interest up to the redemption date, as set forth in the written agreements between the Company and the trustees of Senior Notes.

The Senior Notes are secured by pledges over the equity interests of certain subsidiaries of the Company.

The fair values of the early redemption options of Senior Notes were not significant and therefore were not recognised by the Group on inception and at the reporting date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

14. SENIOR NOTES AND DOMESTIC BONDS *(continued)*

(b) Domestic Bonds

In August 2019, Xiamen Zhongjun Industrial Co., Ltd. ("Xiamen Zhongjun"), a wholly-owned subsidiary of the Company issued domestic corporate bonds in the PRC (the "2019 Domestic Bonds") of 6.95% due 2023 with an aggregate principal amount of RMB540,000,000 at 100% of the face value.

At the end of the second year subsequent to the inception date in August 2019, Xiamen Zhongjun as the issuer is entitled to adjust the interest rate. The holders of 2019 Domestic Bonds may at their options sell back the bonds to Xiamen Zhongjun in whole or in part at their principal amounts at any time prior to the maturity.

The aggregate fair values of the senior notes and domestic bonds as at the end of the reporting period are RMB22,273,666,000 (31 December 2019: RMB21,218,161,000).

The fair values of the senior notes and the domestic bonds are based on price quotations from financial institutions at the reporting date.

15. SHARE CAPITAL

Shares

	30 June 2020 (Unaudited) HK\$	31 December 2019 (Audited) HK\$
Authorised:		
10,000,000,000 ordinary shares of HK\$0.10 each	1,000,000,000	1,000,000,000
Issued and fully paid:		
4,182,133,380 (31 December 2019: 4,182,133,380) ordinary shares of HK\$0.10 each	418,213,338	418,213,338
Equivalent to RMB'000	361,497	361,497

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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16. BUSINESS COMBINATION

(a) Acquisition of subsidiaries

In June 2020, the Group acquired additional 20% equity interests in Beijing Junle Enterprise Management Consultancy Co., Ltd. ("Beijing Junle") and its subsidiary (collectively "Beijing Junle Group"), which were previously 50.01%-owned joint ventures. Upon completion of the transaction, the Group held 70.01% of equity interest in Beijing Junle Group. The Group also reached an agreement with a joint venture partner of Beijing Junle Group for the Group to obtain control over the board of Beijing Junle Group. Beijing Junle Group is engaged in property development and property investment in Beijing, the PRC. The purchase consideration for the acquisition was in the form of cash of RMB60,500,000.

The acquisition of Beijing Junle Group was completed in June 2020 and consequently, Beijing Junle Group became subsidiaries of the Group.

As at the date of approval for issuance of these unaudited interim condensed consolidated financial statements, the fair value assessments of identifiable assets and liabilities of the aforementioned acquisition has not been finalised and thus, the assets and liabilities recognised at the date of acquisition have been determined provisionally. Upon finalisation of the valuation, the gain on bargain purchase arising on acquisition may change accordingly. The directors of the Company expect the valuation will be finalised within one year from the date of completion of acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

16. BUSINESS COMBINATION *(continued)*

(a) Acquisition of subsidiaries *(continued)*

The fair values of the identifiable assets and liabilities of the acquisition of subsidiaries as at the date of acquisition (determined on a provisional basis) were as follows:

	Beijing Junle Group (Unaudited) RMB'000
Property and equipment	125
Properties under development	2,315,000
Prepaid income tax	2,589
Other current assets	1,659,012
Cash and cash equivalents	44,859
Trade and bills payables	(6,212)
Contract liabilities	(327,326)
Other current liabilities	(2,225,051)
Interest-bearing bank and other borrowings	(1,000,000)
Deferred tax liabilities	(149,307)
Non-controlling interests	(94,075)
Total identifiable net assets at fair value	219,614
Gain on bargain purchase (note 4)	(33,673)
	185,941
Satisfied by:	
Cash	60,500
Reclassification from pre-existing investments in joint ventures to investments in subsidiaries	125,441
	185,941

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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16. BUSINESS COMBINATION *(continued)*

(a) Acquisition of subsidiaries *(continued)*

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

	(Unaudited) RMB'000
Cash consideration	(60,500)
Cash and cash equivalents acquired	44,859
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	(15,641)

The results of the Beijing Junle Group acquired during the period had no significant impact on the Group's consolidated revenue or profit for the six months ended 30 June 2020.

The gain on bargain purchase is attributable to the market condition at the time of acquisition and the Group's ability in negotiating the agreed terms of the transaction with the vendor.

(b) Information on prior year's acquisition of subsidiaries

On 11 November 2016, the Group entered into agreements in relation to the acquisition of the entire equity interests in Best Century (Worldwide) Limited ("Best Century") and 40% equity interests in Taiwan Commodity Trading Center (Kunshan) Co., Ltd. ("Taiwan Commodity"). Best Century and its subsidiaries and Taiwan Commodity are engaged in property development in the Jiangsu province in the PRC. The net purchase consideration for the acquisition was in the form of cash of RMB1,361,522,000.

On 7 December 2018, the Group entered into an agreement in relation to the acquisition of 51% of the equity interests in Hong Hui Development Company Limited ("Hong Hui"). Hong Hui and its subsidiaries are engaged in property development in Jiangsu province in the PRC. The purchase consideration for the acquisition was in the form of cash of RMB628,728,000.

The acquisitions of Best Century, Taiwan Commodity and Hong Hui were completed in first half of 2019 and consequently, Best Century, Taiwan Commodity and Hong Hui and their respective subsidiaries became non-wholly-owned subsidiaries of the Group.

As at the date of approval for issuance of the Company's 2019 unaudited interim condensed consolidated financial statements, the fair value assessments of identifiable assets and liabilities of the aforementioned acquisitions were not finalised and thus, the assets and liabilities recognised at the date of acquisitions were determined provisionally.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

16. BUSINESS COMBINATION *(continued)*

(b) Information on prior year's acquisition of subsidiaries *(continued)*

The fair values of the identifiable assets and liabilities of the acquisition of subsidiaries as at the date of acquisition (determined on a provisional basis) were as follows:

	(Unaudited) RMB'000
Property and equipment	326
Investment in an associate	18,287
Properties under development	4,300,000
Completed properties held for sale	491,000
Other current assets	88,641
Cash and cash equivalents	1,266
Trade and bills payables	(2,573)
Contract liabilities	(108,636)
Other current liabilities	(331,922)
Tax payable	(6,230)
Deferred tax liabilities	(841,197)
Non-controlling interests	(1,054,868)
Total identifiable net assets at fair value	2,554,094
Gain on bargain purchase (note 4)	(563,844)
	1,990,250
Satisfied by:	
Cash	1,990,250

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

	(Unaudited) RMB'000
Cash consideration	(1,990,250)
Cash and cash equivalents acquired	1,266
Outstanding consideration at the end of the reporting period	375,360
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	(1,613,624)

The results of the Best Century, Taiwan Commodity, Hong Hui and their respective subsidiaries acquired during the prior period had no significant impact on the Group's consolidated revenue or profit for the six months ended 30 June 2019.

As at 31 December 2019, the Group finalised the fair value assessments for net assets acquired from the business combination activity. The relevant fair value adjustments were disclosed in the Company's consolidated financial statements for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

17. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS

In March 2020, the Group entered into an agreement in relation to the acquisition of entire equity interest in Xiamen Hui Sheng Cheng Investment Management Consultancy Co., Ltd. ("Xiamen Hui Sheng Cheng"). Xiamen Hui Sheng Cheng is engaged in property investment in Shanghai, the PRC. The purchase consideration for the acquisition was in the form of cash of RMB327,488,000.

Prior to completion of the acquisition, Xiamen Hui Sheng Cheng had not carried on any significant business activities except for holding of investment properties. This acquisition was accounted for by the Group as acquisition of assets, as the operations of Xiamen Hui Sheng Cheng did not constitute a business.

On 10 April 2019, the Group entered into an equity subscription agreement with independent third parties for the acquisition of 65% equity interest in Nantong Xiangrong Property Development Co., Ltd. ("Nantong Xiangrong") at a cash consideration of RMB29,250,000. The acquisition was completed in April 2019 and consequently Nantong Xiangrong became a non-wholly-owned subsidiary of the Group.

Prior to completion of the acquisition, Nantong Xiangrong had not carried on any significant business activities except for holding of a few parcels of land. This acquisition was accounted for by the Group as acquisition of assets, as the operations of Nantong Xiangrong did not constitute a business.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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18. DISPOSAL OF SUBSIDIARIES

Details of the net assets of the subsidiaries disposed during the current period and the financial impacts were as follows:

	Partial disposal of subsidiaries				Disposal of a subsidiary	Total (Unaudited) RMB'000
	Nanjing Junyuan Real Estate Development Co., Ltd. (Unaudited) RMB'000	Beijing Junyu Real Estate Development Co., Ltd. (Unaudited) RMB'000	Chongqing Hongjunrui Real Estate Development Co., Ltd. (Unaudited) RMB'000	Jiangmen Rongchang Real Estate Development Co., Ltd. (Unaudited) RMB'000	Huizhou Junyao Real Estate Development Co., Ltd. (Unaudited) RMB'000	
Net assets disposed of:						
Property and equipment	71	57	69	33	88	318
Properties under development	1,667,728	3,331,007	991,227	704,865	413,683	7,108,510
Completed properties held for sales	–	353,386	–	–	–	353,386
Deferred tax assets	4,917	–	287	383	451	6,038
Trade receivables	–	437,619	–	–	–	437,619
Prepaid income tax	3,852	25,353	–	–	–	29,205
Other current assets	1,252,947	241,721	4,573	644	12,816	1,512,701
Cash and cash equivalents	96,876	168,150	21,919	4,176	26,987	318,108
Trade and bills payables	(8,813)	(784,561)	(25,290)	(900)	(369)	(819,933)
Interest-bearing bank and other borrowings	(786,000)	(2,360,000)	(250,000)	–	–	(3,396,000)
Other current liabilities	(248,494)	(589,277)	(244,384)	(377,957)	(212,753)	(1,672,865)
Tax payable	–	(63,569)	–	–	–	(63,569)
Non-controlling interests	(991,940)	–	(247,257)	(165,615)	(121,772)	(1,526,584)
	991,144	759,886	251,144	165,629	119,131	2,286,934
Gain/(loss) on disposal of subsidiaries (note 6)	(18,255)	(161,660)	748	(1,166)	24,159	(156,174)
Reclassification to investments in joint ventures at fair value at date of disposal	(972,889)	(458,226)	(251,892)	(164,463)	–	(1,847,470)
	–	140,000	–	–	143,290	283,290
Satisfied by:						
Cash	–	140,000	–	–	143,290	283,290

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

18. DISPOSAL OF SUBSIDIARIES *(continued)*

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

	(Unaudited) RMB'000
Cash and cash equivalents deconsolidated	(318,108)
Cash consideration	283,290
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(34,818)

19. FINANCIAL GUARANTEES

The Group does not hold any collateral or other credit enhancements over the guarantees. The financial guarantee contracts are measured at the higher of the expected credit losses ("ECL") allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor. The amount initially recognised represents the fair value at initial recognition of the financial guarantees.

- (a) At the end of the reporting period, the Group had financial guarantees which are not provided for in these unaudited interim condensed consolidated financial statements as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties (notes)	19,738,165	20,307,223

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

19. FINANCIAL GUARANTEES *(continued)*

(a) *(Continued)*

Notes:

- (i) As at 30 June 2020, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any auction proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

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

- (ii) The fair value of the guarantees is not significant and the directors of the Company consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in these unaudited interim condensed consolidated financial statements for the guarantees.

In addition, the Group's share of the joint ventures and associates' own financial guarantees, which are not included in the above, is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the joint ventures and associates' properties	3,882,555	2,652,313

- (b) At the end of the reporting period, financial guarantees given to banks in connection with loan facilities granted to joint ventures and associates not provided for in these unaudited interim condensed consolidated financial statements are as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Guarantees given to banks in connection with loan facilities granted to joint ventures and associates	14,656,056	7,935,790

In the opinion of the directors, the fair value of the guarantees at initial recognition and the ECL allowance are not significant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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20. COMMITMENTS

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Contracted, but not provided for: Capital expenditure for properties under development and construction of investment properties in Mainland China	22,076,070	18,951,500

In addition, the Group's share of the joint ventures and associates' own capital commitments, which are not included in the above, is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Contracted, but not provided for: Capital expenditure for joint ventures and associates' properties under development and construction of investment properties in Mainland China	4,914,122	3,737,499

21. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to secure certain bank and other borrowings granted to the Group:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Bank deposits	207,966	450,253
Property and equipment	10,486	10,630
Investment properties	11,551,494	10,260,000
Properties under development	38,006,207	31,504,324
Completed properties held for sale	2,148,505	2,117,351
	51,924,658	44,342,558

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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22. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Property rental income from companies controlled by the Wong Family	(i)	2,441	2,355
Property rental income from associates controlled by the Wong Family	(i)	1,302	–
Property management fees received from companies controlled by the Wong Family	(i)	588	481
Property management fees received from associates controlled by the Wong Family	(i)	2,546	2,312
Property rental expenses paid to associates controlled by the Wong Family	(i)	7,827	5,411
Aircraft leasing expense paid to a company controlled by Mr. Wong	(ii)	2,108	1,890
Project management income received from joint ventures	(iii)	61,326	56,727
Interest income on amounts due from joint ventures	(iv)	1,767	8,994
Consultancy service income received from joint ventures and associates	(v)	204,061	–
Subscription of shares in a company controlled by the Wong Family	(vi)	–	200,000

Notes:

- (i) The transactions were based on terms mutually agreed between the Group and the related parties.
- (ii) The leasing expense was charged at US\$50,000 (six months ended 30 June 2019: US\$50,000) per month.
- (iii) The project management income was charged with reference to the contracted sales amount and certain costs incurred on property development projects.
- (iv) Interest was charged at 5% (six months ended 30 June 2019: 8%) per annum.
- (v) The consultancy service income was charged with reference to the consultancy service agreements entered into between the Group and related companies.
- (vi) On 25 January 2019, the Group subscribed for 25% equity interests in Fun Work Group Holdings Limited ("Fun Work") at a consideration of RMB200,000,000 and Fun Work and its subsidiaries became associates of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

22. RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Short term employee benefits	3,400	3,830
Post-employment benefits	50	52
Total compensation paid to key management personnel	3,450	3,882

In the opinion of the directors, the directors of the Company represent the key management personnel of the Group.

Transactions of items (a)(i); (a)(ii) and (a)(vi) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, other than financial assets at fair value through profit or loss and senior notes and domestic bonds, reasonably approximate to their fair values.

The fair values of the non-current portion of deposits and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2020 were assessed to be insignificant.

The fair values of unlisted equity investments as at 30 June 2020 are based on price quotation from the respective fund manager or estimates based on enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple for similar companies adjusted to reflect the specific circumstances of the investments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy

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

Asset measured at fair value:

As at 30 June 2020

	Fair value measurement using			Total (Unaudited) RMB'000
	Quoted prices in active market (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	
Financial assets at fair value through profit or loss	41,508	–	710,959	752,467

As at 31 December 2019

	Fair value measurement using			Total (Audited) RMB'000
	Quoted prices in active market (Level 1) (Audited) RMB'000	Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	
Financial assets at fair value through profit or loss	34,668	–	630,402	665,070

During the period, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

24. EVENTS AFTER THE REPORTING PERIOD

In July 2020, Xiamen Zhongjun, a wholly-owned subsidiary of the Company issued domestic corporate bonds of RMB1,460,000,000 at a coupon rate of 5.5% due 2024 ("2020 Domestic Bonds") at a price of 100% of the face value.

At the end of the second year subsequent to the inception date in July 2020, Xiamen Zhongjun as the issuer is entitled to adjust the interest rate and the holders of 2020 Domestic Bonds may at their options sell back the bonds to Xiamen Zhongjun in whole or in part at their principal amounts at any time prior to the maturity.

25. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved by the Board of the Company on 19 August 2020.