

INTERIM REPORT 2020



寶龍地產控股有限公司

POWERLONG REAL ESTATE HOLDINGS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

Stock code : 1238

CONTENTS



1

Group Introduction

2

Corporate Information

4

Management Discussion and Analysis

16

Disclosure of Interests

20

Corporate Governance

22

Interim Condensed Consolidated Balance Sheet

24

Interim Condensed Consolidated Statement of Comprehensive Income

25

Interim Condensed Consolidated Statement of Changes in Equity

27

Interim Condensed Consolidated Statement of Cash Flows

28

Notes to the Interim Financial Information

Group Introduction



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

The Group developed, owned and operated 155 real estate projects as at 30 June 2020. Powerlong Plaza, which comprises of shopping malls, restaurants, leisure and other recreational facilities, has created a unique business model drawing extensive attention

and recognition from the government and the public. Each project does not only promote the regional economic development, but also improve the retail facilities of the cities and create job opportunities. The improvement of people’s living standard is a key driver for city quality improvement.

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

Corporate Information



DIRECTORS

Executive Directors

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

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

Mr. Xiao Qing Ping

Ms. Shih Sze Ni Cecilia

Mr. Zhang Hong Feng (*Deputy Chief Executive Officer*)

Non-executive Director

Ms. Hoi Wa Fan

Independent Non-executive Directors

Dr. Ngai Wai Fung

Dr. Mei Jian Ping

Dr. Ding Zu Yu

AUDIT COMMITTEE

Dr. Ngai Wai Fung (*Chairman*)

Dr. Mei Jian Ping

Dr. Ding Zu Yu

REMUNERATION COMMITTEE

Dr. Mei Jian Ping (*Chairman*)

Mr. Hoi Wa Fong

Dr. Ding Zu Yu

NOMINATION COMMITTEE

Mr. Hoi Kin Hong (*Chairman*)

Dr. Mei Jian Ping

Dr. Ding Zu Yu

COMPANY SECRETARY

Ms. Xiao Ying Lin

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong

Ms. Xiao Ying Lin



Corporate Information

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

PLACE OF BUSINESS IN HONG KONG

Unit 5603, 56th Floor
The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Powerlong Tower
1399 Xinzhen Road
Minhang District
Shanghai
PRC
Postal Code: 201101

PRINCIPAL SHARE REGISTRAR

SMP Partners (Cayman) Limited
Royal Bank House-3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor
22/F, Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com



Management Discussion and Analysis

MARKET REVIEW

During the period under review, the novel coronavirus epidemic (“**COVID-19**”) brought about vast uncertainties to the economic development around the globe. Maintaining a stable and healthy development of the real estate market is of paramount significance to the resumption and stabilization of the economy as a whole in the PRC. Whilst the first quarter of the year witnessed a nationwide market downturn, market demand was gradually unleashed in the second quarter as enterprises resumed operation and economic activities. That was accompanied by an augmented speed of GDP growth, with an improved year-on-year increase in the pace of investment in property development during the first half of the year, paving way for the full-year development of the real estate industry. In response to the impact brought about by COVID-19, local governments have adopted more flexible city-specific policies to foster stable operation of the real estate market in the PRC. Since the second quarter of 2020, the land market is seeing moderations as supply continued to increase. Industry players sought opportunities in purchasing high-quality land parcels while avoiding acquisition of land at high prices. Across different regions and cities, market performances diverged largely. In core city clusters and key cities, demand was unleashed in a sustainable way. The Yangtze River Delta was the first to see revived prices and trading volumes, while cities around Shanghai and Hangzhou were among the top 100 cities in terms of cumulative price hikes, making its way through the cyclical development in a faster pace.

BUSINESS REVIEW

For the six months ended 30 June 2020, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) commercial operation services and residential property management services (the “**Property Management Services**”); and (iv) other property development related businesses. During the period under review, property development remained as the main revenue stream of the Group.



Property Development

For the six months ended 30 June 2020, the contracted sales of the Group together with its associates and joint ventures reached approximately RMB31,529 million (for the six months ended 30 June 2019: RMB29,203 million), representing an increase of approximately 8.0% as compared with the corresponding period in 2019. For the six months ended 30 June 2020, the contracted sales area of the Group together with its associates and joint ventures amounted to approximately 2,047,327 square meters (for the six months ended 30 June 2019: 1,783,466 square meters), representing an increase of approximately 14.8% as compared with the corresponding period in 2019.

During the period under review, the Group’s contracted sales sustained a year-on-year increase despite the impact of COVID-19, which was mainly attributable to a combination of, (i) the Group’s endeavour to resume operation under the adversity caused by COVID-19, with the ongoing implementation of the “369” development model adopted by the Group nationwide, together with the improved efficiency in operations and management, and in turn speeding up the process of construction and procurement of inventory supplies; (ii) the Group’s commitment to quality and emphasis on customer experience in developing its products, with precise product positioning, and sustainable customer-centered product formulation; and (iii) the localized sales strategies adopted by the Group to accommodate local market needs and satisfy the requirements of the local governments of the PRC. During the period under review, key contributing projects, including those of the Group’s subsidiaries and joint ventures, were located in Jinhua, Ningbo, Taizhou, Wenzhou and Shaoxing.

Management Discussion and Analysis

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

For the six months ended 30 June 2020

Distribution	Sales area sq.m.	Sales amount RMB million	Average selling price RMB/sq.m.
Commercial	359,480	5,648	15,712
Residential	1,687,847	25,881	15,334
Total	2,047,327	31,529	15,400

Property Investment and Property Management Services

To generate a stable and recurring income, the Group also retained and operated certain commercial properties for leasing. As at 30 June 2020, the Group had an aggregate gross floor area (“**GFA**”) of approximately 5,440,516 square meters (as at 31 December 2019: 5,076,029 square meters) held as investment properties (including completed properties and properties under construction), representing an increase of approximately 7.2% as compared with that as at 31 December 2019.

As at 30 June 2020, the Group held and managed 42 commercial plazas and managed 3 asset-light projects, with the number of commercial plazas in operation held and the floor area in operation and management both being amongst the forefront of the industry.

During the period under review, in tandem with national policies, the Group established a complete mechanism for epidemic control and prevention, under which tenants resumed operations in an orderly manner, while rent concessions were offered to effectively support the gradual opening of the tenants. During the period under review, those commercial plazas already in operation continued to flourish, and operation and management capability was further refined. Online smart commerce began to prove effective. The Group endeavoured to stick to the plan of malls opening as set at the beginning of the year, as project openings were under preparation in an orderly manner.

On 6 July 2020, Powerlong Commercial Management Holdings Limited (“**Powerlong CM**”, stock code: 9909.HK, a subsidiary of the Group) announced the acquisition of 60% equity interest in Zhejiang Xinghui Commercial Management Company Limited* (浙江星匯商業管理有限公司) (“**Zhejiang Xinghui**”) at a consideration of RMB40.6 million (the “**Acquisition**”). As of the date of the announcement dated 6 July 2020, it had 14 retail commercial projects under management. On the basis of the Acquisition, Powerlong CM plans to acquire or invest in small to mid-sized commercial operational service providers to further expand the scope of its commercial operations and build up its service capability.

* for identification purposes only

Management Discussion and Analysis

Hotel Development

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

As at 30 June 2020, the Group owned nine international brand hotels, namely Le Meridien Shanghai Minhang (上海閔行寶龍艾美酒店), Radisson Blu Shanghai Pudong Jinqiao (上海寶龍麗笙酒店), Radisson Exhibition Center Shanghai (上海國展寶龍麗筠酒店), Four Points by Sheraton Taicang (太倉寶龍福朋喜來登酒店), Four Points by Sheraton Tai'an (泰安寶龍福朋喜來登酒店), Four Points by Sheraton Qingdao, Chengyang (青島城陽寶龍福朋喜來登酒店), Aloft Haiyang (海陽雅樂軒酒店), Aloft Yancheng (鹽城雅樂軒酒店) and Wyndham Grand Plaza Royale Powerlong Fuyang (阜陽寶龍溫德姆至尊豪廷大酒店), and also owned and operated ten self-owned brand chain hotels, namely ARTELS Qingdao (青島寶龍藝築酒店), ARTELS Anxi (安溪寶龍藝築酒店), ARTELS+ Huaian Jiangsu (江蘇淮安藝悅酒店), ARTELS+ Fuyang Hangzhou (杭州富陽藝悅酒店), ARTELS+ Collection Lingang Shanghai (上海臨港藝悅精選酒店), ARTELS+ Collection Hechuan Chongqing (重慶合川藝悅精選酒店), ARTELS+ Wujing Shanghai (上海吳涇藝悅酒店), JUNTELS Binjiang Hangzhou (杭州濱江藝瑤酒店), JUNTELS Penglai Yantai (煙台蓬萊藝瑤酒店) and ARTELS+ Penglai Yantai (煙台蓬萊藝悅酒店).

Land Bank Replenishment

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

As at 30 June 2020, the Group had a quality land bank amounting to a total GFA of approximately 28.6 million square meters, of which approximately 22.2 million square meters were properties under development and construction and approximately 6.4 million square meters were properties held for future development. The land bank under development will be used for the development of large-scale commercial properties, quality residential properties, serviced apartments, office buildings and hotels. As at 30 June 2020, more than 70% of the Group's land bank is located in the Yangtze River Delta region.

Management Discussion and Analysis

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

Newly acquired land parcels in 2020 (as at 30 June 2020)

Project Name	Land Nature	Site Area ('000 sq.m.)	Total GFA* (0'000 sq.m.)	Attributable interest
Taizhou Linhai Duqiao Land Lot Project (台州臨海杜橋地塊項目)	Commercial/residential	68	21.1	77.9%
Yancheng Tinghu Hope Avenue Project (鹽城亭湖區希望大道項目)	Commercial/residential	127	24.1	47.5%
Yangzhou GZ138 Land Lot Project (揚州GZ138地塊項目)	Commercial/residential	115	19.1	99.2%
Huzhou Changxing Zhicheng Street Phase 2 Project (湖州長興雒城街道二期項目)	Residential	60	11.9	100.0%
Nanjing Qilin Commercial and Office Land Lot Project (南京麒麟商辦地塊項目)	Commercial/office	41	15.6	100.0%
Wenzhou Rui'an Tangxia Land Lot Project (溫州瑞安塘下地塊項目)	Commercial/residential	57	11.8	19.1%
Shaoxing Keqiao Qianqing Land Lot Project (紹興柯橋錢清地塊項目)	Commercial/residential	131	35.9	35.1%
Suzhou Zhangjiagang Chengxi Land Lot Project (蘇州張家港城西地塊項目)	Residential	54	10.9	33.0%
Wenzhou Huanglong Trade City Phase 2 Project (溫州黃龍商貿城二期項目)	Commercial/residential	89	26.6	39.0%
Ningbo Jiangbei Cicheng Land Lot Project (寧波江北區慈城地塊項目)	Commercial/residential	49	7.5	39.0%
Ningbo Xiangshan Old Town Area Land Lot Project (寧波象山舊城區地塊項目)	Commercial/residential	85	12.5	77.9%
Fuzhou Yongtai Phase 1 Land Lot Project (福州永泰一期地塊項目)	Residential	45	9.8	77.9%
Taizhou Wenling Daxi Town Land Lot Project (台州溫嶺大溪鎮地塊項目)	Residential	69	13.8	77.9%
Hangzhou Lin'an Hengtang Road Land Lot Project (杭州臨安橫潭路地塊項目)	Commercial/residential	42	12.4	50.0%
Ningbo Fenghua Land Lot numbers 03-05 Project (寧波奉化03-05地塊項目)	Residential	23	4.6	77.9%
Total		1,055	237.6	

* Total GFA excludes underground and car parking spaces.

Management Discussion and Analysis

Events after the Reporting Period

Acquisition of the Land Use Right of the Land In Nanjing, the PRC

On 3 July 2020, 南京晉龍實業發展有限公司 (Nanjing Jinlong Industrial Development Co., Ltd.*) (“**Nanjing Jinlong**”), an indirect subsidiary of the Company, through the tender for the land use right of southern part of No. 100 Heimoying, Hongshan Street, eastern side of Beiyuandong Road, southern side of planned Hongxia Road, western side of Heimoying Road and northern side of planned Danxia Road, Xuanwu District, Nanjing, the PRC (the “**Land**”), with a total site area of 123,483 square meters and an estimated total GFA of approximately 401,131 square meters arranged by Nanjing Municipal Planning and Natural Resources Bureau (南京市規劃和自然資源局), has successfully acquired the land use right of the Land in Xuanwu District, Nanjing, the PRC at a consideration of RMB4,080,000,000 (equivalent to approximately HK\$4,483,516,483.5). An online notice was issued by Nanjing Municipal Planning and Natural Resources Bureau to Nanjing Jinlong on 3 July 2020. Please refer to the announcement of the Company dated 3 July 2020 for further details.

OUTLOOK

In the second half of 2020, with effective control over the epidemic, the economy of the PRC will gradually revive and rejuvenate. It is expected that the real estate market will remain at a large scale with stable growth in the second half of the year, with remote possibility of further tightening or vast slackening, resulting in a stable and orderly setting for the Group’s operations. The industry is expected to see further concentration, with more and more enterprises focusing on comprehensive property services. Different markets across different regions will diverge. Property development shall be deployed in a reasonable way and in line with the rotational development opportunities presented in different cities, and shall also be focused on regions with competitive advantage.

Focusing on corporate social responsibilities and high-quality organic growth, the Group proposed the corporate mission of “Create space full of love” in 2020. For the six months ended 30 June 2020, the Group managed to achieve a year-on-year growth in total contracted sales in the adversity of the epidemic. The Group is confident that the full-year contracted sales target of RMB75,000 million set for 2020 can be achieved.

In future, novel urbanization will continue to improve in terms of quality. The Group will continue to enhance its superiority in terms of land bank. In line with the Chinese government’s strategy of “Integrated Development of the Yangtze River Delta” (長三角一體化), the Group will continue to focus on the intensive development in Yangtze River Delta region with a focus in Shanghai. At the same time, the Group will also see the Zhuhai-centered Guangdong-Hong Kong-Macau Bay Area as a key focal market in which it will further expand and develop its business. In key regional hubs, the Group will strengthen market tracking and research, adhere to precise product positioning, and strictly comply with the principle of value investment in acquiring land bank.

The second half of the year will be a period of frequent opening of the Group’s shopping centres. The Group will integrate its significant resources to facilitate the opening of 10 new shopping centres within the year. The Group will focus on building up core competence in commercial operation and management, enhancing the organizational capability in the fine operation of commercial management. The Group will continue to uphold its customer-centered philosophy, create commercial spaces with love, uplift its capability in tenant sourcing, and extend the breadth and depth of brands of strategic cooperation. For digitalization, the Group will continue to probe the implementation of the tech-enabled “new commerce” strategies.

On the basis of the Acquisition, Powerlong CM plans to selectively acquire or invest in small to mid-sized commercial operational service providers to further expand the scope of the Group’s commercial operations and build up its service capability.

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

* for identification purposes only

Management Discussion and Analysis

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

The Board believes in “concerted efforts, love and care”. The Group will link up living space with the well-being of everything, achieve sustainable development, and create the best experience of living space and services. It will firmly adhere to its targets, gather the wisdom and power of all fellow folks of Powerlong, to build the Group into an ambitious and well-respected benchmarking player in the PRC real estate industry with even greater success. The Group aims at becoming a century-lasting and well-respected enterprise, and continually enhancing and solidifying its leading position in the real estate industry and the commercial operation and management sector of the PRC.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises revenue from property sales, rental income from investment properties, income from the Property Management Services and other income from property development related businesses. For the six months ended 30 June 2020, the Group recorded a total revenue of approximately RMB17,170 million (for the six months ended 30 June 2019: approximately RMB12,251 million), representing an increase of approximately 40.1% as compared with the corresponding period in 2019. This was mainly attributable to an increase in revenue from property sales.

Revenue from Property Sales

During the period under review, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. Revenue from property sales for the six months ended 30 June 2020 amounted to approximately RMB15,343 million (for the six months ended 30 June 2019: approximately RMB10,498 million), representing an increase of approximately 46.2% as compared with the corresponding period in 2019. This was mainly attributable to the increase in the delivery of residential properties.

Set forth below are the details regarding the properties sold and delivered during the period under review:

		For the six months ended 30 June 2020			
		GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB'000)	Average selling price (RMB/sq.m.)	
Yangtze River Delta	Commercial	202,612	2,233,391	11,023	
	Residential	653,498	8,501,364	13,009	
Bohai Rim	Commercial	7,394	42,459	5,742	
	Residential	246	2,714	11,032	
Central and Western Region	Commercial	50,547	335,836	6,644	
	Residential	69,328	425,984	6,144	
West Strait Economic Zone	Commercial	7,880	68,829	8,735	
	Residential	101,057	1,018,601	10,079	
Others	Commercial	17,195	404,404	23,519	
	Residential	188,259	2,309,464	12,267	
Total		1,298,016	15,343,046	11,820	
		Commercial	285,628	3,084,919	10,800
		Residential	1,012,388	12,258,127	12,108

Management Discussion and Analysis

Rental Income from Investment Properties and Income from Property Management Services

For the six months ended 30 June 2020, the Group recorded rental income after elimination of intra-group transactions from investment properties amounting to approximately RMB749 million (for the six months ended 30 June 2019: approximately RMB635 million), representing an increase of approximately 18.0% as compared to the amount in the corresponding period in 2019.

For the six months ended 30 June 2020, income from the Property Management Services of the Group was mainly generated from the provision of commercial operation services and residential property management services for projects developed by the Group and other third parties. The Group recorded net income after elimination of intra-group transactions amounting to approximately RMB784 million (for the six months ended 30 June 2019: approximately RMB756 million), representing an increase of approximately 3.7% as compared with the corresponding period in 2019.

For the six months ended 30 June 2020, the Group recorded rental income from investment properties and income from Property Management Services fee amounting to approximately RMB1,533 million (for the six months ended 30 June 2019: approximately RMB1,391 million), representing an increase of approximately 10.2% as compared to the amount in the corresponding period in 2019. This was mainly attributable to the economies of scale brought by the increasing GFA of properties held for investment and commercial and residential properties managed by the Group.

Income of Other Property Development Related Businesses

Income of other property development related businesses mainly comprises income from hotel operation, and construction and decoration services. For the six months ended 30 June 2020, the Group recorded income of other property development related businesses amounting to approximately RMB294 million (for the six months ended 30 June 2019: approximately RMB362 million), representing a decrease of approximately 18.8% as compared to the amount in the corresponding period in 2019, which was mainly attributable to the decrease in income from hotel operation of the Group in the adversity of the COVID-19 epidemic.

Cost of Sales

Cost of sales mainly represents the direct cost related to the property development of the Group. It comprises cost of land use rights, construction costs, decoration costs and other costs. For the six months ended 30 June 2020, cost of sales amounted to approximately RMB10,807 million (for the six months ended 30 June 2019: approximately RMB7,499 million), representing an increase of approximately 44.1% as compared to the amount in the corresponding period in 2019, which was mainly due to the increase in the GFA of properties sold and delivered, leading to an increase in the total cost.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2020, gross profit amounted to approximately RMB6,363 million (for the six months ended 30 June 2019: approximately RMB4,753 million), representing an increase of approximately 33.9% as compared with the corresponding period in 2019, which was mainly due to the growth in revenue from property sales. Gross profit margin slightly decreased from 38.8% in the corresponding period in 2019 to 37.1% for the six months ended 30 June 2020.

Management Discussion and Analysis

Fair Value Gains on Investment Properties

For the six months ended 30 June 2020, the Group recorded revaluation gains of approximately RMB1,205 million (for the six months ended 30 June 2019: approximately RMB813 million), representing an increase of approximately 48.2% over the amount in the corresponding period in 2019. The increase in revaluation gains was mainly attributable to the increase in the valuation of shopping malls to be opened in the second half of 2020 during the period under review.

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2020, selling and marketing costs and administrative expenses amounted to approximately RMB1,149 million (for the six months ended 30 June 2019: approximately RMB1,059 million), representing an increase of approximately 8.5% as compared with that in the corresponding period in 2019, which was mainly attributable to the Group's business growth, leading to an expansion in the scale of sales and projects management. The Group will continue to exercise stringent control over expenses and costs whilst at the same time strive to continue the Group's business expansion.

Share of Profit of Investments Accounted for Using the Equity Method

For the six months ended 30 June 2020, share of profit of investments accounted for using the equity method amounted to approximately RMB372 million (for the six months ended 30 June 2019: approximately RMB256 million), representing an increase of approximately 45.3% as compared with the corresponding period in 2019, which was mainly due to the increase in net profit from joint ventures.

Income Tax Expense

Income tax expense amounted to approximately RMB2,520 million (for the six months ended 30 June 2019: approximately RMB1,853 million) for the six months ended 30 June 2020, representing an increase of approximately 36.0% as compared with the corresponding period in 2019, which was mainly due to the increase in PRC corporate income tax and land appreciation tax.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2020, the profit attributable to owners of the Company amounted to approximately RMB2,220 million (for the six months ended 30 June 2019: approximately RMB1,803 million), representing an increase of approximately 23.1% over the corresponding period in 2019.

For the six months ended 30 June 2020, basic earnings per share was approximately RMB53.6 cents (for the six months ended 30 June 2019: approximately RMB45.1 cents), representing an increase of approximately 18.8% over the corresponding period in 2019.

Core earnings (being the profit excluding the fair value gains on investment properties and foreign exchange losses on financing activities during the period under review) for the six months ended 30 June 2020 reached approximately RMB2,892 million (for the six months ended 30 June 2019: approximately RMB1,852 million), increased by approximately 56.2% as compared with that in the corresponding period in 2019.

Core earnings attributable to owners of the Company (being the profit excluding the fair value gains on investment properties and foreign exchange losses on financing activities during the period under review) for the six months ended 30 June 2020 reached approximately RMB1,797 million (for the six months ended 30 June 2019: approximately RMB1,245 million), representing an increase of approximately 44.3% as compared with that in the corresponding period in 2019.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

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

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB26,442 million in total as at 30 June 2020 (as at 31 December 2019: approximately RMB23,671 million).

Borrowings

Total borrowings of the Group as at 30 June 2020 was approximately RMB59,250 million (as at 31 December 2019: approximately RMB55,263 million), representing an increase of approximately 7.2%. The Group's borrowings comprise bank and other borrowings of approximately RMB31,490 million, corporate bonds of approximately RMB11,888 million, short-term commercial papers of approximately RMB800 million and senior notes of approximately RMB15,072 million.

Out of the total borrowings, approximately RMB22,704 million was repayable within one year, while approximately RMB36,546 million was repayable after one year.

On 20 January 2020, Shanghai Powerlong Industrial Development Co. Ltd. ("**Shanghai Powerlong Industrial**"), a wholly-owned subsidiary of the Company, issued the first tranche of corporate bonds for the year 2020 in an aggregate principal amount of RMB930,000,000 with a nominal interest rate of 6.67% per annum. Please refer to the announcement of the Company dated 21 January 2020 for further details.

On 19 to 20 March 2020, Shanghai Powerlong Industrial issued the first tranche of corporate bonds dedicated to residential leasing in an aggregate amount of RMB1,500 million, with a nominal interest rate of 6.00% per annum. Please refer to the announcement of the Company dated 20 March 2020 for further details.

On 29 April 2020, Shanghai Powerlong Industrial issued the first tranche of super short-term commercial paper for the year 2020 in an aggregate amount of RMB500 million, with a nominal interest rate of 4.80% per annum and a maturity date of 31 January 2021. Please refer to the announcement of the Company dated 7 May 2020 for further details.

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

On 17 June 2020, the Company issued senior notes in an aggregate principal amount of US\$250,000,000 at 99.853% of the principal amount, with a nominal interest rate of 6.95% per annum (to be consolidated and form a single series with the US\$170,000,000 6.95% senior notes due 2023), which will mature on 23 July 2023. Please refer to the announcements of the Company dated 11 June 2020 and 19 June 2020 for further details.

Management Discussion and Analysis

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

For further details of the borrowings of the Group, please refer to note 19 of the Interim Financial Information in this report.

Events after the Reporting Period

Issuance of Corporate Bonds by Shanghai Powerlong Industrial

From 6 August to 7 August 2020, Shanghai Powerlong Industrial issued the second tranche of corporate bonds dedicated to residential leasing for the year 2020 in an aggregate amount of RMB1,000 million, with a nominal interest rate of 6.50% per annum. Please refer to the announcement of the Company dated 10 August 2020 for further details.

Issuance of US\$200,000,000 6.25% Senior Notes due 2024

On 10 August 2020, the Company completed the issuance of senior notes at 99.132% of the principal amount in an aggregate amount of US\$200 million, with a nominal interest rate of 6.25% per annum due on 10 August 2024. For further details, please refer to the announcements of the Company dated 3 August 2020 and 11 August 2020.

Net Gearing Ratio

As at 30 June 2020, the Group had a net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of approximately 79.9% (as at 31 December 2019: approximately 81.2%). The decrease in net gearing ratio compared to 2019 was primarily due to the Group’s ceaseless efforts in strictly managing finance leverage for sustainable growth.

Borrowing Costs

Total interest expenses for the six months ended 30 June 2020 amounted to approximately RMB1,980 million (for the six months ended 30 June 2019: approximately RMB1,690 million), representing an increase of approximately 17.2% as compared to the corresponding period in 2019. The increase was mainly due to the increase in total borrowings of the Group as compared with the corresponding period last year. During the period under review, the effective interest rate was approximately 6.45%, representing a slight decrease from 6.47% in 2019, which was mainly due to changes in the capital market. The Group will continue to enhance its stringent control over finance costs.

Credit Policy

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

Pledge of Assets

As at 30 June 2020, the Group pledged its property and equipment, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of approximately RMB62,382 million (as at 31 December 2019: RMB59,880 million) to secure borrowings of the Group. The total secured bank and other borrowings as at 30 June 2020 amounted to approximately RMB31,386 million (as at 31 December 2019: approximately RMB31,563 million). The above senior notes are guaranteed and secured by share pledges of certain non-PRC subsidiaries and non-PRC joint ventures of the Group.

Contingent Liabilities

As at 30 June 2020, the Group had no significant contingent liabilities.

Management Discussion and Analysis

Financial Guarantees

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

	30 June 2020 RMB million	31 December 2019 RMB million
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	21,440	23,099
Guarantees for borrowings of joint ventures and associates	1,418	1,127
	22,858	24,226

Commitments

(1) Commitments for property development expenditures

	30 June 2020 RMB million	31 December 2019 RMB million
Contracted but not provided for		
– Property development activities	8,665	9,103
– Acquisition of land use rights	3,361	4,689
	12,026	13,792

(2) Lease commitments

As at 30 June 2020, the Group did not have any material short-term lease commitment.

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. The major non-RMB financial assets or liabilities as at 30 June 2020 are the Group's borrowings denominated in US\$ or HK\$ totalling approximately RMB17,241 million. Any depreciation of Renminbi would adversely affect the value of any dividends to be paid by the Group to shareholders of the Company (the "Shareholders") outside the PRC. The Group currently does not engage in hedging activities designed or used to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in this report, during the six months ended 30 June 2020, the Group had no other significant investments and did not have any material acquisition or disposal of subsidiaries, associates or joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

Management Discussion and Analysis

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2020, the Group employed a total of 10,327 full-time employees (as at 31 December 2019: 11,631 employees). The total staff costs of the Group incurred during the period under review was approximately RMB896 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the pay level in the industry. In relation to staff training, the Group also provides different types of training programs for its staff to improve their skills and develop their respective expertise.

INTERIM DIVIDEND

Payment of Interim Dividend

The Board has resolved to declare an interim dividend of HK\$12 cents per ordinary share for the six months ended 30 June 2020 (the “**Interim Dividend**”) (for the six months ended 30 June 2019: HK\$9 cents), representing an increase of approximately 33.3% over the corresponding period in 2019.

The Interim Dividend will be paid on or around Friday, 11 December 2020 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 2 December 2020.

Closure of Register of Members

For the purpose of ascertaining Shareholders’ entitlement to the Interim Dividend, the register of members of the Company will be closed from Friday, 27 November 2020 to Wednesday, 2 December 2020, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be qualified for the Interim Dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 26 November 2020.

Disclosure of Interests

SHARE OPTION SCHEME

Pursuant to the shareholder's resolutions of the Company passed on 16 September 2009, the Company has adopted a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who will contribute and had contributed to the success of the Group's operations. The Share Option Scheme had remained in force for a period of 10 years commencing from 16 September 2009. Accordingly, the Share Option Scheme expired on 15 September 2019.

Since the adoption of the Share Option Scheme and up to 15 September 2019, no options had been granted under the Share Option Scheme.

DIRECTORS' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2020, the interests and short positions of each director (the "**Director(s)**") and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) which (i) were recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were as follows:

Long position in shares and underlying shares of the Company

Name of Directors	Number of ordinary shares			Total	Approximate percentage of interests to the issued share capital of the Company (Note 1)
	Personal interests	Interests of spouse	Interests of controlled corporation		
Mr. Hoi Kin Hong	28,465,000	2,800,000	1,805,637,000 (Note 2)	1,836,902,000	44.34%
Mr. Hoi Wa Fong	8,988,000	503,400	596,018,000 (Note 3)	605,509,400	14.62%
Mr. Xiao Qing Ping	911,700	–	–	911,700	0.02%
Ms. Shih Sze Ni Cecilia	503,400	605,006,000	–	605,509,400	14.62%
Mr. Zhang Hong Feng	184,300	–	–	184,300	0.004%
Ms. Hoi Wa Fan	61,470,000	–	203,106,000 (Note 4)	264,576,000	6.39%

Notes:

- These percentages have been compiled based on the total number of issued shares (i.e. 4,142,403,000 shares) as at 30 June 2020.
- These shares are held by Skylong Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Kin Hong.
- These shares are held by Sky Infinity Holdings Limited, which is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited, respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of The Sky Infinity Trust.
- These shares are held by Walong Holdings Limited and Mantong (HK) Trading Co., Limited, which are wholly and beneficially owned by Ms. Hoi Wa Fan.

Disclosure of Interests

Long position in shares of associated corporation

Name of Director	Name of associated corporation	Capacity/ Nature of interests	Number of shares interested	Percentage of interests in the associated corporation
Mr. Hoi Wa Fong	Powerlong CM	Interest of controlled corporation (Note 1)	45,000,000	7.24%

Note:

- These shares are held by Huihong Management (PTC) Limited, which is wholly-owned by Mr. Hoi Wa Fong.

Interest in debentures of the Company

The 9.125% senior notes due 2021 in the aggregate principal amount of US\$200,000,000 issued on 14 January 2019:

Director	Capacity/Nature of interests	Amount of debentures of the Company held
Mr. Hoi Wa Fong	Founder of a discretionary trust	US\$26,000,000 (Note 1)

Note:

- The debentures with a principal amount of US\$26,000,000 were held by Sky Infinity Holdings Limited which is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of The Sky Infinity Trust.

Saved as disclosed above, as at 30 June 2020, none of the Directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2020, the interests or short positions of 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 under section 336 of the SFO were as follows:

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

Disclosure of Interests

Notes:

1. All the interests represent long positions.
2. These percentages have been compiled based on the total number of issued shares (i.e. 4,142,403,000 shares) as at 30 June 2020.
3. Skylong Holdings Limited is wholly and beneficially owned by Mr. Hoi Kin Hong.
4. These shares are held by Sky Infinity Holdings Limited, which is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited, respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of The Sky Infinity Trust.

Save as disclosed above, as at 30 June 2020, no person other than a Director or chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Facility Agreement dated 29 August 2017

On 29 August 2017, the Company as borrower, certain of its subsidiaries as guarantors and Bank of China (Hong Kong) Limited, Wing Lung Bank, Limited, The Bank of East Asia Limited and Tai Fung Bank Limited as lenders entered into a facility agreement (the **"2017 Facility Agreement"**) in relation to a 3-year term loan facility in multiple currencies and tranches of up to US\$200,000,000 equivalent (the **"2017 Facility"**). Pursuant to the 2017 Facility Agreement, it is an event of default if (i) Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, does not, or ceases to hold legally and beneficially and directly or indirectly 40% or more of all classes of the equity interests of the Company carrying any entitlement to vote; and/or (ii) Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, does not, or ceases to directly or indirectly control the Company; and/or (iii) Mr. Hoi Kin Hong or Mr. Hoi Wa Fong is not, or ceases to be, chairman of the board of directors of the Company. Details of the 2017 Facility are set out in the announcement of the Company dated 29 August 2017. On 28 August 2020, the 2017 Facility, including all accrued interests, had been fully repaid.

Facility Agreement dated 18 April 2018

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

Facility Agreement dated 5 July 2018

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

Disclosure of Interests

Facility Agreement dated 8 July 2019

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

Facility Agreement dated 13 May 2020

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

Facility Agreement dated 30 June 2020

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

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

OTHER CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed above, the Company did not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules during the six months ended 30 June 2020.

Corporate Governance

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

COMPLIANCE WITH THE CG CODE

The Directors are of the view that the Company has complied with all the applicable code provisions contained in the CG Code for the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

For the six months ended 30 June 2020, the Company repurchased 1,500,000 of its own shares on the Stock Exchange at a total consideration of approximately HK\$6,243,920, exclusive of commissions and other expenses. The shares so repurchased by the Company were subsequently cancelled. Details of the repurchases were as follows:

Date of repurchase	Number of shares repurchased	Consideration per share		Total consideration paid for repurchase HK\$
		Highest price paid HK\$	Lowest price paid HK\$	
31 January 2020	500,000	4.35	4.26	2,151,560
19 March 2020	1,000,000	4.15	4.04	4,092,360
Total	1,500,000			6,243,920

Save as the above, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made of all Directors and all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2020.

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

During the six months ended 30 June 2020, no incident of non-compliance with the Model Code and the written guidelines by the Directors and the relevant employees was noted by the Company.

Corporate Governance

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the interim report for the six months ended 30 June 2020 in conjunction with the Company's management and external auditor. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

ANNUAL GENERAL MEETING

The chairman of the Board, most of the Directors, the respective chairman of the Audit Committee, the remuneration committee and nomination committee of the Company and the external auditor were present at the annual general meeting of the Company held on 12 June 2020.

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

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

Dr. Ngai Wai Fung, an independent non-executive Director, ceased to be an independent director of LDK Solar Co., Ltd. in April 2020 and an independent non-executive director of Health and Happiness (H&H) International Holdings Limited (stock code: 1112.HK) in May 2020.

Dr. Ding Zu Yu, an independent non-executive Director, was appointed as an independent non-executive director of Greentown Management Holdings Company Limited ("**Greentown Management**", stock code: 9979.HK) on 23 June 2020. He is also the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of Greentown Management.

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

Interim Condensed Consolidated Balance Sheet

		30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property and equipment	6	5,212,914	5,225,130
Investment properties	7	54,395,803	51,084,641
Investments accounted for using the equity method	8	5,969,519	5,593,928
Deferred income tax assets		626,353	592,882
Financial assets at fair value through other comprehensive income ("FVOCI")		352,534	382,139
		66,557,123	62,878,720
Current assets			
Properties under development	10	42,291,813	36,446,920
Completed properties held for sale	11	12,330,696	10,617,428
Contract assets		331,742	279,916
Trade receivables	12	2,915,684	1,986,680
Other receivables	13	17,672,248	16,496,617
Prepayments	9	3,230,147	8,892,891
Prepaid taxes		928,031	1,019,461
Financial assets at fair value through profit or loss		326,312	207,662
Restricted cash	14	4,036,799	3,365,115
Cash and cash equivalents	15	22,405,487	20,305,545
		106,468,959	99,618,235
Total assets		173,026,082	162,496,955
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	16	36,795	719,088
Other reserves	17	1,328,333	1,669,289
Retained earnings		31,174,035	29,451,835
		32,539,163	31,840,212
Perpetual Capital Instruments	18	801,250	820,364
Non-controlling interests		7,704,093	6,246,452
Total equity		41,044,506	38,907,028

Interim Condensed Consolidated Balance Sheet

		30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	19	36,545,783	39,942,307
Lease liabilities		402,943	197,515
Other payables	21	42,343	87,617
Deferred income tax liabilities		6,913,895	6,516,251
		43,904,964	46,743,690
Current liabilities			
Borrowings	19	22,703,934	15,320,774
Trade and other payables	21	35,977,448	29,972,583
Contract liabilities	20	19,641,149	22,694,564
Current income tax liabilities		9,594,736	8,625,998
Lease liabilities		159,345	232,318
		88,076,612	76,846,237
Total liabilities		131,981,576	123,589,927
Total equity and liabilities		173,026,082	162,496,955

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

The Interim financial information on pages 22 to 64 were approved by the Board of Directors of the Company (the "Board") on 18 August 2020 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June

	Note	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Revenue	5	17,169,969	12,251,494
Cost of sales	22	(10,807,043)	(7,498,963)
Gross profit		6,362,926	4,752,531
Fair value gains on investment properties – net	7	1,205,186	813,068
Selling and marketing costs	22	(445,561)	(427,237)
Administrative expenses	22	(703,085)	(631,809)
Other income and gains – net		215,965	165,192
Operating profit		6,635,431	4,671,745
Finance costs – net	23	(992,159)	(627,209)
Share of profit of investments accounted for using the equity method	8	371,683	256,250
Profit before income tax		6,014,955	4,300,786
Income tax expense	24	(2,520,170)	(1,852,661)
Profit for the period		3,494,785	2,448,125
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		3,937	474
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation gains on property and equipment transferred to investment properties		70,159	–
Changes in the fair value of financial assets at fair value through other comprehensive income		(22,204)	(19)
Total other comprehensive income for the period, net of tax		51,892	455
Total comprehensive income for the period		3,546,677	2,448,580
Profit attributable to:			
Owners of the Company		2,219,545	1,803,118
Holders of Perpetual Capital Instruments	18	30,323	25,562
Non-controlling interests		1,244,917	619,445
		3,494,785	2,448,125
Total comprehensive income attributable to:			
Owners of the Company		2,271,437	1,803,573
Holders of Perpetual Capital Instruments	18	30,323	25,562
Non-controlling interests		1,244,917	619,445
		3,546,677	2,448,580
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	25		
– Basic		53.6	45.1
– Diluted		53.6	44.9

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

Interim Condensed Consolidated Statement of Changes in Equity

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

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 16)	Other reserves RMB'000 (Note 17)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 18)	Non- controlling interests RMB'000	Total equity RMB'000
Six months ended							
30 June 2019 (Unaudited)							
Balance as at 1 January 2019	1,164,125	681,076	25,442,263	27,287,464	1,552,254	3,965,222	32,804,940
Comprehensive income:							
Profit for the period	–	–	1,803,118	1,803,118	25,562	619,445	2,448,125
Other comprehensive income for the period							
– Changes in fair value of financial assets at fair value through other comprehensive income	–	(19)	–	(19)	–	–	(19)
– Currency translation differences	–	474	–	474	–	–	474
Total comprehensive income for the period	–	455	1,803,118	1,803,573	25,562	619,445	2,448,580
Transactions with owners:							
– Dividends	(816,070)	–	–	(816,070)	–	–	(816,070)
– Issuance of Perpetual Capital Instruments	–	–	–	–	500,000	–	500,000
– Redemption of Perpetual Capital Instruments	–	–	–	–	(1,000,000)	–	(1,000,000)
– Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(30,996)	–	(30,996)
– Capital injection from non- controlling interests	–	–	–	–	–	81,650	81,650
Total transactions with owners	(816,070)	–	–	(816,070)	(530,996)	81,650	(1,265,416)
Appropriation to statutory reserves	–	5,000	(5,000)	–	–	–	–
Balance at 30 June 2019	348,055	686,531	27,240,381	28,274,967	1,046,820	4,666,317	33,988,104

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

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June

	2020 Unaudited RMB'000	2019 Unaudited RMB'000
<i>Note</i>		
Cash flows from operating activities		
Cash generated from operations	4,243,986	4,943,433
PRC corporate income tax paid	(747,366)	(580,036)
PRC land appreciation tax paid	(572,247)	(503,251)
Interest paid	(1,844,580)	(1,465,043)
Cash generated from operating activities – net	1,079,793	2,395,103
Cash flows from investing activities		
Cash acquired from change of joint venture to subsidiary	144,267	–
Cash outflow of disposal of subsidiary	(7,447)	–
Payments for addition of property and equipment	(45,536)	(178,823)
Payments for addition of right-of-use assets	(24,016)	(2,109)
Payments for addition of investment properties	(1,020,516)	(815,283)
Disposal of investment properties	–	11,284
Purchases of financial assets at fair value through profit or loss	(88,501)	–
Proceeds from disposal of financial assets at fair value through profit or loss	–	59,357
Proceeds from disposal of property and equipment	4,987	66,437
Investments in joint ventures and associates	(210,825)	(375,868)
Cash advances made to joint ventures and associates	(5,109,035)	(3,545,130)
Repayments from joint ventures and associates	1,990,482	4,427,517
Interest received	180,235	153,081
Cash used in investing activities – net	(4,185,905)	(199,537)
Cash flows from financing activities		
Proceeds from borrowings	14,215,579	11,823,091
Repayments of borrowings	(10,820,248)	(9,393,349)
Repayments of convertible bonds	–	(1,701,689)
Restricted cash pledged for borrowings	(745,245)	(213,471)
Capital injection by non-controlling interests	531,947	81,650
Cash advances from parties controlled by ultimate controlling shareholder	981,000	2,776
Changes in ownership interests in subsidiaries without change of control	(556,381)	–
Cash advances from joint ventures and associates	2,392,121	2,193,285
Repayments to parties controlled by ultimate controlling shareholder	–	(49,441)
Repayments to joint ventures and associates	(723,357)	(2,578,290)
Issuance of Perpetual Capital Instruments	–	500,000
Redemption of Perpetual Capital Instruments	–	(1,000,000)
Distribution to the holders of Perpetual Capital Instruments	(49,437)	(30,996)
Repurchase of shares	(5,544)	–
Principal elements of lease payments	(84,430)	(61,359)
Cash generated from/(used in) financing activities – net	5,136,005	(427,793)
Net increase in cash and cash equivalents	2,029,893	1,767,773
Cash and cash equivalents at beginning of the period	20,305,545	14,839,776
Effect of foreign exchange rate changes	70,049	157
Cash and cash equivalents at end of the period	22,405,487	16,607,706

15

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

Notes to the Interim Financial Information

1 GENERAL INFORMATION

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

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

This interim financial information for the six months ended 30 June 2020 has been approved for issue by the Board on 18 August 2020.

The outbreak of the 2019 Novel Coronavirus (“COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental revenue and occupancy rate of investment properties and hotels, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the condensed consolidated interim financial information is authorised for issue, COVID-19 doesn’t have any material adverse impact on the financial position and operating result of the Group.

The interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*”. The interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the adoption of new and amended standards and interpretation as described below.

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

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-related Rent Concessions
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

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

Notes to the Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(b) The following new and amended standards have been issued but are not effective for the financial year beginning on or after 1 January 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	Originally 1 January 2021, but extended to 1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The above new and amended standards are effective for annual periods beginning on or after 1 January 2021 and have not been applied in preparing this interim condensed consolidated financial information. The impact of new and amended standards above is still under assessment by the Group.

3 ESTIMATES

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

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2019, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

Notes to the Interim Financial Information

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

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

4.2 Fair value estimation

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

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

The following table presents the Group's financial assets that are measured at fair value at 30 June 2020 and 31 December 2019:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2020 (Unaudited)				
Financial assets:				
– Financial assets at fair value through profit or loss	61,440	264,872	–	326,312
– Financial assets at fair value through other comprehensive income	–	–	352,534	352,534
Total	61,440	264,872	352,534	678,846
At 31 December 2019 (Audited)				
Financial assets:				
– Financial assets at fair value through profit or loss	52,310	155,352	–	207,662
– Financial assets at fair value through other comprehensive income	–	–	382,139	382,139
Total	52,310	155,352	382,139	589,801

There were no transfers between levels during the period. There was no significant financial liabilities measured at fair value as at 30 June 2020 (31 December 2019: nil).

Notes to the Interim Financial Information

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Fair value estimation (continued)

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

The fair value of public traded senior notes and corporate bonds which is within level 1 of the fair value hierarchy, are as follows:

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Senior notes – public traded	14,388,505	12,094,074
Corporate bonds – public traded	10,528,669	9,092,302
	24,917,174	21,186,376

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

- Trade and other receivables
- Cash and cash equivalents
- Current borrowings and non-current borrowings except public senior notes and public corporate bonds.
- Trade and other payables

Notes to the Interim Financial Information

5 SEGMENT INFORMATION

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

Segment results represent profit earned by each segment without unallocated operating costs, other income and gains – net, finance costs – net and income tax expense.

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

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Six months ended 30 June 2020 (Unaudited)						
Gross segment revenue	15,343,046	793,227	868,621	304,610	-	17,309,504
Inter-segment revenue	-	(44,342)	(84,656)	(10,537)	-	(139,535)
Revenue	15,343,046	748,885	783,965	294,073	-	17,169,969
Share of post-tax profits/(losses) of joint ventures	387,993	-	(1,481)	-	-	386,512
Share of post-tax losses of associates	(14,557)	-	-	(272)	-	(14,829)
Segment results	5,636,834	1,705,065	182,906	(88,398)	-	7,436,407
Unallocated operating costs						(645,258)
Other income and gains – net						215,965
Finance costs – net (Note 23)						(992,159)
Profit before income tax						6,014,955
Income tax expense						(2,520,170)
Profit for the period						3,494,785
Depreciation and amortisation recognised as expenses (Note 6)	53,179	-	2,811	91,586	-	147,576
Fair value gains/(losses) on investment properties – net (Note 7)	-	1,265,733	(60,547)	-	-	1,205,186

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

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

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Six months ended 30 June 2019 (Unaudited)						
Gross segment revenue	10,497,829	634,809	842,047	362,457	-	12,337,142
Inter-segment revenue	-	-	(85,648)	-	-	(85,648)
Revenue	10,497,829	634,809	756,399	362,457	-	12,251,494
Share of post-tax profits of joint ventures	307,191	-	-	-	-	307,191
Share of post-tax (losses)/profits of associates	(51,024)	-	-	83	-	(50,941)
Segment results	3,837,784	1,200,710	128,536	(52,823)	-	5,114,207
Unallocated operating costs						(351,404)
Other income and gains – net						165,192
Finance costs – net (Note 23)						(627,209)
Profit before income tax						4,300,786
Income tax expense						(1,852,661)
Profit for the period						2,448,125
Depreciation and amortisation recognised as expenses (Note 6)	42,377	-	4,327	88,928	-	135,632
Fair value gains on investment properties – net (Note 7)	-	813,068	-	-	-	813,068

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 30 June 2020 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
At 30 June 2020 (Unaudited)						
Segment assets	88,917,949	57,516,948	3,556,383	7,891,595	(5,807,511)	152,075,364
Other assets						20,950,718
Total assets						173,026,082
Segment assets include:						
Interests in joint ventures	4,149,426	-	3,218	-	-	4,152,644
Interests in associates	1,771,482	-	-	45,393	-	1,816,875
Segment liabilities	41,077,733	3,229,924	1,530,633	3,264,692	(5,807,511)	43,295,471
Other liabilities						88,686,105
Total liabilities						131,981,576
Capital expenditure	126,878	1,736,672	203,429	84,350	-	2,151,329

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 31 December 2019 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
At 31 December 2019 (Audited)						
Segment assets	90,943,400	53,632,823	3,039,962	6,192,617	(5,695,015)	148,113,787
Other assets						14,383,168
Total assets						162,496,955
Segment assets include:						
Interests in joint ventures	3,862,523	–	4,700	–	–	3,867,223
Interests in associates	1,681,040	–	–	45,665	–	1,726,705
Segment liabilities	43,203,510	3,002,928	1,463,645	4,614,762	(5,695,015)	46,589,830
Other liabilities						77,000,097
Total liabilities						123,589,927
Capital expenditure	393,945	2,786,741	155,065	323,690	–	3,659,441

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

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

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

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

Segment liabilities consist of operating liabilities.

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

Notes to the Interim Financial Information

6 PROPERTY AND EQUIPMENT

	Property and equipment RMB'000	Right-of- use assets RMB'000	Total RMB'000
--	--------------------------------------	------------------------------------	------------------

Six months ended 30 June 2020 (Unaudited)

Opening net book amount as at 1 January 2020	3,784,753	1,440,377	5,225,130
Additions	173,347	40,270	213,617
Fair value gains on the remeasurement	60,313	33,232	93,545
Transfer to investment properties	(108,489)	(59,775)	(168,264)
Consolidations of entity previously held as joint venture (Note 31)	33	–	33
Disposals	(2,980)	–	(2,980)
Disposal of subsidiary	(591)	–	(591)
Depreciation/amortisation charges	(123,410)	(24,166)	(147,576)
Closing net book amount as at 30 June 2020	3,782,976	1,429,938	5,212,914

Six months ended 30 June 2019 (Unaudited)

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

As at 30 June 2020, property and equipment and land use rights with a net book amount of RMB2,029,324,000 (2019: RMB3,345,050,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2020 was 6.22% (six months ended 30 June 2019: 6.08%).

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

Notes to the Interim Financial Information

7 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Six months ended 30 June 2020 (Unaudited)			
Opening amount as at 1 January 2020	46,578,183	4,506,458	51,084,641
Additions	496,817	1,440,895	1,937,712
Transfer from property and equipment	168,264	–	168,264
Transfers	935,240	(935,240)	–
Fair value gains – net	362,848	842,338	1,205,186
Closing amount as at 30 June 2020	48,541,352	5,854,451	54,395,803
Six months ended 30 June 2019 (Unaudited)			
Opening amount as at 1 January 2019	39,505,249	6,286,447	45,791,696
Additions	69,547	1,232,178	1,301,725
Fair value gains – net	534,965	278,103	813,068
Disposal	(4,953)	–	(4,953)
Closing amount as at 30 June 2019	40,104,808	7,796,728	47,901,536

Investment properties as at 30 June 2020 and 31 December 2019 are held in the PRC on leases between 10 to 50 years.

The capitalisation rate of borrowings for the six months ended 30 June 2020 was 6.22% (six months ended 30 June 2019: 6.08%).

As at 30 June 2020, investment properties of RMB31,334,947,000 (31 December 2019: RMB28,106,568,000) were pledged as collateral for the Group's borrowings (Note 19).

(i) Valuation processes of the Group

The Group's certain investment properties were valued at 30 June 2020 by an independent valuer. For all investment properties, their current use equates to the highest and best use.

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

Notes to the Interim Financial Information

7 INVESTMENT PROPERTIES (continued)**(ii) Valuation techniques**

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

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

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

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

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

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

There was no associate nor joint venture of the Group as at 30 June 2020 which, in the opinion of the executive directors, was material to the Group. For those individually immaterial associates and joint ventures that are accounted for using the equity method, amounts recognised in the interim condensed consolidated balance sheet and the interim condensed consolidated statement of comprehensive income are set out as below:

Amounts recognised in the interim condensed consolidated balance sheet

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Investments accounted for using the equity method:		
– Joint ventures	4,152,644	3,867,223
– Associates	1,816,875	1,726,705
	5,969,519	5,593,928

Notes to the Interim Financial Information

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Amounts recognised in the interim condensed consolidated statement of comprehensive income

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Share of net profit of associates and joint ventures accounted for using the equity method:		
– Joint ventures	386,512	307,191
– Associates	(14,829)	(50,941)
	371,683	256,250

9 PREPAYMENTS

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
	Acquisition of land use rights (Note (a))	2,995,576
Others	234,571	315,827
	3,230,147	8,892,891

- (a) Payments on land acquisitions were made in accordance with the payment terms as stipulated in the land acquisition contracts. The relevant land use rights certificates have not been obtained as at 30 June 2020. The land acquisition costs which are contracted but not provided for are included in commitments (Note 28 (a)).

Notes to the Interim Financial Information

10 PROPERTIES UNDER DEVELOPMENT

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	12,794,976	11,105,411
– Interests capitalised	3,875,855	4,231,126
– Land use rights	25,620,982	21,110,383
	42,291,813	36,446,920

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

As at 30 June 2020, properties under development of approximately RMB21,363,830,000 (31 December 2019: RMB20,668,199,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2020 was 6.22% (six months ended 30 June 2019: 6.08%).

11 COMPLETED PROPERTIES HELD FOR SALE

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

As at 30 June 2020, completed properties held for sale of approximately RMB4,251,553,000 (31 December 2019: RMB5,103,603,000) were pledged as collateral for the Group's borrowings (Note 19).

12 TRADE RECEIVABLES

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Trade receivables	3,013,980	2,032,754
– Third parties (Note (a))	3,000,675	2,020,186
– Related parties (Note 29(d))	13,305	12,568
Less: loss allowance (Note (b))	(98,296)	(46,074)
	2,915,684	1,986,680

Notes to the Interim Financial Information

12 TRADE RECEIVABLES (continued)

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

As at 30 June 2020 and 31 December 2019, the ageing analysis of trade receivables of the Group based on revenue recognition date was as follows:

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Within one year	2,659,465	1,651,652
Over one year	354,515	381,102
	3,013,980	2,032,754

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2020, a provision of RMB98,296,000 was made for trade receivables (31 December 2019: RMB46,074,000).
- (c) The maximum exposure to credit risk of the trade receivables at each balance sheet date was the carrying value of each class of receivables. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.

13 OTHER RECEIVABLES

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Deposits for acquisition of land use rights	441,174	667,810
Other receivables	17,231,074	15,828,807
– Related parties (Note 29(d))	10,844,937	7,408,233
– Non-controlling interests	4,272,979	6,183,065
– Other amounts due from third parties	2,113,158	2,237,509
	17,672,248	16,496,617

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

Included in other receivables from related parties, there are amounts due from the joint ventures of approximately RMB2,701,932,000 (31 December 2019: RMB2,235,424,000) which bear interest at average rate of 7.33% per annum (31 December 2019: 7.38% per annum) and due for repayment within one year.

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

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

As at 30 June 2020 and 31 December 2019, the fair value of other receivables approximated their carrying amounts. The maximum exposure to credit risk of the other receivables at the reporting date was the carrying value of each class of receivables.

Notes to the Interim Financial Information

14 RESTRICTED CASH

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Guarantee deposits for construction projects (Note (a))	430,724	618,040
Guarantee deposits for bank acceptance notes	61,660	10,417
Guarantee deposits for bank borrowings (Note (b))	3,401,077	2,655,832
Others	143,338	80,826
	4,036,799	3,365,115
Denominated in:		
– RMB	2,974,866	2,667,494
– US\$	1,061,933	697,621
	4,036,799	3,365,115

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for construction of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of construction of the related pre-sold properties.
- (b) As at 30 June 2020, the Group placed cash deposits of approximately RMB3,401,077,000 (31 December 2019: RMB2,655,832,000) with designated banks as security for bank borrowings (Note 19).

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

15 CASH AND CASH EQUIVALENTS

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Cash at bank and in hand:		
– Denominated in RMB	20,329,949	18,298,660
– Denominated in US\$	231,563	1,607,318
– Denominated in HK\$	1,843,969	399,567
– Denominated in SGD	6	–
	22,405,487	20,305,545

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

Notes to the Interim Financial Information

16 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorised:				
At 1 January 2020 and 30 June 2020	30,000,000,000			
Issued and fully paid:				
Six months ended 30 June 2020 (Unaudited)				
As at 1 January 2020	4,143,903,000	36,809	682,279	719,088
Dividends	–	–	(676,749)	(676,749)
Repurchase of share (Note (a))	(1,500,000)	(14)	(5,530)	(5,544)
As at 30 June 2020	4,142,403,000	36,795	–	36,795
Six months ended 30 June 2019 (Unaudited)				
As at 1 January 2019	3,997,303,000	35,486	1,128,639	1,164,125
Dividends	–	–	(816,070)	(816,070)
As at 30 June 2019	3,997,303,000	35,486	312,569	348,055

- (a) During the six months ended 30 June 2020, the Company repurchase an aggregate of 1,500,000 shares through the stock exchange at a total consideration of HK\$6,243,920 (equivalent to approximately RMB5,544,000). The aforesaid repurchased shares were cancelled on 24 March 2020 and 27 May 2020.

Notes to the Interim Financial Information

17 OTHER RESERVES

	Merger reserve RMB'000 (Note (a))	Other reserves RMB'000 (Note (b))	Statutory reserves RMB'000 (Note (c))	Revaluation reserves RMB'000 (Note (d))	Capital injection by non- controlling interests RMB'000 (Note (e))	Transaction with non- controlling interests RMB'000	Total RMB'000
--	--	--	--	--	--	---	------------------

Six months ended

30 June 2020 (Unaudited)

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

Six months ended

30 June 2019 (Unaudited)

At 1 January 2019	337,203	(1,179)	95,746	247,700	-	1,606	681,076
Transfer to statutory reserves	-	-	5,000	-	-	-	5,000
Revaluation – net of tax	-	-	-	(19)	-	-	(19)
Currency translation differences	-	474	-	-	-	-	474
At 30 June 2019	337,203	(705)	100,746	247,681	-	1,606	686,531

(a) Merger reserve

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

(b) Other reserves

Other reserves represents currency translation differences.

(c) Statutory reserves

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

Notes to the Interim Financial Information

17 OTHER RESERVES (continued)

(d) Revaluation reserves

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
<i>Items that will not be reclassified to profit or loss:</i>		
Revaluation gains on property and equipment transferred to investment properties	93,545	–
Fair value losses on FVOCI – gross	(29,605)	(26)
Tax charge – deferred income tax	(15,985)	7
Total other comprehensive income – net of tax	47,955	(19)

(e) Capital injection by non-controlling interests

Powerlong Commercial Management Holdings Limited (“Powerlong CM”), a subsidiary of the Group, was listed on the Stock Exchange on 30 December 2019 (the “Listing”). On 22 January 2020, Powerlong CM exercised the over-allotment option in connection with the Listing and issued 22,500,000 additional shares at a price of HK\$9.50 per share. Net proceeds of the over-allotment amounted to approximately HK\$207,962,000 (equivalent to approximately RMB184,647,000). The Group’s equity interest in Powerlong CM was diluted from 75.00% to 72.29%. The excess of the net proceeds over the proportionated net assets of Powerlong CM being diluted of approximately RMB133,337,000 was credited to the other reserves.

Notes to the Interim Financial Information

18 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Six months ended 30 June 2020 (Unaudited)			
Balance as at 1 January 2020	800,000	20,364	820,364
Profit attributable to holders of Perpetual Capital Instruments	–	30,323	30,323
Distribution to holders of Perpetual Capital Instruments	–	(49,437)	(49,437)
Balance as at 30 June 2020	800,000	1,250	801,250
Six months ended 30 June 2019 (Unaudited)			
Balance as at 1 January 2019	1,546,000	6,254	1,552,254
Issuance of Perpetual Capital Instruments	500,000	–	500,000
Redemption of Perpetual Capital Instruments	(1,000,000)	–	(1,000,000)
Profit attributable to holders of Perpetual Capital Instruments	–	25,562	25,562
Distribution to holders of Perpetual Capital Instruments	–	(30,996)	(30,996)
Balance as at 30 June 2019	1,046,000	820	1,046,820

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

Notes to the Interim Financial Information

19 BORROWINGS

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Borrowings included in non-current liabilities:		
Senior notes (Note (a))	15,072,323	13,073,322
Corporate bonds (Note (b))	11,887,773	9,488,475
Bank borrowings (Note (c))	28,902,671	26,049,451
– secured	28,799,260	25,910,556
– unsecured	103,411	138,895
Other borrowings – secured (Note (d))	598,600	1,476,200
Less: amounts due within one year	(19,915,584)	(10,145,141)
	36,545,783	39,942,307
Borrowings included in current liabilities:		
Short-term commercial papers	800,000	999,280
Bank borrowings – secured (Note (c))	1,988,350	3,498,953
Other borrowings – secured (Note (d))	–	677,400
Current portion of long-term borrowings	19,915,584	10,145,141
	22,703,934	15,320,774
Total borrowings	59,249,717	55,263,081

Notes to the Interim Financial Information

19 BORROWINGS (continued)

(a) Senior Notes

The Group has issued the following senior notes:

Name of notes	Par value (thousand)	Interest rate	Issue date	Term of the notes
<i>Carried forward from prior years and remained outstanding at 30 June 2020:</i>				
USD 2021 NOTE	USD200,000	4.875%	15 September 2016	5 years
USD 2020 NOTE – tranche I (Note (i))	USD300,000	5.950%	19 July 2017	3 years
USD 2021 NOTE II	USD350,000	6.950%	17 April 2018	3 years
USD 2020 NOTE – tranche II (Note (i) and (ii))	USD250,000	5.950%	8 August 2018	2 years
USD 2021 NOTE III	USD200,000	9.125%	14 January 2019	2 years
USD 2023 NOTE – tranche I (Note (iii))	USD170,000	6.950%	23 July 2019	4 years
HKD 2022 NOTE I	HKD1,000,000	6.000%	26 July 2019	3 years
USD 2022 NOTE II	USD300,000	7.125%	8 November 2019	3 years

Issued during the period:

USD 2023 NOTE – tranche II (Note (iii))	USD250,000	6.950%	17 June 2020	3 years
---	------------	--------	--------------	---------

- (i) USD 2020 NOTE – tranche II was consolidated and form a single series with the USD 2020 NOTE – tranche I.
- (ii) On 23 March 2020, the Company partially redeemed the 2020 Notes with aggregate principal amounts of approximately RMB13,789,000 at a consideration of approximately RMB12,919,000. The gains of the early redemption of approximately RMB1,145,000 was recognised as “Finance costs – net” in the consolidated statement of comprehensive income (Note 23).
- (iii) USD 2023 NOTE – tranche II was consolidated and form a single series with the USD 2023 NOTE – tranche I

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

Notes to the Interim Financial Information

19 BORROWINGS (continued)

(b) Corporate bonds

The Group's corporate bonds comprised the following:

Name of bonds	Par value (RMB'000)	Interest rate	Issue date	Term of the bonds
<i>Carried forward from prior years and remained outstanding at 30 June 2020:</i>				
RMB Corporate bonds of Shanghai Powerlong Industrial Development Co., Ltd ("Shanghai Powerlong") issued in 2016 – series I (Note (i))	2,700,000	6.20%	19 January 2016	5 years*
RMB Corporate bonds of Shanghai Powerlong issued in 2016 – series II (Note (ii))	500,000	6.00%	8 March 2016	5 years*
RMB Corporate bonds of Shanghai Powerlong issued in 2016 – series III (Note (iii))	800,000	5.25%	25 August 2016	5 years****
RMB Panda bonds of the Company issued in 2016 (Note (iv))	3,000,000	5.85%	24 November 2016	7 years***
RMB Medium-term note of Shanghai Powerlong issued in 2017 – series I	1,000,000	6.80%	29 August 2017	3 years
RMB Private Corporate bonds of Shanghai Powerlong issued in 2018 – series I	1,000,000	7.50%	13 December 2018	3 years**
RMB Medium-term note of Shanghai Powerlong issued in 2019 – series II	1,000,000	7.20%	5 March 2019	2 years
RMB Corporate bonds specialised in rental housing of Shanghai Powerlong issued in 2019 – series I	300,000	7.20%	1 April 2019	2 years
RMB Private Corporate bonds of Shanghai Powerlong issued in 2019 – series II	600,000	7.40%	15 July 2019	3 years
RMB Asset-backed securities of Shanghai Powerlong issued in 2019 – series I (Note (v))	700,000	6.20%	6 September 2019	18 years
RMB Asset-backed securities of Shanghai Powerlong issued in 2019 – series II (Note (v))	200,000	6.80%	6 September 2019	18 years
RMB Corporate bonds of Shanghai Powerlong issued in 2019 – series I	1,070,000	7.20%	20 November 2019	5 years ****
<i>Issued during the period:</i>				
RMB Corporate bonds of Shanghai Powerlong issued in 2020 – series II	930,000	6.67%	20 January 2020	5 years****
RMB Corporate bonds specialised in rental housing of Shanghai Powerlong issued in 2020 – series II	1,500,000	6.00%	19 March 2020	3 years**

Notes to the Interim Financial Information

19 BORROWINGS (continued)

(b) Corporate bonds (continued)

- * At the third anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods.
 - ** At the second anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods.
 - *** At the third and fifth anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods.
 - **** At the second and the fourth anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods.
- (i) On 21 December 2018, Shanghai Powerlong redeemed the corporate bonds with the principal amount of RMB144,085,000 and the remaining RMB2,555,915,000 bonds are held to maturity with the interest rate adjusted to 7.50% per annum.
 - (ii) On 5 March 2019, Shanghai Powerlong redeemed the corporate bonds with the principal amount of RMB27,733,500 and the remaining RMB472,266,500 bonds are held to maturity with the interest rate adjusted to 7% per annum.
 - (iii) On 24 August 2018, Shanghai Powerlong redeemed the corporate bonds with the principal amount of RMB767,697,500 and the remaining RMB32,302,500 bonds are held to maturity with the original interest rate.
 - (iv) The Company redeemed the bonds with the principal amount of RMB2,410,000,000 in 2019 and the remaining RMB590,000,000 bonds are held to maturity with the original interest rate.
 - (v) The Asset-backed securities is secured by pledges of the Group's certain investment properties and the rights over certain receivables arising from sales of the Group's properties.

(c) Bank borrowings

As at 30 June 2020, borrowings of RMB30,787,610,000 (31 December 2019: RMB29,409,509,000) were secured by certain property and equipment (Note 6), investment properties (Note 7), properties under development (Note 10), completed properties held for sale (Note 11) and restricted cash (Note 14); secured bank borrowings of RMB3,047,500,000 (31 December 2019: RMB3,450,000,000) were additionally guaranteed by certain related parties (Note 29(b)(iii)).

(d) Other borrowings – secured

As at 30 June 2020, borrowings from other non-bank financial institutions of RMB598,600,000 (31 December 2019: RMB2,153,600,000) were secured by certain property and equipment (Note 6), investment properties (Note 7), properties under development (Note 10) and completed properties held for sale (Note 11).

Notes to the Interim Financial Information

20 CONTRACT LIABILITIES

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
--	---	---

Current contract liabilities	19,641,149	22,694,564
------------------------------	-------------------	------------

Contract liabilities represent the receipts of the property sales.

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

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000

Revenue recognised that was included in the contract liabilities balance at the beginning of the year	10,109,912	7,330,028
---	-------------------	-----------

- (b) The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as at 30 June 2020 and 31 December 2019.

21 TRADE AND OTHER PAYABLES

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
--	---	---

Trade payables (Note (a))	14,758,376	12,757,169
– Related parties (Note 29(d))	79,834	33,945
– Third parties	14,529,721	12,712,860
– Notes payable – third parties	148,821	10,364
Other payables	14,760,664	13,123,425
– Related parties (Note 29(d))	8,606,000	5,956,236
– Non-controlling interests	3,089,420	3,373,658
– Third parties	3,065,244	3,793,531
Value-added tax received in advance from customers	1,810,755	1,399,495
Dividend payables	1,353,195	148,880
Payables for retention fee	1,173,712	981,622
Interest payable	1,114,332	1,052,832
Other taxes payable	703,046	506,376
Payables for acquisition of equity interest in subsidiaries	268,236	–
Payables for acquisition of land use rights	77,475	90,401
	36,019,791	30,060,200
Less: non-current portion		
Other payables – third parties	(42,343)	(87,617)
Current portion	35,977,448	29,972,583

Notes to the Interim Financial Information

21 TRADE AND OTHER PAYABLES (continued)

- (a) As at 30 June 2020 and 31 December 2019, the ageing analysis of trade payables of the Group based on invoice date was as follows:

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Within one year	13,733,323	12,402,244
Over one year	1,025,053	354,925
	14,758,376	12,757,169

- (b) The Group's trade and other payables were mainly denominated in RMB, except for the dividend payables of RMB1,204,315 (2019: nil), which was denominated in HK\$.
- (c) The carrying amounts of trade and other payables approximate their fair values.

22 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Cost of properties sold (including construction costs, land costs and interests capitalised)	9,563,993	6,536,890
Staff costs (including directors' emoluments)	780,165	719,733
Hotel operation expenses	98,868	164,616
Advertising costs	274,801	229,300
Property management fees	267,223	201,685
Business taxes and other levies	142,600	79,195
Depreciation and amortisation (Note 6)	147,576	135,632
Donations	44,404	32,611
Auditor's remuneration – audit services	3,200	2,000

Notes to the Interim Financial Information

23 FINANCE COSTS – NET

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Interest expense:		
– Borrowings	1,965,055	1,677,431
– Convertible Bonds	–	5,135
– Lease liabilities	15,298	7,262
	1,980,353	1,689,828
Less: capitalised	(1,137,204)	(1,076,665)
Foreign exchange losses on financing activities - net	300,975	14,046
Finance costs	1,144,124	627,209
Interest income of bank deposits	(150,820)	–
Gains of early redemption of senior note	(1,145)	–
Finance costs – net	992,159	627,209

24 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Current income tax:		
– PRC corporate income tax	1,200,559	905,815
– PRC land appreciation tax	1,028,601	942,191
	2,229,160	1,848,006
Deferred income tax:		
– PRC corporate income tax	292,362	103,906
– PRC withholding income tax	70,000	–
– PRC land appreciation tax	(71,352)	(99,251)
	291,010	4,655
	2,520,170	1,852,661

Notes to the Interim Financial Information

24 INCOME TAX EXPENSE (continued)

PRC corporate income tax

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

PRC withholding income tax

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

PRC land appreciation tax ("LAT")

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

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

Overseas income tax

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

Hong Kong profits tax

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

Notes to the Interim Financial Information

25 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Profit attributable to owners of the Company (RMB'000)	2,219,545	1,803,118
Weighted average number of ordinary shares in issue (thousand shares)	4,142,903	3,997,303
Basic earnings per share (RMB cents per share)	53.6	45.1

(b) Diluted

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

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Profit attributable to owners of the Company		
Profit attributable to owners of the Company (RMB'000):		
Used in calculating basic earnings per share	2,219,545	1,803,118
Add: interest expense on Convertible Bonds	–	5,135
Used in calculating diluted earnings per share	2,219,545	1,808,253
Weighted average number of ordinary shares		
Weighted average number of ordinary shares and potential ordinary shares (thousand shares):		
Used in calculating basic earnings per share	4,142,903	3,997,303
Adjustments:		
– Convertible Bonds	–	30,449
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	4,142,903	4,027,752
Diluted earnings per share (RMB cents per share)	53.6	44.9

Notes to the Interim Financial Information

26 DIVIDENDS

On 18 August 2020, the Company declared an interim dividend of HK\$12.0 cents per ordinary share in form of cash for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$9.0 cents per ordinary share). Total amount of interim dividend would be HK\$497,088,000 (equivalent to RMB454,060,000) which was calculated according to the number of ordinary shares in issue as at 30 June 2020. This interim dividend has not been recognised as liabilities in this interim financial information.

The 2019 final cash dividend (the "Final Dividend") amounting to HK\$1,118,449,000 (equivalent to RMB1,022,598,000) (2018: HK\$927,374,000, equivalent to RMB816,070,000) was approved by the shareholders at the annual general meeting of the Company held on 12 June 2020. The Final Dividend, together with the special dividend amounting to HK\$165,696,000 (equivalent to RMB151,496,000) declared by the board on 9 March 2020, were paid on 4 August 2020.

27 FINANCIAL GUARANTEE CONTRACTS

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

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (<i>Note (a)</i>)	21,439,933	23,098,673
Guarantees for borrowings of joint ventures (<i>Note (b)</i>)	1,417,715	1,126,615
	22,857,648	24,225,288

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

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

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

Notes to the Interim Financial Information

28 COMMITMENTS

(a) Commitments for property development expenditures

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Contracted but not provided for		
– Property development activities	8,664,785	9,103,153
– Acquisition of land use rights	3,361,184	4,688,797
	12,025,969	13,791,950

(b) Lease commitments

As at 30 June 2020, the Group did not have any material short-term lease commitments.

29 RELATED PARTY TRANSACTIONS

(a) Name and relationship with significant related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Company (incorporated in Cayman Islands)
Mr Hoi Kin Hong	The ultimate controlling shareholder and also the director of the Company
The Controlling Shareholders, including Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	A close family member of ultimate controlling shareholder, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also the directors of the Company
Sky Infinity Holdings Limited	Shareholder of the Company and wholly owned subsidiary of Mr. Hoi Kin Hong
Powerlong Group Development Co., Ltd. 寶龍集團發展有限公司	Controlled by the ultimate Controlling Shareholder
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Controlled by the ultimate Controlling Shareholder
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Controlled by the ultimate Controlling Shareholder
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊文化發展有限公司	Controlled by the ultimate Controlling Shareholder
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Controlled by the ultimate Controlling Shareholder
Mantong (HK) Trading Co., Limited 萬通(香港)貿易有限公司	Controlled by the ultimate Controlling Shareholder
Shanghai Yueshang Information Technology Co., Limited 上海悅商資訊科技有限公司	Controlled by the ultimate Controlling Shareholder
Tianjin Powerlong Jinjun Real Estate Co., Ltd. 天津寶龍金駿房地產開發有限公司	Joint venture of the Group
Hangzhou Xiaoshan Powerlong Property Co., Ltd. 杭州蕭山寶龍置業有限公司	Joint venture of the Group

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

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

Name	Relationship
Baohui Real Estate (Hong Kong) Holdings Limited 寶匯地產(香港)控股有限公司	Joint venture of the Group
Shanghai Xuting Property Co., Ltd. 上海旭亭置業有限公司	Joint venture of the Group
Yangzhou Golden Wheel Powerlong Real Estate Co., Ltd. 揚州金輪寶龍置業有限公司	Joint venture of the Group
Tianjin Shunji Real Estate Development Co., Ltd. 天津順集置業有限公司	Joint venture of the Group
Ningbo Powerlong Huafeng Real Estate Development Co., Ltd. 寧波寶龍華豐置業發展有限公司	Joint venture of the Group
Shanghai Xiaofeng Enterprise Management Co., Ltd. 上海夏鋒企業管理有限公司	Joint venture of the Group
Shanghai Baozhan Real Estate Development Co., Ltd. 上海寶展房地產開發有限公司	Joint venture of the Group
Nanjing Weirun Real Estate Development Co., Ltd. 南京威潤房地產開發有限公司	Joint venture of the Group
Ningbo Youngor Baolong Real Estate Development Co., Ltd. 寧波雅戈爾寶龍置業有限公司	Joint venture of the Group
Shanghai Baoshen Digital Technology Co., Ltd. 上海寶申數字科技有限公司	Joint venture of the Group
Shanghai Mijie Property Management Co., Ltd. 上海畢傑企業管理有限公司	Joint venture of the Group
Tianjin Yujing City Real Estate Development Co., Ltd. 天津愉景城置業有限公司	Joint venture of the Group
Tianjin Binhui Real Estate Co., Ltd. 天津濱輝置業有限公司	Joint venture of the Group
Changzhou Chengyuan Real Estate Development Co., Ltd. 常州誠遠置業發展有限公司	Joint venture of the Group
Taizhou Pengmiao Real Estate Development Co., Ltd. 台州鵬淼房地產開發有限公司	Joint venture of the Group
Qingdao Hailong Yilian Real Estate Co., Ltd. 青島海龍衣聯置業有限公司	Joint venture of the Group
Taizhou Huayi Real Estate Co., Ltd. 台州華懿置業有限公司	Joint venture of the Group
Taizhou Tianqu Real Estate Co., Ltd. 台州天衢置業有限公司	Joint venture of the Group
Pingyang Zhongji Lianye Real Estate Co., Ltd. 平陽中基聯業置業有限公司	Joint venture of the Group
Hangzhou Powerlong Taoyuan Real Estate Development Co., Ltd. 杭州寶龍桃源置業發展有限公司	Joint venture of the Group
Zhoushan Longyu Commercial Investment Co., Ltd. 舟山龍宇商業投資有限公司	Joint venture of the Group

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

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

Name	Relationship
Zhoushan Longyu Hotel Co., Ltd. 舟山龍宇大酒店有限公司	Joint venture of the Group
Hainan Baolong Jinhe Real Estate Co., Ltd. 海南寶龍晉合置業有限公司	Joint venture of the Group
Shanghai Zhenqian Enterprise Management Co., Ltd. 上海振茜企業管理有限公司	Joint venture of the Group
Shanghai Rongcheng Real Estate Co., Ltd. 上海榮城置業有限公司	Joint venture of the Group
Shaoxing Shimao Xinqihang Real Estate Co., Ltd. 紹興世茂新啟航置業有限公司	Joint venture of the Group
Yiwu Meilong Real Estate Co., Ltd. 義烏美龍置業有限公司	Joint venture of the Group
Hangzhou Lin'an Longxing Real Estate Development Co., Ltd. 杭州臨安龍興房地產開發有限公司	Joint venture of the Group
Zhuhai Pengwan Real Estate Co., Ltd. 珠海鵬灣置業有限公司	Joint venture of the Group
Hangzhou Hongxuan Enterprise Management Consulting Co., Ltd. 杭州鴻煊企業管理諮詢有限公司	Joint venture of the Group
Ningbo Ronghui Real Estate Co., Ltd. 寧波融輝置業有限公司	Joint venture of the Group
Zhejiang Xingbaodi Real Estate Co., Ltd. 浙江星寶地置業有限公司	Joint venture of the Group
Lanxi Longrui Real Estate Development Co., Ltd. 蘭溪龍瑞房地產開發有限公司	Joint venture of the Group
Hangzhou Jurong Enterprise Management Co., Ltd. 杭州聚嶸企業管理有限公司	Joint venture of the Group
Shaoxing Jurong Industrial Co., Ltd. 紹興聚嶸實業有限公司	Joint venture of the Group
Shanghai Duxuan Enterprise Management Co., Ltd. 上海都絢企業管理有限公司	Associate of the Group
Quanzhou Shimao New mileage Real Estate Co., Ltd. 泉州世茂新里程置業有限公司	Associate of the Group
Xuzhou Jinbi Real Estate Development Co., Ltd. 徐州金碧房地產開發有限公司	Associate of the Group
Nanjing Baomao Real Estate Co., Ltd. 南京寶茂置業有限公司	Associate of the Group
Hangzhou Zhanxiang Industrial Co., Ltd. 杭州展驥實業有限公司	Associate of the Group
Changshu Shibao Real Estate Development Co., Ltd. 常熟世寶房地產開發有限公司	Associate of the Group
Quanzhou Shimao Shiyue Real Estate Co., Ltd. 泉州世茂世悅置業有限公司	Associate of the Group

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

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

Name	Relationship
Zhejiang Zhoushan Zhongzhou Real Estate Development Co., Ltd. 浙江舟山中軸置業有限公司	Associate of the Group
Jinhua Ruilin Real Estate Development Co., Ltd. 金華市瑞麟房地產開發有限公司	Associate of the Group
Zhenjiang Hengrun Real Estate Development Co., Ltd. 鎮江恒潤房地產開發有限公司	Associate of the Group
Yiwu Zhongyao Real Estate Development Co., Ltd. 義烏眾耀房地產開發有限公司	Associate of the Group
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	Associate of the Group
Suzhou Macalline Real Estate Co., Ltd 蘇州紅星美凱龍房地產開發有限公司	Associate of the Group
Shanghai Hukang Property Management Co., Ltd. 上海湖康企業管理有限公司	Associate of the Group
Shanghai Hubang Real Estate Development Co., Ltd. 上海湖邦房地產有限公司	Associate of the Group
Zhejiang Lancheng Hongyi Youdao Construction Management Co., Ltd. 浙江藍城宏逸有道建設管理有限公司	Associate of the Group
Shaoxing Keqiao Juhang Real Estate Development Co., Ltd. 紹興柯橋聚杭房地產開發有限公司	Associate of the Group
Zhoushan Juyou Real Estate Development Co., Ltd. 舟山聚佑房地產開發有限公司	Associate of the Group
Hangzhou Ju Li Enterprise Management Co., Ltd. 杭州聚厲企業管理有限公司	Associate of the Group
Yiwu Juli Real Estate Development Co., Ltd. 義烏聚厲房地產開發有限公司	Associate of the Group
Shanghai Taoxia Enterprise Management Co., Ltd. 上海濤峽企業管理有限公司	Associate of the Group
Zhejiang Huzhou Baohui Real Estate Development Co., Ltd. 浙江湖州寶輝房地產開發有限公司	Associate of the Group
Hangzhou Jiayi Real Estate Co., Ltd. 杭州嘉怡置業有限公司	Associate of the Group
Tiantai Maolong Real Estate Development Co., Ltd. 天臺茂龍房地產開發有限公司	Associate of the Group
Ningbo Hejiang Real Estate Co., Ltd. 寧波市赫江置業有限公司	Associate of the Group
Yancheng Shenghua Jingfu Real Estate Co., Ltd. 鹽城聖樺京府置業有限公司	Associate of the Group
Hangzhou Juna Industrial Development Co., Ltd. 杭州聚納實業發展有限公司	Associate of the Group

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

- (i) During the six months ended 30 June 2020 and 2019, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Nature of transactions		
The Controlling Shareholders		
Loan interests	8,816	–
Controlled by the ultimate controlling shareholder		
Rental income	1,171	1,685
Purchase of office equipment and security intelligentisation system services from related parties	28,419	11,208
Hotel accommodation service fee charged by a related party	27	1,168
Joint ventures and Associates		
Sales of construction materials	31,926	57,007
Interest income	76,810	65,625
Consultation services provided	77,628	9,298

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

- (ii) The Group have provided guarantees for borrowings of certain joint ventures and associates of RMB1,417,715,000 as at 30 June 2020 (31 December 2019: RMB1,126,615,000) (Note 27).
- (iii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB3,047,500,000 at 30 June 2020 (31 December 2019: RMB3,450,000,000) (Note 19(c)).
- (iv) Certain bank deposits of the Group of RMB100,000,000 has been pledged for the commercial properties development of its joint ventures (31 December 2019: RMB100,000,000).
- (v) In the opinion of the Directors, the related party transactions were conducted in the ordinary course of business.

(c) Key management compensation

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Key management compensation		
– Salaries and other employee benefits	10,900	10,171
– Pension costs	1,064	855
	11,964	11,026

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties

As at 30 June 2020 and 31 December 2019, the Group had the following material balances with related parties:

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Amounts due from related parties included in trade receivables (Note (i)):		
Joint ventures	10,544	12,568
Associates	2,761	–
	13,305	12,568
Amounts due from related parties included in other receivables (Note (iii)):		
Controlled by the ultimate controlling shareholder	21,376	21,376
Joint ventures	6,746,968	4,577,821
Associates	4,076,593	2,809,036
	10,844,937	7,408,233
Amounts due to related parties included in trade payables (Note (ii)):		
Controlled by the ultimate controlling shareholder	13,614	18,658
Associate	66,220	15,287
	79,834	33,945
Amounts due to related parties included in other payables (Note (iii)):		
Controlled by the ultimate controlling shareholder	1,369,273	388,297
The Controlling Shareholders	7,741	7,719
Joint ventures	5,227,875	4,127,150
Associates	2,001,111	1,433,070
	8,606,000	5,956,236
Borrowing (Note (iv)):		
The Controlling Shareholders	182,953	179,362
Amounts due to related parties included in contract liabilities (Note (v)):		
The Controlling Shareholders	11,034	10,840
Joint ventures	68,785	3,633
Associates	17,975	15,448
	97,794	29,921
Prepayments (Note (vi)):		
The Controlling Shareholders	5,492	–
Joint venture	–	3,120
	5,492	3,120

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties (continued)

- (i) Amounts due from joint ventures and associates included in trade receivables are mainly derived from consulting services provided to joint ventures and associates.
- (ii) Amounts due to related parties included in trade payables are mainly derived from purchase of office equipment and security intelligentisation system services, which are unsecured, interest-free and to be settled according to contract terms.
- (iii) Amounts due from/to related parties included in other receivables/payables are cash advances in nature. Apart from amounts due from certain joint ventures are interest bearing (Note 13), others are unsecured, interest-free and receivable/repayable on demand.
- (iv) The balance represented the senior notes purchased by Mr. Hoi Wa Fong.
- (v) Amounts due to related parties included in contract liabilities mainly consist of advances paid by the Controlling Shareholder for purchase of properties from the Group and advances paid by the joint ventures and associates for consulting services provided by the Group.
- (vi) The prepayments were in relation to a cooperation in information technology development.

30 CAPITAL INJECTION FROM NON-CONTROLLING INTERESTS

During the six months ended 30 June 2020, the Group and certain independent third parties entered into certain cooperation agreements in relation to the establishment of property development companies. These property development companies are accounted for as subsidiaries of the Group, and capital contribution from the third parties amounted to approximately RMB347,300,000.

31 CHANGE FROM JOINT VENTURE TO SUBSIDIARY

On 1 January 2020, the joint venture partner of Taizhou Powerlong Real Estate Co.,Ltd. ("Taizhou Powerlong") has transferred the controlling rights of the jointly controlled project to the Group. The investment in Taizhou Powerlong is deemed as having been disposed of, and was remeasured to fair value at the date of deemed disposal, the resulting gains of RMB37,919,000 from the remeasurement are recognised in the profit or loss in accordance with HKFRS 3 – Business Combinations.

Notes to the Interim Financial Information

31 CHANGE FROM JOINT VENTURE TO SUBSIDIARY (continued)

Details of the purchase consideration, the net asset acquired and goodwill are as follows:

	Total RMB'000
Total Consideration	
Carrying amounts of the Group's investments in the entity	210,065
Fair value gains on the remeasurement of the entity	37,919
	247,984
Fair value of the investments in the entity	247,984
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	144,267
Properties under development	1,636,220
Prepaid taxes	34,689
Prepayments	20,000
Property and equipment	33
Trade and other payables	(551,107)
Contract liabilities	(587,748)
Borrowings	(232,500)
Deferred income tax liabilities	(50,548)
	413,306
Total identifiable net assets	
Non-controlling interests	(165,322)
Identifiable net assets attributable to the Company	247,984
Goodwill	-

The acquired business contributed revenue of RMB423,800,000 and net profit of RMB11,559,000 to the Group for the period from the acquisition date to 30 June 2020.

32 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

- (a) By reference to the announcement made by the Company on 3 July 2020, the Group has acquired the land use right of the Land in Xuanwu District, Nanjing, the PRC through the Tender at a consideration of RMB4,080,000,000.
- (b) On 6 August 2020, Shanghai Powerlong issued 6.50%, 3-year corporate bonds specialized in rental housing with an aggregated principal amount of RMB1,000,000,000.
- (c) On 10 August 2020, the Company issued 6.25%, 4-year senior notes, with an aggregated principal amount of US\$200,000,000 at 99.132% to the principal amount. The total net proceeds of the notes, after deduction of the issuance costs, amounted to approximately US\$198,300,000 (equivalent to approximately RMB1,387,703,000).