



SINIC

2103.HK
STOCK CODE



A DECADE OF SINIC •

UPGRADE OF HAPPINESS

2020 INTERIM REPORT

Decade

CORPORATE PROFILE

ABOUT SINIC HOLDINGS

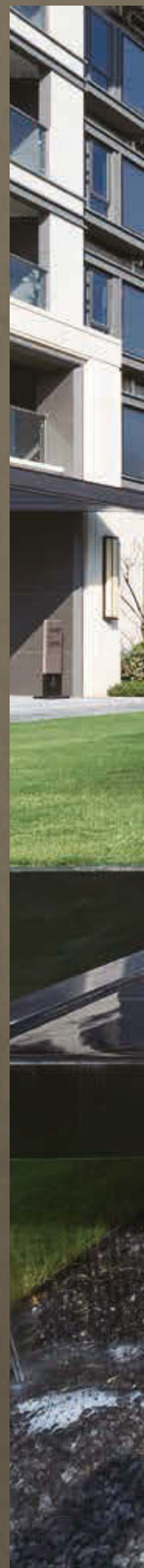
Sinic Holdings (Group) Company Limited (“Sinic Holdings” or the “Company”) was listed on the Stock Exchange (Stock Code: 2103) on 15 November 2019, which marked an important milestone in the development of the Company. Sinic Holdings is a large-scale and comprehensive property developer in the PRC, focusing on the development of residential and commercial properties. Headquartered in Shanghai, Sinic Holdings had established a leading position among residential property developers in Jiangxi Province, and expanded into the Yangtze River Delta Region, the Greater Bay Region and the Central and Western China Core Cities and Other Regions with High-Growth Potential.

Sinic Holdings focuses on developing quality properties through comprehensive standardized operating procedures. The Group implemented a series of standardized operating manuals which set forth detailed procedures and requirements for various stages of the property development process, which have enabled the Group to achieve operating efficiency while maintain its quality standards for properties. Sinic Holdings’ residential properties can be categorized into three major series, namely, the “Wan” Series (灣系), the “Yuan” Series (園系) and the “Yue” Series (悅系), which target first-time home purchasers, home upgraders and extended families or high-income households, respectively.

Leveraging on its strong brand name, Sinic Holdings will continue its expansion strategies nationwide and strives to become a leading comprehensive real estate developer in China.



SINIC Holdings (Group)
Company Limited






○

Perseverance

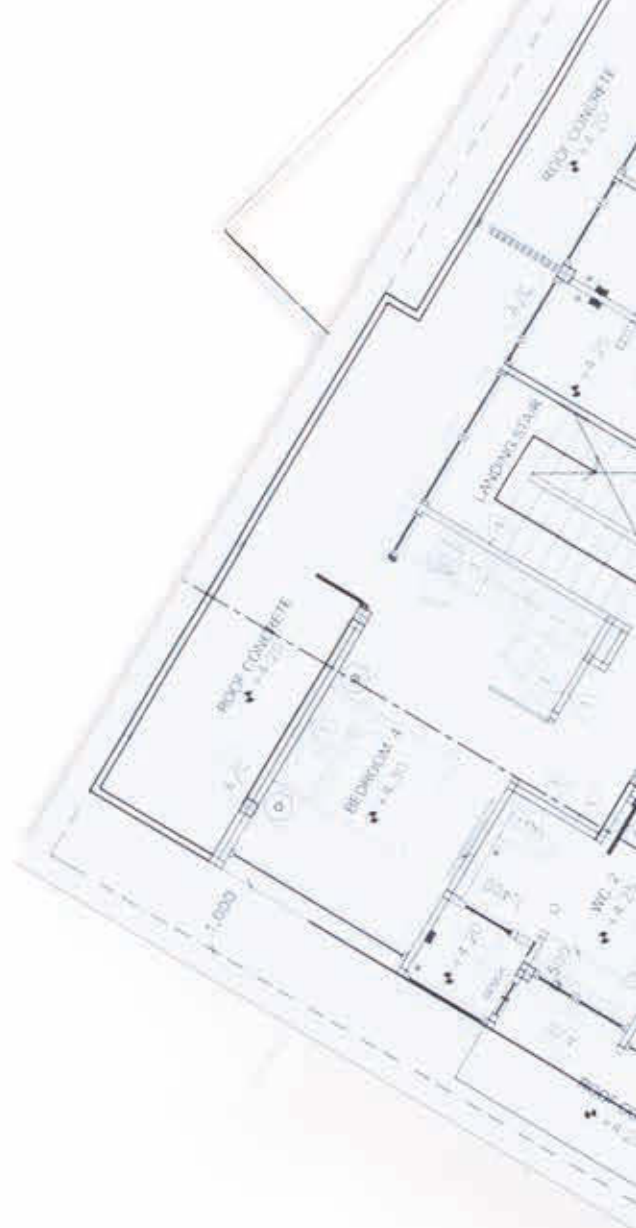


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Unique





Craftsmanship

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Yuanlin (*Co-Chairman*)
Mr. Chen Kai (*Co-Chairman*)
Ms. Tu Jing
Mr. She Runting (*resigned on 26 May 2020*)

Independent non-executive Directors

Mr. Tam Chi Choi
Mr. Au Yeung Po Fung
Mr. Liu Xin

AUDIT COMMITTEE

Mr. Tam Chi Choi (*Chairman*)
Mr. Au Yeung Po Fung
Mr. Liu Xin

REMUNERATION COMMITTEE

Mr. Au Yeung Po Fung (*Chairman*)
Mr. Zhang Yuanlin
Mr. Tam Chi Choi
Mr. Liu Xin

NOMINATION COMMITTEE

Mr. Zhang Yuanlin (*Chairman*)
Mr. Tam Chi Choi
Mr. Au Yeung Po Fung
Mr. Liu Xin

COMPANY SECRETARY

Mr. Yim Lok Kwan (*ACIS, ACS*)

AUTHORIZED REPRESENTATIVES

Mr. Zhang Yuanlin
Mr. Yim Lok Kwan (*ACIS, ACS*)

AUDITOR

Ernst & Young
Certified Public Accountants
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Central, Hong Kong

COMPLIANCE ADVISOR

Zhongtai International Capital Limited

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Corporate Information

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HONG KONG SHARE REGISTRAR

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Wanchai, Hong Kong

LEGAL ADVISER

Sidley Austin

PRINCIPAL BANKS

China Minsheng Bank
China CITIC Bank
Ping An Bank
CMB Wing Lung Bank
Bank of China (Hong Kong)

WEBSITE

www.sinicdc.com

STOCK CODE

2103



Better

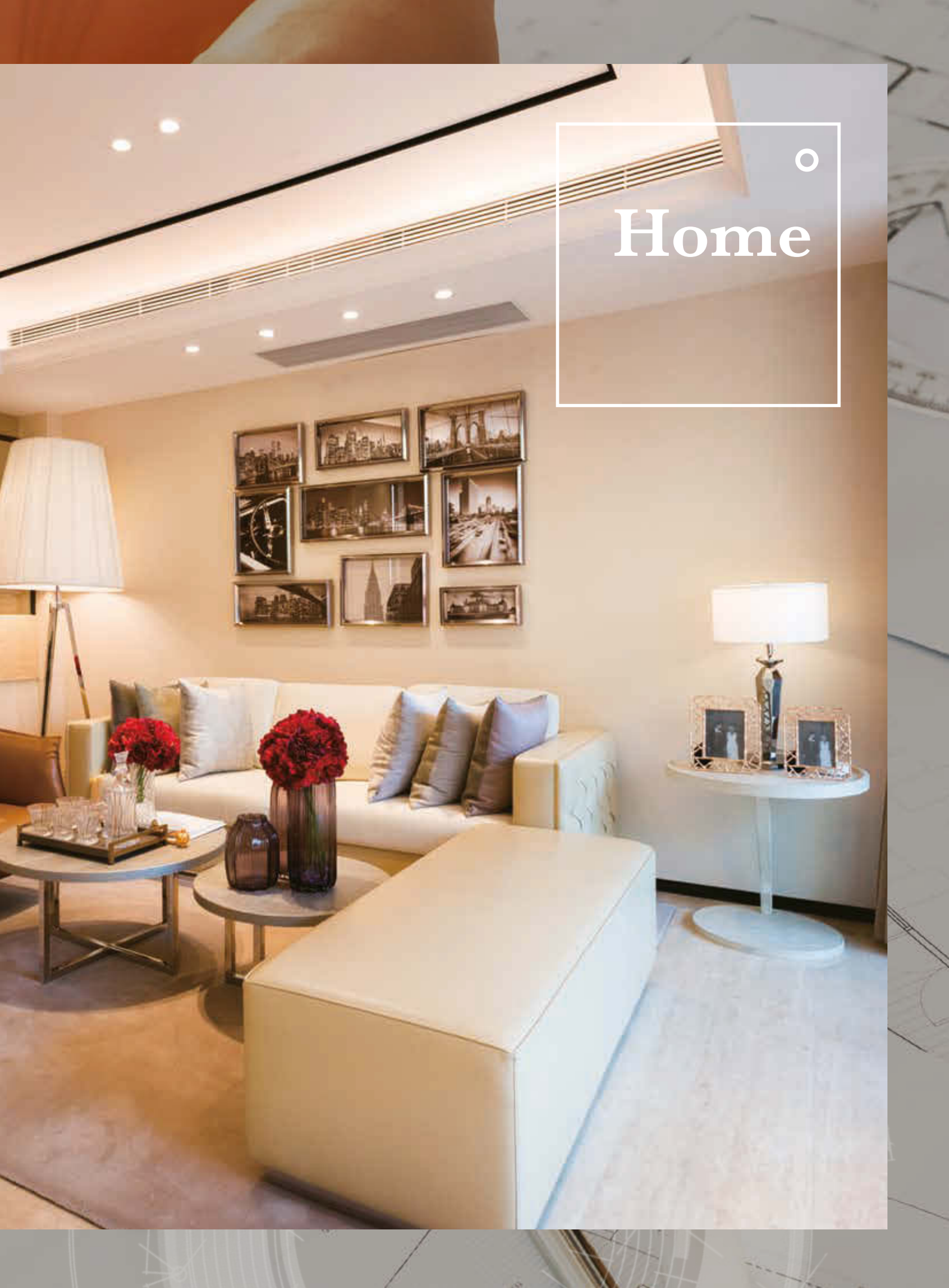


A photograph of a modern building with a swimming pool and lounge chairs. The building has a large glass facade and a covered outdoor area. The pool is in the foreground, and the sky is blue with some clouds. The word "Living" is written in a white serif font inside a white square frame in the upper right corner of the image. There are also some architectural drawings visible on the right side of the image, including labels like "PA", "F7", "BEDR", "F6 + 4", "D6", "2", "AWB", and "R FI".

Living



○
Home



MANAGEMENT DISCUSSION AND ANALYSIS



INTERIM RESULTS

During the six months ended 30 June 2020 (the "Period"), the Group recorded revenue of RMB8,703.4 million, representing an increase of approximately 24.6% as compared with RMB6,983.2 million for the corresponding period of last year. Gross profit was RMB2,629.9 million, representing an increase of approximately 13.8% as compared with RMB2,310.2 million for the corresponding period of last year. Profit for the Period was RMB871.0 million, representing an increase of approximately 76.2% as compared with RMB494.3 million for the corresponding period of last year. Core profit attributable to the owners of the parent was RMB679.6 million, representing an increase of approximately 71.5% as compared with RMB396.4 million for the corresponding period of last year. The Group's basic earnings per share for the Period was RMB0.23 per share.

REVIEW FOR THE FIRST HALF OF 2020

Market Review

Since the beginning of this year, impacted by the novel coronavirus ("COVID-19"), the world has experienced one of the most severe economic recessions since the Great Depression. Tensions between China and the US have also intensified under the impact of the pandemic. After the phasing effects of the spread of the pandemic, certain countries have begun to restart their economies and to resume work and production. However, due to the uncertainty over the development of the pandemic, it is uncertain when the economy will be recovered.

Management Discussion and Analysis



Under the effect of the pandemic, China's GDP in the first quarter declined by 6.8% year-on-year, representing its first ever negative growth since the country's reform and opening-up. However, with the effective control of the pandemic in China and active economic regulation through state policies, pent-up demand has been released rapidly since the second quarter, resulting in the rebound of the real estate market and the quick recovery of sales. The GDP growth in the second quarter was 3.2%, as compared with a decline of 6.8% in the first quarter, which signified a change to a positive growth rate as well as a level higher than previous market expectations, indicating that China's economy has been recovering well.

Although the property market was affected by the pandemic in the first half of the year, the keynote

of "houses are for habitation, not speculation" still prevailed. With precise controls under the principle of "One City One Policy", the central government has promulgated loose policies on the supply and demand sides of the property market, including postponed or instalment payment for land, extension of the construction completion period, relaxation of pre-sale conditions, and the new human resources policies, which in fact have loosen the restrictions on the purchase of properties. Battered by the coronavirus pandemic, China's domestic economy was previously under certain downward pressure. However, the central government took decisive measures to promote the resumption of work and production, and the real estate industry has since enjoyed a loose policy environment. China's overall land market remained hot in the first half of 2020 and land auctions for

Management Discussion and Analysis

high-quality urban land are more contested. Land plots located in cities surrounding Hangzhou in the Yangtze River Delta were particularly sought after in recent times. In terms of residential market, the lockdown of some communities caused a sharp year-on-year decline in transaction volumes in the real estate market in the first quarter. However, because of the effective control of the pandemic in China and active economic regulation through state policies, delayed demand for housing in many cities across China was unleashed after the pandemic, which led to an increase in real estate market transactions at the beginning of the second quarter. In the latter part of the second quarter, home supply in many cities surged, and transactions rose steadily. Currently, the transaction volumes in many cities have returned to pre-pandemic levels.

Active response to the pandemic through various measures

Leveraging the standardized operation control, reasonable cost control system, prudent financial policies and flat management structure, the Group continued to maintain its sound and stable business expansion. With respect to cost control, the Group promoted scientific management and decision-making mechanisms, thus gradually enhancing the standard of its core operational management and achieving high turnover with high efficiency, and it minimized departmental and functional barriers, strengthened collaboration and communication, and enhanced decision-making efficiency. With respect to operation, the Group persisted in applying the development strategy of planting roots in cities, insisted on high turnover and sped up the sale process through product standardization to accelerate cash backflow. As the Group had sound cash flow management and succeeded in developing new financing channels, the Group's cash and bank balance as at 30 June 2020

increased by 6.9% as compared to that as at 31 December 2019. With respect to sales and marketing, the Group adopted the cloud sales model, and all main platforms and online sales offices were in operation at the same time. Meanwhile, the Group established the "5S Residential Zone", set up strict standards for the whole process of the five areas, "Design-Construction-Marketing-Customer Price-Property (設計-工程-行銷-客價-物業)", reinterpreted the size and space for living and also redefined the quality of healthy living. Under the pandemic, the Group's high-quality services won praises from property owners and within the industry.

Expanding financing channels and optimizing its financial structure

The Group has gained widespread support and recognition from the market since its listing (the "Listing") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in November 2019. It has also received overall positive reviews from a number of domestic and overseas investment banks such as CMB International, CCB International, BNP Paribas, BOCI, Guotai Junan, Standard Chartered Bank and Barclays Bank. In addition, on 9 March 2020, the Group was officially included in both the Hang Seng Composite Index and Mainland-Hong Kong Stock Connect (港股通).

During the Period, the Group was assigned global scale long-term issuer corporate credit ratings (國際長期發行人主體信用評級) of "B+" (Outlook "stable"), "B" (Outlook "stable") and "B2" (Outlook "stable") by the international credit rating agencies Fitch, Standard & Poor's and Moody's respectively, for the first time. In addition, the domestic credit rating agency United Ratings has maintained the Company's corporate credit rating of "AA+" with rating outlook of "Stable", and has also maintained facility credit rating of "AA+".

Management Discussion and Analysis

The Group has actively optimized and broadened its financing channels, and further expanded and deepened its cooperation with existing banking partners. During the Period, the Group obtained credit lines of approximately RMB75,300 million from a number of financial institutions, with about 68% being unutilized as at 30 June 2020, and it completed the issuance of the first tranche of an asset-backed securities (“ABS”) in July 2020 with a principal amount of RMB516 million at a maximum interest rate of 7.0%. The Group will keep exploring new financing channels to achieve the diversification of financing and lower financing costs. During the Period, the Group successfully issued two tranches of US Dollar bond, as follows:–

- In March 2020, the Company completed the issuance of bonds in the principal amount of US\$280 million with a coupon rate of 11.75% and due on 10 March 2021 (“USD Bonds due 2021”); and
- In June 2020, the Company completed the issuance of two-year bonds in the principal amount of US\$210 million with a coupon rate of 10.5% and due on 18 June 2022 (“USD Bonds due 2022”).

Products and Awards

We put great emphasis on quality management and has gained wide recognition in this respect. So far, we have won a total of 33 product awards, among which 16 were awarded in 2020, including “2019-2020 Aesthetics Vogue Award – Excellence Award” and “Top 10 Residential Properties with Best Aesthetic Sense in China (中國十大美力住宅)”.

The Group clearly recognized the importance of “Environmental, Social and Governance” (ESG) to good cooperate governance, thus, it highly valued

the management, practice and performance in the environmental, social and governance aspect. For details, please refer to the Group’s ESG Report.

Outlook for the second half of 2020

A small-scale resurgence of the pandemic occurred in 2020 indicates that the “normalization of pandemic prevention and control” is inevitable in the short term. The Group will do its best to facilitate the government’s prevention and control of the pandemic and will not cut any corner.

The outbreak of the coronavirus pandemic has had a wide-ranging impact on the country’s macro economy, the production and operation of all sectors as well as everyone’s daily life. The pandemic itself and some of the related prevention and control measures have inevitably affected economic activities. The real estate sector has been one of the most affected sectors, but where they are challenges, there are opportunities. The pandemic has changed the lifestyle of many people, and the uncertainty of its duration has promoted digital economy, e-commerce as well as online services. Many home buyers have begun to accept online viewings and sales, which has prompted many companies to develop new business models and speed up the transformation and upgrade of their business. On the policy side, it is expected that targeted loosening measures will dominate. Under the principle of “One City One Policy”, cities in deficit may continue to be suppliers of quality land parcels, while cities facing high inventory pressure may introduce talent attraction and household registration policies that support demand in order to speed up the destocking of the property market.

China’s domestic consumption has been gradually recovering, with Chinese citizens’ long-term investment and short-term consumption showing a clear upward trend. With the resumption of work in all sectors and

Management Discussion and Analysis

the recent roll-out of support policies, it is expected that domestic economic development will gradually recover in the second half of the year. However, as the pandemic outbreak continues to worsen globally and unemployment rates in many countries are soaring, there may be a global economic recession, and the impact of the pandemic on the scale of the sector throughout the year should not be underestimated. The Group will closely monitor the developments of the pandemic and the market and devise appropriate market strategies to respond to current changes.

Sinic, as a large-scale real estate developer in China, owns abundant land reserves throughout the country, and persists in adopting the operational strategies of planting roots in the cities and high turnover. In the future, the Company will continue to focus mainly on first- and second-tier cities, with third-tier cities as its secondary target. The Company will put more effort in its business expansion in the Yangtze River Delta region and the Greater Bay Region, while making full use of the advantages in its Jiangxi headquarters, and will plan its business layout in regions with high growth potential in core cities in Central and Western China, thus forming a definite strategic layout in the four major regions. With respect to land acquisition policies, the Group will ensure the profitability of individual projects, control land prices, increase profits, monitor the scope of land acquisition and achieve quick turnover; it will also encourage cooperation and appropriately diversify cooperation methods. With respect to sales, the Group will actively speed up the sale process, while strengthening its cashflow management, expanding financing channels and optimizing debt structure. The Group is confident in continuing to maintain its growth in scale.

2020 not only marks the 10th anniversary of the founding of Sinic, but also represents the first year since the listing of Sinic. In 2020, Sinic will start on a new journey. Through the transcendental quality empowered by three major assertions: security, care for customers of all ages, and fineness and delicacy, living experience will continue to be upgraded. Aiming at the full-service cycle from home purchasing to living, Sinic strives to upgrade and create an industry-leading customer service system, thereby letting the capital market and customers to have full confidence in the Company's future development. Moreover, the Company will continue to assume corporate social responsibility by delivering love to the public. With the unique attitude of a craftsman, Sinic will always be able to find its own right path and will forge ahead in the rapidly changing real estate industry.



Management Discussion
and Analysis

Performance Highlights

	For the six months ended 30 June		
	2020	2019	Change in percentage
Contracted sales			
Total contracted sales (RMB'000)	43,544,436	42,873,200	+1.6%
Attributable contracted sales (RMB'000)	21,061,066	19,721,672	+6.8%
Attributable contracted gross floor area ("GFA") (sq.m.)	1,476,556	1,517,120	-2.7%
Attributable contracted average selling price ("ASP") (RMB/sq.m)	14,264	12,999	+9.7%
Selected financial information			
Revenue (RMB'000)	8,703,375	6,983,191	+24.6%
Gross profit (RMB'000)	2,629,852	2,310,196	+13.8%
Profit for the Period (RMB'000)	871,011	494,264	+76.2%
Profit attributable to the owners of the parent (RMB'000)	822,045	449,061	+83.1%
Core profit attributable to the owners of the parent (RMB'000)	679,584	396,371	+71.5%
Gross profit margin (%)	30.2	33.1	-2.9 percentage points
Net profit margin (%)	10.0	7.1	+2.9 percentage points
Earnings per share (basic and diluted) (RMB cents)	23	15	+53.3%
	As at 30 June 2020	As at 31 December 2019	Change in percentage
Total assets (RMB'000)	102,759,441	96,223,550	+6.8%
Cash and bank balances (RMB'000)	17,742,958	16,598,569	+6.9%
Total indebtedness (RMB'000) ^(Note 1)	28,431,315	26,572,967	+7.0%
Total equity (RMB'000)	16,151,916	14,895,734	+8.4%
Equity attributable to the owners of the parent (RMB'000)	8,470,752	8,167,008	+3.7%
Current ratio (times) ^(Note 2)	1.2	1.2	-
Net gearing ratio (%) ^(Note 3)	66.2	67.0	-0.8 percentage points
Weighted average cost of indebtedness (%) ^(Note 4)	9.4	9.2	+0.2 percentage points

Management Discussion and Analysis

Non-GAAP Financial Measure

To supplement the consolidated financial statements which are presented in accordance with IFRS, the Company also presented the core profit as non-GAAP measures used by the management of the Group to provide additional information on the its operating performance. Core profit eliminates the impact of fair value of investment properties and financial assets/liabilities net of deferred tax, which are not indicative for evaluating the actual performance of the Group's business. Core profit is not a standard measure under IFRS. We believe that such non-GAAP measure provides additional information to investors and others in understanding and evaluating the consolidated results of operations in the same manner as the management of the Group.

The following table sets forth a reconciliation between the profit attributable to the owners of the parent and core profit attributable to the owners of the parent for the period:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Profit attributable to the owners of the parent	822,045	449,061
Adjustment for:		
Fair value gains on investment properties (net of tax)	(111,380)	(100,335)
Fair value (gains)/losses on financial assets (net of tax)	(31,051)	47,724
Fair value gains on financial liabilities (net of tax)	(30)	(79)
Core profit attributable to the owners of the parent	679,584	396,371

The definitions of core profit attributable to the owners of the parent should not be considered in isolation or be construed as an alternative to profit attributable to the owners of the parent or any other standard measure under IFRS or as an indicator of operating performance. Core profit of the Group may not be comparable to similarly titled measures used by other companies.

Management Discussion and Analysis

Notes:

- (1) The total indebtedness represents the total interest-bearing bank and other borrowings, corporate bonds and senior notes.
- (2) The current ratio is calculated by dividing the total current assets by the total current liabilities as at the relevant date.
- (3) The calculation of net gearing ratio is based on total indebtedness less cash and bank balances divided by total equity at the relevant date and multiplied by 100%.
- (4) Weighted average cost of indebtedness is the weighted average of interest costs of all indebtedness outstanding as at the relevant date.

Contracted sales and property development

Based in Jiangxi Province, the Group has gradually expanded into the Guangdong-Hong Kong-Macao Greater Bay Region, the Yangtze River Delta region, core cities in Central and Western China and other regions with high growth potential. Recording year-on-year growth in contracted sales, the Group is deeply involved in the development of these four regions and has further diversified its source of revenue from the sale of properties.

For the six months ended 30 June 2020, the Group's total contracted sales and attributable contracted sales were RMB43,544.4 million and RMB21,061.1 million respectively, representing a year-on-year increase of 1.6% and 6.8% compared with RMB42,873.2 million and RMB19,721.7 million for the same period last year. The slowdown in growth was mainly attributable to the pandemic in early 2020. The attributable contracted sales took place in four major regions across China, with approximately 40.5% in Jiangxi Province, approximately 15.5% in the Greater Bay Region, approximately 27.5% in the Yangtze River Delta region, and approximately 16.5% in core cities in Central and Western China and other regions with high growth potential.

Jiangxi Province is where the Company hails from, and the Group occupies a leading position in terms of market share in Nanchang. In April this year, Nanchang fully eased its household registration policies and became the first provincial capital with a "zero threshold" for household registration in China, which has had a positive impact on its property market. As at 30 June 2020, the Group had 4.9 million sq.m. of attributable land reserve in Jiangxi Province, which accounted for approximately 32.2% of the total attributable land reserve, and Nanchang accounted for approximately 74.2% of the attributable land reserve in Jiangxi Province. Nanchang Sinic City, one of the Group's key projects in Nanchang, is a premium residential property project located at Jiulong Lake West. With its desirable location, it is highly sought after by buyers. The region can currently accommodate a population of 500,000 and will become a regional trade and exhibition center. In 2019, the project received the following honors: "Best Planning and Design Award" (「最佳規劃設計獎」) by Nanchang Real Estate Association (南昌房地產協會), "Most Influential Residential Community in the Region" (「區域最具影響力樓盤」) by China (Jiangxi) Real Estate Roll of Honor (中國(江西)地產榮譽榜), "Liveable Jiangxi • Best Residential Community" (「宜居江西 • 人居典範樓盤」) by Jiangxi Real Estate Association (江西地產協會) and "Most Popular Residential Community in Nanchang in 2019" (「2019年南昌人氣樓盤」) by Tencent Real Estate (騰訊房產).

The Guangdong-Hong Kong-Macao Greater Bay Region is one of the key development areas in China. The Chinese government attaches great importance to the area, having included it in its work report at the "Two Sessions" for four consecutive times. The China Index Academy has also issued a report entitled *A Summary of the Real Estate Market in Guangdong, Hong Kong and Macao in the First Half of 2020 and its Trend and Outlook* (《2020上半年粵港澳房地產市場形勢總結及趨勢展望》). In order to mitigate the impact of the pandemic on the local economy, some

Management Discussion and Analysis

cities have advocated the easing of policies. For example, Huizhou proposed a “zero threshold” for household registration in mid-June, which means yet another city in the Greater Bay Region plans to loosen household registration restrictions so as to attract more people (mostly young people) to settle in the area. As the Greater Bay Region continues to promote the construction of urban agglomerations and metropolitan areas, young people’s demand for housing continues to surge, which has resulted in numerous market opportunities that deserve continuous attention. As at 30 June 2020, the Group had 4.7 million sq.m. of attributable land reserve in the Greater Bay Region, which accounted for approximately 31.0% of the total attributable land reserve. The Group’s projects are mostly found in core areas with high growth (such as Guangzhou, Shenzhen, Zhuhai, Zhongshan and Huizhou) with desirable locations. One of the Group’s most sought-after projects in the Greater Bay Region, Huizhou Xinli Rui Yuan (惠州新力睿園), is situated at prime location and with a depth of 1.8 kilometers. The project is directly connected to Shenzhen via the 1 Longhai Road (龍海一路) located at its front gate.

The Yangtze River Delta region is one of the most vibrant, fast-growing, and open regions in China. Since the State Council published *An Outline of the Integrated Development Plan of the Yangtze River Delta Region* (《長江三角洲區域一體化發展規劃綱要》), the integrated development of the region has entered the stage of full implementation. As the integrated development of the Yangtze River Delta region accelerates, cities in the Yangtze River Delta region can benefit directly from the plan. Transport infrastructure has been greatly improved and industries have been transformed and upgraded. As the household registration policies in many cities of the region continue to be optimized, a great number of talents have been lured to settle in the region, and the permanent population of the urban agglomerations in the Yangtze River Delta region continues to grow. As a result, the real estate market in the Yangtze River Delta region was also one of the

first regions to recover from the pandemic, with the selling prices of land plots at auctions hitting record highs repeatedly. The Group expanded into the Yangtze River Delta region in 2017. As at 30 June 2020, the Group had 3.1 million sq.m. of attributable land reserve in the Yangtze River Delta region, which accounted for approximately 19.9% of the total attributable land reserve. The Group’s projects are mostly located in core cities such as Shanghai, Suzhou, Hangzhou, Wuxi, Nanjing and Wenzhou. Located in Suzhou, Suzhou Bo Yuan is blessed with natural environmental advantages and boasts a desirable location, as it overlooks Taihu Lake to the south and faces Qionglong Mountain (the highest mountain in Suzhou) to the north.

In recent years, the Group has actively expanded its business in Central and Western China and other regions with high growth potential, such as Changsha, Wuhan, Chengdu, Fuzhou, etc. Among these, the sales volume and property price in Shandong have remained stable, which is characterized as a closed market. As at 30 June 2020, the Group had 2.6 million sq.m. of attributable land reserve in core cities in Central and Western China and other regions with high growth potential, which accounted for approximately 16.9% of the total attributable land reserve. Chengdu Dong Yuan, located in Xinshuangnan high-end ecological residential area, Chengdu, was awarded Eco-livable Real Estate of the year, Benchmark Real Estate of Ecological Villa Area, Highly Awaited Real Estate of 2019-2020, Urban Space • Regional Coconstruction Case Award (城市空間 • 區域共建案列獎).

For the six months ended 30 June 2020, the Group achieved attributable contracted sales in GFA of 1,476,556 sq.m., representing a decrease of approximately 2.7% from 1,517,120 sq.m. for the six months ended 30 June 2019. For the six months ended 30 June 2020, the Group’s attributable contracted ASP was RMB14,264 per sq.m., representing an increase of approximately 9.7% from RMB12,999 per sq.m. for the six months ended 30 June 2019.

Management Discussion and Analysis

The following table summarizes the attributable contract sales by region for the Period:

Region	Attributable contracted sales RMB million	Percentage of total attributable contracted sales %	Attributable contracted GFA sq.m.	Attributable contracted ASP RMB/sq.m.
Jiangxi Province	8,531	40.5	596,697	14,297
The Guangdong-Hong Kong-Macao Greater Bay Region	3,256	15.5	245,858	13,243
The Yangtze River Delta region	5,799	27.5	330,820	17,529
Core cities in Central and Western China and other regions with high growth potential	3,475	16.5	303,182	11,462
Total	21,061	100.0	1,476,556	14,264

Land Reserve

The Group attaches importance to the diversified geographical distribution of its land reserve in first- and second-tier cities and the acquisition of high-quality land reserve. As at 30 June 2020, the total attributable land reserve amounted to 15.3 million sq.m.. Such distribution and amount of land reserve show that the Group not only possesses tremendous high-quality land reserve, but is also determined to promote nationwide development through greatly increasing its land reserve in the Greater Bay Region and in core cities in the Yangtze River Economic Belt where the Group has expanded its business. The Guangdong-Hong Kong-Macao Greater Bay Region benefits from the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Region as well as the policy of pioneering demonstration zone for socialism with Chinese characteristics, and core cities in the Yangtze River Economic Belt are the most active core regions in China's economy. These positive factors will help the Group to grow faster.

For the six months ended 30 June 2020, the land reserve newly acquired by the Group was all located in cities in the four major regions. During the Period, the Group acquired a total of 22 parcels of high-quality land through public auctions, mergers and

acquisitions as well as joint ventures and associates, including 7 parcels in Jiangxi Province, 1 parcel in the Guangdong-Hong Kong-Macao Greater Bay Region, 12 parcels in the Yangtze River Delta region and 2 parcels in core cities in Central and Western China and other regions with high growth potential. The Group focused on acquiring land plots in the Yangtze River Delta region, resulting in a more balanced distribution of the Group's land reserve among the four major regions at the end of the Period. The total planned GFA of land parcels acquired during the Period was approximately 2.3 million sq.m., of which approximately 1.7 million sq.m. of planned GFA was attributable to the Group. The total attributable consideration of land parcels acquired during the Period was approximately RMB9,294.5 million. The average land cost for land parcels acquired during the Period was approximately RMB5,601 per sq.m..

In view of the Group's existing land reserve, the proportion of revenue contributed by markets outside Jiangxi Province is expected to increase further in the future, and a balanced development of the four major regions can be achieved gradually.

Management Discussion and Analysis

The following table sets forth the details of land parcels acquired by the Group during the Period:

Project	City	The Group's equity interest %	Planned GFA sq.m.	Attributable planned GFA sq.m.	
Jiangxi Province					
1.	Hedong Avenue, Nancheng County, Fuzhou	Fuzhou	100	138,738	138,738
2.	North of Ganxian District, Ganzhou	Ganzhou	100	158,671	158,671
3.	Xianghe Avenue, Taihe County, Ji'an	Ji'an	100	37,949	37,949
4.	South of Guangming Road, Zhangshu, Yichun	Yichun	50	52,129	26,065
5.	Industrial Road 3, Changleng Town, Xinjian District, Nanchang	Nanchang	100	114,910	114,910
6.	Cultural Center, Changleng Town, Xinjian District, Nanchang	Nanchang	100	182,655	182,655
7.	Project of 231 mu, Leping	Jingdezhen	45	274,553	123,549
The Guangdong-Hong Kong-Macao Greater Bay Region					
8.	Zhongkai District, Huizhou	Huizhou	80	214,670	171,736
The Yangtze River Delta region					
9.	West of Yinhe Road, Zhangpu Town, Kunshan, Suzhou	Suzhou	50	137,419	68,709
10.	South of Beijing Road, Haimen, Nantong	Nantong	25	63,849	15,643
11.	Haiyangguan East Road, Gulou District, Xuzhou	Xuzhou	50	80,323	40,161
12.	Land parcel B5 of 32 mu, South of Taihu Avenue, Xinzhuang, Yixing, Wuxi	Wuxi	50	37,574	18,787
13.	Land parcel B7 of 37 mu, South of Taihu Avenue, Xinzhuang, Yixing, Wuxi	Wuxi	50	49,283	24,642
14.	Tangxia Town, Rui'an, Wenzhou	Wenzhou	51	39,398	20,093
15.	South of Sanxing River, Guangling District, Yangzhou	Yangzhou	100	40,256	40,256
16.	South of Cixi, Ningbo	Ningbo	40	147,006	58,802
17.	Project of 84 mu, Pingyao, Yuhang District, Hangzhou	Hangzhou	100	76,888	76,888
18.	Project of 40 mu, Pingyao, Yuhang District, Hangzhou	Hangzhou	100	37,462	37,462
19.	South of Taihu Avenue, Xinzhuang Residential District, Yixing, Wuxi	Wuxi	50	58,366	29,183
20.	Xiaoyanjia, Yuyao	Hangzhou	100	58,737	58,737
Core cities in Central and Western China and other regions with high growth potential					
21.	Heshang land plot, Changle District, Fuzhou	Fuzhou	100	139,735	139,735
22.	Dawangling, Furong District, Changsha	Changsha	51	149,049	76,015
Total			2,289,620	1,659,386	

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Property projects developed and managed by the Group's subsidiaries, joint ventures or associates

The following table sets forth the breakdown of the total attributable land reserve developed and managed by the Group's subsidiaries, joint ventures or associates by geographical location as at 30 June 2020:

Region/City	Land use	Attributable GFA sq.m.	Percentage of total land reserve %
Jiangxi Province			
Nanchang	Residential/Commercial	3,661,035	23.9
Ganzhou	Residential/Commercial	542,907	3.5
Jingdezhen	Residential/Commercial	225,341	1.5
Fuzhou	Residential/Commercial	199,511	1.3
Ji'an	Residential/Commercial	155,465	1.0
Others	Residential/Commercial	150,573	1.0
Sub-total		4,934,832	32.2
The Guangdong-Hong Kong-Macao Greater Bay Region			
Huizhou	Residential/Commercial	4,037,392	26.4
Guangzhou	Residential	233,051	1.5
Zhuhai	Residential/Commercial	180,245	1.2
Shenzhen	Residential/Commercial	129,709	0.8
Zhongshan	Residential/Commercial	104,056	0.7
Qingyuan	Residential/Commercial	64,364	0.4
Sub-total		4,748,817	31.0
The Yangtze River Delta region			
Suzhou	Residential/Commercial	1,092,545	7.2
Wuxi	Residential/Commercial	510,652	3.3
Zhuji	Residential/Commercial	462,707	3.0
Hefei	Residential/Commercial	311,585	2.0
Hangzhou	Residential/Commercial	114,350	0.7
Wenzhou	Residential/Commercial	105,900	0.7
Xuzhou	Residential/Commercial	102,247	0.7
Ningbo	Residential/Commercial	97,871	0.6
Shanghai	Residential/Commercial	58,946	0.4
Others	Residential/Commercial	201,071	1.3
Sub-total		3,057,874	19.9

Management Discussion and Analysis

Region/City	Land use	Attributable GFA sq.m.	Percentage of total land reserve %
Core cities in Central and Western China and other regions with high growth potential			
Changsha	Residential/Commercial	770,578	5.0
Wuhan	Residential/Commercial	621,307	4.1
Chengdu	Residential/Commercial	392,756	2.6
Fuzhou	Residential/Commercial	233,352	1.5
Ezhou	Residential/Commercial	144,651	0.9
Zigong	Residential/Commercial	122,714	0.8
Xiangyang	Residential	113,896	0.7
Others	Residential/Commercial	195,947	1.3
Sub-total		2,595,201	16.9
Total		15,336,724	100.0

Details of land parcels acquired by the Group subsequent to the end of the Period as of 15 August 2020 are as follows:

	City	The Group's equity interest %	Planned GFA s.q.m.	Attributable planned GFA s.q.m.
Jiangxi Province				
100.84 mu, Baoshui Avenue, Chongren County, Fuzhou City	Fuzhou	85	161,343	137,142
70 mu, east of Fengling Road, Qinglan New District, Jinxian County, Nanchang City	Nanchang	100	84,044	84,044
104 mu, east of Fengling Road, Qinglan New District, Jinxian County, Nanchang City	Nanchang	100	142,651	142,651
98.75 mu, Yingbin Avenue, Nanchang County, Nanchang City	Nanchang	50	178,563	89,282
The Yangtze River Delta region				
55 mu, east of Qingnian Road, Hailing District, Taizhou City	Taizhou	100	55,370	55,370
204 mu, Nanjing Jiangbei New Area	Nanjing	33	260,144	86,783
70.95 mu, Guanting, Beishan Road, Songyang County, Lishui	Lishui	50	80,410	40,205

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FINANCIAL REVIEW

Revenue

Revenue of the Group arises from sales of properties, the provision of project management and other consulting services to independent third parties and leasing of investment properties. For the six months ended 30 June 2020, approximately 96.6% (same period in 2019: 99.1%) of the Group's revenue was

derived from the sales of properties, approximately 3.4% (same period in 2019: 0.9%) was derived from project management and other consulting services and leasing of investment properties.

The following table summarizes the revenue recognized by business for the periods indicated:

	For the six months ended 30 June			
	2020		2019	
	RMB'000	%	RMB'000	%
Sales of properties	8,410,397	96.6	6,920,657	99.1
Project management and other consulting services	288,476	3.3	56,558	0.8
Rental income	4,502	0.1	5,976	0.1
Total	8,703,375	100.0	6,983,191	100.0

For the six months ended 30 June 2020, the Group recorded total revenue of RMB8,703.4 million, representing an increase of approximately 24.6% as compared to RMB6,983.2 million of the same period last year, which was primarily attributable to the increase in revenue from sales of properties during the Period.

Revenue from sales of properties

For the six months ended 30 June 2020, revenue from sales of properties was mainly derived from the sales of residential properties with higher turnover rate and accounted for approximately 92.2% of the total revenue. Revenue generated from sales of properties increased by approximately 21.5% to RMB8,410.4 million for the six months ended 30 June 2020 from RMB6,920.7 million for the six months ended 30 June 2019, which was primarily due to the increase in GFA delivered and ASP of the properties delivered by the Group during the Period. For the six months ended 30 June 2020, the total GFA delivered amounted to

725,761 sq.m., representing a year-on-year increase of approximately 11.0%; while the ASP of the properties delivered amounted to RMB11,588.4 per sq.m., representing an increase of approximately 9.5% as compared to last year. During the Period, the revenue recognized was derived from Jiangxi Province, the Greater Bay Region and core cities in Central and Western China and other regions with high growth potential, and Yangtze River Delta Region which accounted for approximately 80.5%, 15.0%, 3.8% and 0.7%, respectively.

Revenue from project management and other consulting services

Revenue generated from the provision of project management and other consulting services increased to RMB288.5 million for the six months ended 30 June 2020 from RMB56.6 million for the six months ended 30 June 2019, primarily due to a number of new project management and other consulting service projects obtained by the Group during the Period.

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Rental income

Rental income from the leasing of investment properties decreased by approximately 24.7% to RMB4.5 million for the six months ended 30 June 2020 from RMB6.0 million for the six months ended 30 June 2019, which was primarily attributable to the decrease in investment properties leasing out.

Cost of sales

Cost of sales primarily represent costs the Group incurred directly relating to its property development activities, which mainly consist of construction costs, land acquisition costs and capitalized interest. The Group's cost of sales increased by approximately 30.0% to RMB6,073.5 million for the six months ended 30 June 2020 from RMB4,673.0 million for the six months ended in 30 June 2019, which was primarily attributable to the increase in the scale of the Group's operations and the increase in the GFA of properties delivered.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 13.8% to RMB2,629.9 million for the six months ended 30 June 2020 from RMB2,310.2 million for the six months ended 30 June 2019, which was primarily due to the Group's business expansion during the Period. For the Period, gross profit margin amounted to 30.2%, representing a decrease of 2.9 percentage points as compared to 33.1% for the six months ended 30 June 2019. The decrease was primarily attributable to change in gross profit margin of the product portfolio of properties delivered during the Period.

Finance income

Finance income primarily represents interest income on bank deposits. The Group's finance income increased by approximately 353.6% to RMB58.5 million for the six months ended 30 June 2020 from RMB12.9 million

for the six months ended 30 June 2019, which was primarily attributable to the increase in time deposits during the Period.

Other income and gains

The Group's other income and gains increased to RMB36.7 million for the six months ended 30 June 2020 from RMB11.9 million for the six months ended 30 June 2019. Other income and gains for the Period were primarily attributable to exchange gains and net gains on disposal of subsidiaries amounted to RMB16.7 million and RMB9.9 million during the Period, respectively.

Selling and distribution expenses

Selling and distribution expenses primarily consist of (i) advertising costs; (ii) sales and marketing staff costs; (iii) property management fees paid to agencies; and (iv) sales commission to real estate agents. The Group's selling and distribution expenses increased by approximately 4.3% to RMB366.0 million for the six months ended 30 June 2020 from RMB351.1 million for the six months ended 30 June 2019, which was primarily attributable to the increase in advertising expenses and sales commissions.

The total amount of selling and distribution expenses as a percentage of the Group's revenue decreased from approximately 5.0% in the same period last year to approximately 4.2% during the Period, as the Group achieved economies of scale due to the increase in its scale of operations.

Administrative expenses

Administrative expenses primarily consist of (i) administrative staff costs; (ii) office expenses; and (iii) tax expenses other than corporate income tax. The Group's administrative expenses decreased by approximately 5.3% to RMB243.1 million for the six

Management Discussion and Analysis

months ended 30 June 2020 from RMB256.8 million for the six months ended 30 June 2019, which was primarily attributable to the streamlining and efficiency improvement of the human resources management.

The total amount of administrative expenses as a percentage of the Group's revenue decreased from approximately 3.7% in the same period last year to approximately 2.8% during the Period, as the Group achieved economies of scale due to the increase in its scale of operations.

Fair value gains on investment properties

Fair value gains on investment properties represent the increase in fair value of the investment properties located in certain commercial areas held by the Group for rental, operating income or capital appreciation. For the six months ended 30 June 2020, the Group recorded fair value gains on investment properties of RMB148.5 million, representing an increase of approximately 11.0% from RMB133.8 million for the six months ended 30 June 2019.

Finance costs

Finance costs mainly represent interest expenses on bank and other borrowings and interest arising from a significant financing component of contract liabilities related to the pre-sale proceeds less the capitalized interest relating to properties under development. The Group's finance costs decreased by approximately 2.4% to RMB286.5 million for the six months ended 30 June 2020 from RMB293.6 million for the six months ended 30 June 2019, respectively, which was primarily attributable to the combined effect of the changes in interest on loans and borrowings, interest expenses from contract revenue and capitalized interest.

The Group's gross finance costs before capitalization for the six months ended 30 June 2020 was RMB1,477.0 million, representing an increase of approximately 5.4% from RMB1,401.4 million for the six months ended 30 June 2019. The increase was mainly due to the increase in interest expense arising from contract revenue during the Period.

The Group's weighted average cost of indebtedness as at 30 June 2020 was approximately 9.4% (31 December 2019: 9.2%).

Share of profits and losses of joint ventures

The Group recorded share of losses of joint ventures of RMB17.2 million for the six months ended 30 June 2020 and share of profits of joint ventures of RMB86.3 million for the six months ended 30 June 2019. Such change was primarily due to the decrease in the delivery of property projects held by the Group's joint ventures during the Period.

Share of profits of associates

The Group's share of profits of associates increased by approximately 103.9% to RMB116.4 million for the six months ended 30 June 2020 from RMB57.1 million for the six months ended 30 June 2019, primarily due to the increase in profits generated from the delivery of property projects held by the Group's associates during the six months ended 30 June 2020.

Profit before tax

As a result of the aforementioned changes of the Group's financials, the Group's profit before tax increased by approximately 28.3% to RMB2,098.8 million for the six months ended 30 June 2020 from RMB1,635.5 million for the six months ended 30 June 2019.

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Income tax expense

The Group's income tax expense comprises provisions made for corporate income tax and land appreciation tax in the PRC, net of deferred tax during the Period. The Group's income tax expense for the Period increased by approximately 7.6% to RMB1,227.8 million for the six months ended 30 June 2020 from RMB1,141.3 million for the six months ended 30 June 2019.

The effective income tax rate of the Group, being the income tax divided by profit before taxation, for the six months ended 30 June 2020 was 58.5%, compared to 69.8% for the six months ended 30 June 2019.

Profit for the Period

As a result of the aforementioned changes of the Group's financials, the Group's profit for the Period increased by approximately 76.2% to RMB871.0 million for the six months ended 30 June 2020 from RMB494.3 million for the six months ended 30 June 2019. The profit attributable to the owners of the parent was RMB822.0 million, representing a year-on-year increase of approximately 83.1% from RMB449.1 million in 2019. Net profit margin increased to 10.0% in 2020 from 7.1% in 2019.

The core profit attributable to the owners of the parent was RMB679.6 million in the six months ended 30 June 2020, representing an increase of approximately 71.5% from RMB396.4 million in 2019. Core profit attributable to the owners represents profit attributable to the owners amounted to RMB822.0 million less the fair value gains on investment properties (net of tax) amounted to RMB111.4 million and the net fair value gains on financial assets/liabilities (net of tax) amounted to RMB31.0 million.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The industry in which the Group engages is a capital-intensive industry. The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with cash generated from operations including proceeds from sale and pre-sale of properties, bank and other borrowings and proceeds from the Listing, issuance of bonds and senior notes. The Group's need for long-term liquid capital is associated with capital allocated for property development projects and repayment of long-term loans.

Net current assets

As at 30 June 2020, the Group's net current assets amounted to RMB10,999.9 million (31 December 2019: RMB11,603.6 million). Specifically, the Group's total current assets increased by approximately 4.8% to RMB81,626.8 million as at 30 June 2020 from RMB77,863.5 million as at 31 December 2019. The Group's total current liabilities increased by approximately 6.6% to RMB70,626.9 million as at 30 June 2020 from RMB66,260.0 million as at 31 December 2019. The increase in the Group's total current assets was primarily attributable to increase in cash and cash equivalents and prepayments, other receivables and other assets during the Period.

Cash position

As at 30 June 2020, the Group had cash and bank balances of RMB17,743.0 million (31 December 2019: RMB16,598.6 million). Excluding restricted cash and pledged deposits, the cash and cash equivalents amounted to RMB13,242.8 million, of which RMB12,441.2 million, RMB59.5 million and RMB742.1 million (31 December 2019: RMB9,772.2 million, RMB756.0 million and RMB30.5 million) were denominated in RMB, HK\$ and US\$, respectively.

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Indebtedness

As at 30 June 2020, the Group had total outstanding borrowings of RMB28,431.3 million (31 December 2019: RMB26,573.0 million), of which RMB22,466.1 million (31 December 2019: RMB17,543.5 million) was carried at fixed rates.

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

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Non-current		
Bank loans – secured	8,582,823	7,823,160
Other loans – secured	5,314,705	6,698,115
Corporate bonds and senior notes	1,864,514	406,552
Total non-current borrowings	15,762,042	14,927,827
Current		
Other loans – secured	1,031,397	2,357,686
Other loans – unsecured	1,667,142	741,242
Current portion of long term bank loans – secured	3,989,233	3,550,410
Current portion of other loans – secured	3,331,677	3,559,585
Corporate bonds and senior notes	2,649,824	1,436,217
Total current borrowings	12,669,273	11,645,140
Total borrowings	28,431,315	26,572,967
Secured	22,249,835	24,801,101
Unsecured	6,181,480	1,771,866
	28,431,315	26,572,967

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

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Bank loans repayable:		
– Within one year or on demand	3,989,233	3,550,410
– In the second year	5,614,373	4,513,400
– In the third to fifth year, inclusive	2,968,450	3,309,760
Sub-total	12,572,056	11,373,570
Other borrowings, senior notes and corporate bonds repayable:		
– Within one year or on demand	8,680,040	8,094,730
– In the second year	6,799,219	6,889,667
– In the third to fifth year, inclusive	380,000	215,000
Sub-total	15,859,259	15,199,397
Total	28,431,315	26,572,967

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

By currency denomination

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Analysis of borrowings by currency		
• Denominated in RMB	23,503,713	25,693,566
• Denominated in US\$	4,892,159	812,145
• Denominated in HK\$	35,443	67,256
	28,431,315	26,572,967

Net gearing ratio

As at 30 June 2020, the Group's net gearing ratio was 66.2% (31 December 2019: 67.0%).

Pledge of assets

As at 30 June 2020, the Group's borrowings were secured by the Group's assets of RMB35,913.7 million (31 December 2019: RMB27,200.0 million) which include (i) investment properties; (ii) properties under development; and (iii) completed properties held for sale.

Financial risks

The Group's activities expose it to a variety of financial risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group did not use any derivatives and other instruments for hedging purposes. The Group did not hold or issue derivative financial instruments for trading purposes.

Interest rate risk

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

Foreign currency risk

The Group primarily operates its business in China and substantially all of its revenue and expenditures are denominated in Renminbi. As at 30 June 2020, the Group had cash and bank balances denominated in HK\$ and US\$ of RMB59.5 million and RMB742.1 million respectively, which are subject to fluctuations in exchange rates. In addition, the Group has transactional currency exposures, arising mainly from the Group's interest-bearing bank and other borrowings denominated in HK\$ and US\$. The Group does not have a foreign currency hedging policy. However, the Group will closely monitor its exposure to exchange rates in order to best preserve the Group's cash value.

Credit risk

The Group divides financial instruments on the basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Group's counterparties. The credit period granted to the customers is generally six months and the credit quality of these customers is assessed, taking into

Management Discussion and Analysis

account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are provided for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

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

CONTINGENT LIABILITIES

Mortgage guarantees

The Group provided mortgage guarantees to banks in respect of the mortgage loans they provided to the Group's customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If the Group fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, the Group does not conduct independent credit checks on its customers but rely on the credit checks conducted by the mortgagee banks.

The total guarantee provided by the Group to banks in connection with facilities granted to the Group's customers amounted to RMB29,906.4 million as at 30 June 2020 (31 December 2019: RMB27,964.7 million). The total guarantee provided by the Group to banks in connection with facilities granted to the Group's joint ventures and associates amounted to RMB8,267.7 million as at 30 June 2020 (31 December 2019: RMB8,633.4 million).

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

Legal contingencies

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

COMMITMENTS

As at 30 June 2020, the Group had capital commitment in relation to the properties under development, acquisition of equity interests and capital contribution for investments in joint ventures and associates amounted to RMB25,563.8 million (31 December 2019: RMB18,985.7 million).

Management Discussion and Analysis

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as at 30 June 2020, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

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

The Group did not have any material acquisition or disposal of subsidiaries, associated companies and joint ventures for the six months ended 30 June 2020.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

Save as disclosed in this report, there was no significant investment held by the Group as at 30 June 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS

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

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the Listing (including the partial exercise of the over-allotment options), after deducting the underwriting commission and other estimated expenses in connection with the Listing amounted to approximately HK\$2,188.9 million. The net proceeds received from the Listing have been used, and will continue to be used, in a manner consistent with the proposed allocations in the prospectus of the Company dated 30 October 2019 (the "Prospectus").

As at 30 June 2020, the Group utilized the proceeds from the Listing in the amount of approximately HK\$1,498.1 million, among which (i) approximately HK\$671.7 million was used for repayment of a portion of an interest-bearing borrowing for project development; (ii) approximately HK\$200.0 million was allocated for general business operations and working capital; and (iii) approximately HK\$626.4 million was used for financing the Group's existing property projects. The remaining proceeds of approximately HK\$690.8 million is expected to be used for financing the Group's existing property projects and will be paid year by year according to the progress of construction in the following years.

OTHER INFORMATION

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

As at 30 June 2020, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

INTERESTS IN SHARES OF THE COMPANY

Name of Director	Nature of Interest ^(Note 2)	Number of Shares or underlying Shares ^(Note 1)	Approximate percentage of shareholding ^(Note 1)
Mr. Zhang Yuanlin	Founder of trusts ^(Note 3)	2,970,000,000 (L)	83.19%

Notes:

- (1) As at 30 June 2020, the Company issued 3,570,187,000 Shares. The letter (L) denotes the entity's long position in the relevant Shares.
- (2) The entire issued share capital of Sinic Holdings Group Company Limited is held by Sinic Group Company Limited, which in turn is wholly owned by Xin Hong Company Limited. Xin Hong Company Limited is wholly owned by Honoured Ever Oriental Holdings Limited, the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the Family Trust, a discretionary trust established by Mr. Zhang as settlor, the beneficiaries of which are Mr. Zhang and Mr. Zhang's family members. Accordingly, each of Mr. Zhang, TMF (Cayman) Ltd., Honoured Ever Oriental Holdings Limited, Xin Hong Company Limited and Sinic Group Company Limited is deemed under the SFO to be interested in the Shares held by Sinic Holdings Group Company Limited.
- (3) Xin Heng holds 150,000,000 Shares, representing approximately 4.2% of the issued share capital of the Company. The entire issued share capital of Xin Heng is held by Glory Victory Holdings Limited, the holding vehicle of TMF Trust (HK) Limited. TMF Trust (HK) Limited is the trustee of the Employee Incentive Trust, a discretionary trust set up by Mr. Zhang as settlor for the purpose of a share incentive scheme to be adopted, for the benefit of employees of the Group. Accordingly, Mr. Zhang is deemed under the SFO to be interested in the Shares held by Xin Heng.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

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

So far as is known to the Company, as at 30 June 2020, as recorded in the register required to be kept by the Company under section 336 of SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Name of Shareholder	Nature of Interest ^(Notes 2)	Number of Shares or underlying Shares ^(Note 1)	Approximate percentage of shareholding ^(Note 1)
TMF (Cayman) Ltd.	Trustee of a trust	2,820,000,000 (L)	78.99%
Honoured Ever Oriental Holdings Limited	Interest of controlled corporation	2,820,000,000 (L)	78.99%
Xin Hong Company Limited	Interest of controlled corporation ^(Note 4)	2,820,000,000 (L)	78.99%
Sinic Group Company Limited	Interest of controlled corporation ^(Note 4)	2,820,000,000 (L)	78.99%
Sinic Holdings Group Company Limited	Beneficial owner ^(Note 4)	2,820,000,000 (L)	78.99%
Ms. Wu Chengping	Interest of spouse ^(Note 3)	2,970,000,000 (L)	83.19%

Notes:

- (1) As at 30 June 2020, the Company issued 3,570,187,000 Shares. The letter (L) denotes the entity's long position in the relevant Shares.
- (2) The entire issued share capital of Sinic Holdings Group Company Limited is held by Sinic Group Company Limited, which in turn is wholly owned by Xin Hong Company Limited. Xin Hong Company Limited is wholly owned by Honoured Ever Oriental Holdings Limited, the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the Family Trust, a discretionary trust established by Mr. Zhang as settlor, the beneficiaries of which are Mr. Zhang and Mr. Zhang's family members. Accordingly, each of TMF (Cayman) Ltd., Honoured Ever Oriental Holdings Limited, Xin Hong Company Limited and Sinic Group Company Limited is deemed under the SFO to be interested in the Shares held by Sinic Holdings Group Company Limited.
- (3) Ms. Wu Chengping is the spouse of Mr. Zhang Yuanlin. Under the SFO, Ms. Wu Chengping is deemed to be interested in the same Shares in which Mr. Zhang is interested.
- (4) Mr. Zhang is director of Xin Hong Company Limited, Sinic Group Company Limited and Sinic Holdings Group Company Limited.

Save as disclosed above, as at 30 June 2020, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

Other Information

Share Option Scheme

The Company approved and adopted the Share Option Scheme on 15 October 2019. The Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

Details of the Share Option Scheme

(1) *Purpose*

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined in paragraph (2) below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(2) *Participants*

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

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

Other Information

(3) *The maximum number of Shares available for issue*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate 352,941,200 Shares, represented approximately 9.89% of Shares in issue as at the date of this report. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company.

(4) *The maximum entitlement of each participant*

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

(5) *Acceptance and exercise of option and the duration of the Share Option Scheme*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favor of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. Such remittance shall in no circumstances be refundable. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

Other Information

(6) Subscription price of Shares

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

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

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

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

Employee and Remuneration Policy

As at 30 June 2020, the Group had 3,383 employees. The compensation level is determined based on the qualification, position, seniority and periodic performance reviews of each of the employees. In the performance reviews, each of the employees is assessed with reference to the value that the employee has created for the Group during the performance period and any other meaningful contributions that the employee has made to the Group. Accordingly, their benefit packages are adjusted based on the assessments from the performance reviews. During the Period, the Group improved the welfare packages provided to its employees and adjusted the salary structure and the bonus payment mechanism with a view to improving its pay for performance compensation policy.

Other Information

Compliance with Corporate Governance Code

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company has adopted the code provisions stated in the Corporate Governance Code (“CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Except for the deviation from CG Code provision A.2.1, the Group’s corporate governance practices are in compliance with the CG Code. CG Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chen Kai is the co-chairman of the Board and the chief executive officer. In view of the fact that Mr. Chen has extensive experience in business management and has been assuming day-to-day responsibilities in operating and managing the Group, the Board believes that it is in the best interest of the Group to have Mr. Chen taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from CG Code provision A.2.1 is appropriate in such circumstance. Notwithstanding from above, the Board is of the view that this management structure is effective for the Group’s operations and sufficient checks and balances are in place.

Other Information

The Group is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the shareholders as a whole. Save as disclosed above, the Company had complied with the provisions of the CG Code during the six months ended 30 June 2020.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the —“Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. In response to the specific enquiry made by the Company, all Directors confirmed that they have fully complied with the Model Code during the six months ended 30 June 2020.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 June 2020, the Company issued the USD Bonds due 2021 with a principal amount of US\$280 million in March 2020; and the USD Bonds due 2022 with a principal amount of US\$210 million in June 2020. Both senior notes are listed and traded on Singapore Exchange Securities Trading Limited.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2020.

Disclosure Pursuant to Rule 13.18 of the Listing Rules

On 12 February 2020, the Company as borrower entered into a facility agreement (the “Facility Agreement”) with BOCI Leveraged & Structured Finance Limited as lender (the “Lender”) pursuant to which a US\$140 million term loan facility (the “Facility”) would be made available by the Lender to the Company subject to the terms and conditions of the Facility Agreement. The loan under the Facility shall be repaid in full on 31 December 2020.

Pursuant to the Facility Agreement, if Mr. Zhang Yuanlin, Sinic Holdings Group Company Limited, Sinic Group Company Limited and Xin Hong Company Limited, each a controlling shareholder of the Company, collectively do not or cease to:

- (i) own (directly or indirectly) at least 51% of the issued share capital of the Company;
- (ii) have the power to appoint and remove a majority of the Board; or
- (iii) have the power to give directions with respect to the operating and financial policies of the Company with which the Board is obliged to comply, the Lender may cancel the amount of the Facility committed by the Lender and declare all outstanding amounts together with interest accrued and all other amounts payable by the Company under the Facility to be immediately due and payable.

Other Information

On 17 February 2020, US\$140 million was drawn down by the Company and US\$40 million of the Facility had been repaid. The balance of US\$100 million remains outstanding as at 30 June 2020.

Disclosure of Directors' Information Pursuant to Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors subsequent to the publication of the 2019 annual report are set out below:

Mr. She Runting has resigned as an executive Director and the vice president of the Company with effect from 26 May 2020 as disclosed in the Company's announcement dated 22 May 2020.

Mr. Au Yeung Po Fung, being the independent non-executive Director of the Company, resigned as an independent non-executive director of GR Properties Ltd which is listed on the Stock Exchange (stock code: 108) with effect from 9 February 2020. He also was appointed as an independent non-executive director of Zhenro Services Group Limited which is listed on the Stock Exchange (stock code: 6958) on 10 July 2020.

Save as disclosed above, there is no other change in Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

Audit Committee

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

The primary duties of the Audit Committee are to review, supervise and approve the financial reporting process and internal control system and to provide advice and comments to the Board. The Audit Committee consists of three members, namely Mr. Tam Chi Choi (chairman), Mr. Au Yeung Po Fung, and Mr. Liu Xin, each of them is an independent non-executive Director.

The Audit Committee and management have discussed, reviewed and agreed with the interim results and the interim report of the Group for the six months ended 30 June 2020. The interim results for the six months ended 30 June 2020 has not been audited but has been reviewed by Ernst & Young, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Other Information

Interim Dividend

The Board does not recommend payment of any interim dividend for the Period.

Interim Report

This interim report is printed in both English and Chinese, and is available for electronic and print format. Electronic copy is available for download, at no charge, on the Company's website at <https://www.sinicdc.com>. Existing shareholders of the Company will receive a free printed report by post by the Company's branch share registrar in Hong Kong. Potential investors who are interested in knowing more about us may download the interim report from the Company's website or to request a printed copy by giving a notice in writing to the Company or the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Shareholders who would like to be alerted when the Company publishes its corporate communications on the HKEXnews website at <https://www.hkexnews.hk> can register for alerts in the Investment Service Centre section of the Stock Exchange website.

By order of the Board

Sinic Holdings (Group) Company Limited

Zhang Yuanlin

Co-Chairman and Executive Director

Hong Kong, 28 August 2020

INDEPENDENT REVIEW REPORT

To the board of directors of Sinic Holdings (Group) Company Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 43 to 76, which comprises the condensed consolidated statement of financial position of Sinic Holdings (Group) Company Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Certified Public Accountants
Hong Kong

28 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	4	8,703,375	6,983,191
Cost of sales		(6,073,523)	(4,672,995)
Gross profit		2,629,852	2,310,196
Finance income		58,482	12,892
Other income and gains	4	36,696	11,900
Selling and distribution expenses		(365,978)	(351,054)
Administrative expenses		(243,110)	(256,804)
Other expenses		(9,498)	(11,642)
Fair value gains on investment properties	10	148,507	133,780
Fair value gains/(losses) on financial assets at fair value through profit or loss		31,051	(63,632)
Fair value gains on financial liabilities at fair value through profit or loss		40	105
Finance costs	6	(286,455)	(293,615)
Share of profits and losses of:			
Joint ventures		(17,241)	86,305
Associates		116,427	57,088
PROFIT BEFORE TAX	5	2,098,773	1,635,519
Income tax expense	7	(1,227,762)	(1,141,255)
PROFIT FOR THE PERIOD		871,011	494,264
Attributable to:			
Owners of the parent		822,045	449,061
Non-controlling interests		48,966	45,203
		871,011	494,264
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	9	RMB0.23	RMB0.15

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	871,011	494,264
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(55,705)	(8,657)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(55,705)	(8,657)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(55,705)	(8,657)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	815,306	485,607
Attributable to:		
Owners of the parent	766,340	440,404
Non-controlling interests	48,966	45,203
	815,306	485,607

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	78,989	91,349
Right-of-use assets		65,148	70,866
Investment properties	11	2,293,200	1,751,200
Intangible assets		26,756	25,196
Investments in joint ventures		7,719,733	5,992,646
Investments in associates		7,702,844	7,231,927
Deferred tax assets		2,284,787	2,162,741
Other non-current assets		961,169	1,034,122
Total non-current assets		21,132,626	18,360,047
CURRENT ASSETS			
Financial assets at fair value through profit or loss		514,963	281,795
Properties under development		49,105,820	48,908,306
Completed properties held for sale		2,218,729	2,881,983
Trade receivables	12	28,870	20,872
Due from related companies	22	5,700,128	4,796,093
Prepayments, other receivables and other assets		5,958,220	4,055,067
Tax recoverable		357,127	320,818
Restricted cash	13	4,122,575	5,749,309
Pledged deposits	13	377,629	290,522
Cash and cash equivalents	13	13,242,754	10,558,738
Total current assets		81,626,815	77,863,503
CURRENT LIABILITIES			
Trade and bills payables	14	6,428,535	5,457,196
Other payables and accruals		3,137,839	3,470,586
Dividend payables	8	464,124	–
Contract liabilities		34,882,506	34,231,211
Due to related companies	22	7,138,786	5,957,364
Interest-bearing bank and other borrowings	15	10,019,449	10,208,923
Senior notes	16	2,028,008	812,145
Corporate bonds	17	621,816	624,072
Lease liabilities		29,017	30,629
Financial liabilities at fair value through profit or loss		458	498
Tax payable		5,876,373	5,467,328
Total current liabilities		70,626,911	66,259,952
NET CURRENT ASSETS		10,999,904	11,603,551
TOTAL ASSETS LESS CURRENT LIABILITIES		32,132,530	29,963,598

Interim Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	13,897,528	14,521,275
Senior notes	16	1,448,251	–
Corporate bonds	17	416,263	406,552
Lease liabilities		22,577	29,483
Deferred tax liabilities		195,995	110,554
Total non-current liabilities		15,980,614	15,067,864
Net assets		16,151,916	14,895,734
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	31,958	31,958
Reserves		8,438,794	8,135,050
		8,470,752	8,167,008
Non-controlling interests		7,681,164	6,728,726
Total equity		16,151,916	14,895,734

Mr. Zhang Yuanlin
Director

Ms. Tu Jing
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>Note 18</i>									
At 1 January 2020 (audited)	31,958	1,940,877	3,750,716	8,189	283,236	(95,177)	2,247,209	8,167,008	6,728,726	14,895,734
Profit for the period	-	-	-	-	-	-	822,045	822,045	48,966	871,011
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(55,705)	-	(55,705)	-	(55,705)
Total comprehensive income for the period	-	-	-	-	-	(55,705)	822,045	766,340	48,966	815,306
Acquisition of a non-controlling interest	-	-	-	1,528	-	-	-	1,528	(1,528)	-
Capital contribution by the non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	905,000	905,000
Dividends and distributions	-	(464,124)	-	-	-	-	-	(464,124)	-	(464,124)
As at 30 June 2020 (unaudited)	31,958	1,476,753	3,750,716	9,717	283,236	(150,882)	3,069,254	8,470,752	7,681,164	16,151,916

	Attributable to owners of the parent									
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (audited)	-	-	3,716,600	-	195,668	(45,658)	377,014	4,243,624	816,644	5,060,268
Profit for the period	-	-	-	-	-	-	449,061	449,061	45,203	494,264
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(8,657)	-	(8,657)	-	(8,657)
Total comprehensive income for the period	-	-	-	-	-	(8,657)	449,061	440,404	45,203	485,607
Acquisition of non-controlling interests	-	-	-	8,188	-	-	-	8,188	(98,176)	(89,988)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	409,687	409,687
Capital contribution by the non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	1,046,000	1,046,000
At 30 June 2019 (unaudited)	-	-	3,716,600	8,188	195,668	(54,315)	826,075	4,692,216	2,219,358	6,911,574

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,098,773	1,635,519
Adjustments for:			
Depreciation of items of property, plant and equipment	5	12,403	11,069
Amortisation of land use rights	5	384	384
Depreciation of other right-of-use assets	5	11,833	12,277
Amortisation of intangible assets	5	1,859	410
Net gains on disposal of items of property, plant and equipment	4, 10	(323)	–
Gains on bargain purchase	4	–	(2,730)
Net gains on disposal of subsidiaries	4, 19	(9,857)	–
Share of profits and losses of:			
Joint ventures		17,241	(86,305)
Associates		(116,427)	(57,088)
Fair value (gains)/losses on financial assets at fair value through profit or loss		(31,051)	63,632
Fair value gains on financial liabilities at fair value through profit or loss		(40)	(105)
Fair value gains on investment properties	11	(148,507)	(133,780)
Finance costs	6	286,455	293,615
Interest income		(58,482)	(12,892)
Decrease/(increase) in properties under development and completed properties held for sale		1,317,338	(4,936,776)
Decrease/(increase) in restricted cash		1,626,734	(2,502,462)
Increase in pledged deposits		(87,107)	(81,716)
Increase in trade receivables		(7,998)	(5,842)
Increase in prepayments, other receivables and other assets		(1,953,154)	(4,360,653)
Decrease in other non-current assets		93,130	221,509
Increase in trade and bills payables		971,339	2,625,380
(Decrease)/increase in other payables and accruals		(146,528)	2,282,664
Increase in contract liabilities		331,020	6,254,888
Decrease in amounts due from related companies		–	6,586
Decrease in amounts due to related companies		(174,274)	(32,654)
Cash generated from operations		4,034,761	1,194,930
Interest received		55,198	112,786
Interest paid		(1,218,457)	(1,328,166)
Tax paid		(891,631)	(941,241)
Net cash flows generated from/(used in) operating activities		1,979,871	(961,691)

Interim Condensed Consolidated Statement of Cash Flows

	Notes	For the six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(736)	(5,758)
Purchase of intangible assets		(3,419)	(34)
Additions in investment properties		(76,592)	(123,106)
Acquisition of subsidiaries		–	(518,268)
Acquisition of financial assets at fair value through profit or loss		(202,117)	–
Disposal of subsidiaries	19	29,449	–
Investments in joint ventures		(1,744,328)	(2,302,836)
Investments in associates		(354,491)	(1,604,761)
Advance to third parties		–	879,004
Disposal of items of property, plant and equipment		863	78
Net cash flows used in investing activities		(2,351,371)	(3,675,681)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling shareholders of subsidiaries		905,000	1,046,000
Advances from related companies	22	4,782,900	9,565,549
Repayment of advances from related companies	22	(3,427,204)	(8,063,945)
Advances to related companies	22	(1,935,226)	(14,290,818)
Repayment of advances to related companies	22	1,031,191	9,285,990
Payment of lease liabilities		(16,304)	(14,472)
Proceeds from interest-bearing bank and other borrowings		7,182,686	11,165,999
Repayment of interest-bearing bank and other borrowings		(7,995,907)	(7,608,811)
Proceeds from issue of corporate bonds		–	415,674
Proceeds from issue of senior notes		3,391,143	–
Repayment of senior notes		(823,772)	–
Net cash flows generated from financing activities		3,094,507	1,501,166
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		10,558,738	7,083,520
Effect of foreign exchange rates, net		(38,991)	(8,657)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		13,242,754	3,938,657
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	13	17,742,958	9,504,881
Less: Restricted cash	13	4,122,575	5,125,609
Pledged deposits	13	377,629	440,615
Cash and cash equivalents as stated in the statement of cash flows		13,242,754	3,938,657

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 November 2019. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2020, the Group was involved in property development, property leasing and project management services.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Xin Hong Company Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements included in the Group's annual consolidated financial statements as at 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3

Amendments to IFRS 9, IAS 39 and IFRS 7

Amendment to IFRS 16

Amendments to IAS 1 and IAS 8

Definition of a Business

Interest Rate Benchmark Reform

COVID-19-Related Rent Concessions (early adopted)

Definition of Material

Notes to Interim Condensed Consolidated Financial Information

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

Notes to Interim Condensed Consolidated Financial Information

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and impact of the revised IFRSs are described below: (Continued)

- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there were no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. The reduction in the lease payments arising from the rent concessions accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020 was insignificant.

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

Notes to Interim Condensed Consolidated Financial Information

3. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

There was no single customer or a group of customers under common control which had contributed 10% or more of the Group's revenue during the reporting period.

Notes to Interim Condensed Consolidated Financial Information

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from contracts with customers	8,698,873	6,977,215
Revenue from other sources		
Rental income	4,502	5,976
	8,703,375	6,983,191
Disaggregated revenue information for revenue from contracts with customers		
Types of goods or services:		
Sale of properties	8,410,397	6,920,657
Project management services	270,196	55,051
Other consulting services	18,280	1,507
Total revenue from contracts with customers	8,698,873	6,977,215
Timing of revenue recognition:		
Properties transferred at a point in time	7,276,166	5,883,738
Properties transferred over time	1,134,231	1,036,919
Services transferred over time	288,476	56,558
Total revenue from contracts with customers	8,698,873	6,977,215
An analysis of other income and gains is as follows:		
Other income and gains		
Net gains on disposal of subsidiaries	9,857	–
Gains on bargain purchase	–	2,730
Exchange gains	16,714	–
Forfeiture of deposits	7,054	7,368
Government grants	333	136
Net gain on disposal of items of property, plant and equipment	323	–
Others	2,415	1,666
	36,696	11,900

Notes to Interim Condensed Consolidated Financial Information

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of inventories sold	5,974,650	4,652,796
Cost of services provided	98,873	20,199
Depreciation of items of property, plant and equipment	12,403	11,069
Depreciation of other right-of-use assets	11,833	12,277
Amortisation of land use rights	384	384
Amortisation of intangible assets	1,859	410
Rental expenses	9,442	9,664
Auditors' remuneration	2,600	1,650
Impairment losses/(reversal of impairment losses) on financial assets	138	(873)
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	126,833	131,401
Pension scheme contributions and social welfare	14,736	18,063

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest on loans and borrowings	1,155,578	1,241,744
Interest on lease liabilities	1,127	1,922
Interest expense arising from revenue contracts	320,275	157,730
Total interest expense on financial liabilities not at fair value through profit or loss	1,476,980	1,401,396
Less: Interest capitalized	(1,190,525)	(1,107,781)
	286,455	293,615

Notes to Interim Condensed Consolidated Financial Information

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the six months ended 30 June 2020 and 2019.

Subsidiaries of the Group operating in Mainland China were subject to the People's Republic of China ("PRC") corporate income tax ("CIT") at a rate of 25% for the reporting period.

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. In addition, these subsidiaries in Jiangxi province were subject to LAT which is calculated based on 10% of their revenue in accordance with "No. 1 (2017) Announcement of Jiangxi tax bureau". The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax:		
PRC CIT	785,494	731,534
PRC LAT	490,767	697,401
Deferred tax	(48,499)	(287,680)
Total tax charge for the period	1,227,762	1,141,255

8. DIVIDENDS

The proposed 2019 final dividend of RMB13.00 cents (equivalent to approximately HK14.16 cents) per share, totalling RMB464,124,000 (equivalent to approximately HK\$505,538,479), was approved by the Group's shareholders at the annual general meeting on 5 June 2020. As at 30 June 2020, the abovementioned declared dividend was recorded in dividend payables and HK\$104,660,000 was paid on 31 July 2020.

The Directors have resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

Notes to Interim Condensed Consolidated Financial Information

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB822,045,000 (six months ended 30 June 2019: RMB449,061,000), and the weighted average number of ordinary shares of 3,570,187,000 (six months ended 30 June 2019: 2,999,999,325) in issue during the reporting period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the reporting period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB736,000 (30 June 2019: RMB5,758,000).

Assets with a net book value of RMB540,000 were disposed of by the Group during the six months ended 30 June 2020 (30 June 2019: RMB78,000), resulting in a net gains on disposal of RMB323,000 (30 June 2019: nil), excluding property, plant and equipment disposed through disposal of subsidiaries disclosed in note 19 to the interim condensed consolidated financial information.

11. INVESTMENT PROPERTIES

	Under construction	Completed	Total
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January 2019	687,000	466,030	1,153,030
Additions	314,454	–	314,454
Transferred from completed properties held for sale	–	118,930	118,930
Transfer	(343,997)	343,997	–
Fair value gains on investment properties	93,343	71,443	164,786
Carrying amount at 31 December 2019 and 1 January 2020	750,800	1,000,400	1,751,200
Additions	76,592	–	76,592
Transferred from properties under development	178,739	–	178,739
Transferred from completed properties held for sale	–	138,162	138,162
Fair value gains on investment properties	105,669	42,838	148,507
Carrying amount at 30 June 2020	1,111,800	1,181,400	2,293,200

Notes to Interim Condensed Consolidated Financial Information

11. INVESTMENT PROPERTIES (Continued)

The Group's investment properties as at 30 June 2020 were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB2,293,200,000 (31 December 2019: RMB1,751,200,000) on an open market, existing use basis.

As at 30 June 2020, the Group's investment properties with an aggregate carrying amount of approximately RMB889,400,000 (31 December 2019: RMB750,800,000) were pledged to secure bank and other borrowings granted to the Group (note 15).

The fair value measurement hierarchy of the Group's investment property is at Level 3 and the significant unobservable key inputs of the valuation techniques are estimated rental value, capitalization rate, expected gross margin and unit accommodation price, etc.

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

The fair value of commercial properties under construction was determined using the cost method with reference to the market value of land use right plus the construction cost incurred so far.

The higher market value of land use right would result in the higher fair value of the investment properties under construction. The higher expected gross margin/market value of land use right would result in the higher fair value of the investment properties under construction.

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Notes to Interim Condensed Consolidated Financial Information

12. TRADE RECEIVABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	28,870	20,872
Over 1 year	–	–
	28,870	20,872

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	17,742,958	16,598,569
Less: Restricted cash	4,122,575	5,749,309
Pledged deposits	377,629	290,522
Cash and cash equivalents	13,242,754	10,558,738
Denominated in RMB	12,441,148	9,772,241
Denominated in US\$	742,099	30,470
Denominated in HK\$	59,507	756,027
	13,242,754	10,558,738

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in the designated bank accounts for a specified use. As at 30 June 2020, such restricted cash amounted to RMB3,198,206,000 (31 December 2019: RMB3,806,383,000). As at 30 June 2020, restricted cash included time deposits amounting to RMB924,359,000 (31 December 2019: RMB1,718,390,000), which would mature in more than three months when acquired by the Group and earn interest at the time deposit rates. As at 30 June 2020, the restricted cash included construction loan mortgage amounting to RMB10,000 (31 December 2019: RMB224,353,000). As at 30 June 2020, restricted cash amounting to nil was frozen by the People's court due to lawsuits (31 December 2019: RMB183,000).

Notes to Interim Condensed Consolidated Financial Information

13. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS (Continued)

As at 30 June 2020, bank deposits of RMB377,629,000 (31 December 2019: RMB261,574,000) were pledged as security for purchasers' mortgage loans, construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes. Bank deposits of nil were pledged as security for bank and other borrowings (31 December 2019: RMB28,948,000).

14. TRADE AND BILLS PAYABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	6,362,000	5,434,386
Over 1 year	66,535	22,810
	6,428,535	5,457,196

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current		
Other loans – secured	1,031,397	2,357,686
Other loans – unsecured	1,667,142	741,242
Current portion of long term bank loans – secured	3,989,233	3,550,410
Current portion of long term other loans – secured	3,331,677	3,559,585
	10,019,449	10,208,923
Non-current		
Bank loans – secured	8,582,823	7,823,160
Other loans – secured	5,314,705	6,698,115
	13,897,528	14,521,275
	23,916,977	24,730,198

Notes to Interim Condensed Consolidated Financial Information

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Analysed into:		
Bank loans repayable		
Within one year	3,989,233	3,550,410
In the second year	5,614,373	4,513,400
In the third to fifth years, inclusive	2,968,450	3,309,760
	12,572,056	11,373,570
Other borrowings repayable		
Within one year	6,030,216	6,658,513
In the second year	4,934,705	6,483,115
In the third to fifth years, inclusive	380,000	215,000
	11,344,921	13,356,628
	23,916,977	24,730,198

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Financial assets at fair value through profit or loss	–	105,678
Investment properties (note 11)	889,400	750,800
Properties under development	34,634,824	25,636,686
Completed properties held for sale	389,468	678,006
Pledged deposits (note 13)	–	28,948

Notes to Interim Condensed Consolidated Financial Information

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

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

As at 30 June 2020, the non-controlling shareholders of the Group's subsidiaries have guaranteed certain of the Group's bank loans amounting to RMB623,310,000 (31 December 2019: RMB253,000,000).

As at 30 June 2020, 常州弘陽廣場置地有限公司 ("Changzhou Hongyang Plaza Properties Co., Ltd.") has pledged 50% shares in 襄陽新城悅隆房地產開發有限公司 ("Xiangyang Xincheng Yuelong") for certain of the Group's bank loans amounting to RMB480,000,000. The above-mentioned bank and other borrowings were also secured by Xiangyang Xincheng Yuelong's properties under development.

As at 31 December 2019, a third party 江西山葉實業有限公司 ("Jiangxi Shanye Industrial Co., Ltd.") has pledged its 100% shares in Xiangyang Xincheng Yuelong for certain of the Group's bank and other borrowings up to RMB480,000,000. The above-mentioned bank and other borrowings were also secured by Xiangyang Xincheng Yuelong's properties under development.

As at 30 June 2020, 武漢福瑞德成房地產開發有限公司 ("Wuhan Furui Decheng Real Estate Development Co., Ltd.") has guaranteed certain of the Group's bank loans up to RMB1,041,600,000.

As at 30 June 2020, a third party 四川宏祥興盛貿易有限公司 ("Sichuan Hong Xiang Xing Sheng Trading Co., Ltd.") has pledged its 100% shares in 成都力進房地產開發有限公司 ("Chengdu Lijin Real Estate Development Co., Ltd.") for certain of the Group's bank and other borrowings up to RMB200,000,000 (31 December 2019: nil).

Notes to Interim Condensed Consolidated Financial Information

16. SENIOR NOTES

Name of senior notes	1 January 2020				30 June 2020
	Opening balance	Issued in 2020	Interest expense	Payment	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Senior notes due 2020 ("2020 Notes")	812,145	–	28,544	(840,689)	–
Senior notes due 2021 ("2021 Notes") (note 1)	–	1,942,892	79,912	–	2,022,804
Senior notes due 2022 ("2022 Notes") (note 2)	–	1,448,251	5,204	–	1,453,455
					3,476,259
Analysed into:					
Non-current portion					1,448,251
Current portion					2,028,008

Name of senior notes	1 January 2019				31 December 2019
	Opening balance	Issued in 2019	Interest expense	Payment	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Audited)
2020 Notes	–	1,161,300	39,600	(388,755)	812,145
Analysed into:					
Non-current portion					–
Current portion					812,145

Note 1: On 10 March 2020, the Company issued senior notes with a principal amount of US\$280,000,000 due in 2021. The senior notes bear interest at 11.75% per annum which is payable semi-annually in arrears. The repayment date of the senior notes is 10 March 2021. At any time prior to maturity, the Company may at its option redeem the senior notes at a predetermined redemption price.

Note 2: On 18 June 2020, the Company issued senior notes with a principal amount of US\$210,000,000 due in 2022. The senior notes bear interest at 10.5% per annum which is payable semi-annually in arrears. The repayment date of the senior notes is 18 June 2022. At any time prior to maturity, the Company may at its option redeem the senior notes at a predetermined redemption price. The directors of the Company are of the opinion that they have no plan to redeem the 2022 Notes prior to 30 June 2021.

Notes to Interim Condensed Consolidated Financial Information

17. CORPORATE BONDS

Name of bonds	1 January 2020	Issued in 2020	Interest expense	Payment	30 June 2020
	Opening balance				Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Sinic Bond I	317,366	–	12,483	–	329,849
Sinic Bond II	275,431	–	10,556	–	285,987
Sinic Bond III	437,827	–	15,691	(31,275)	422,243
	1,030,624	–	38,730	(31,275)	1,038,079

Name of bonds	1 January 2019	Issued in 2019	Interest expense	Payment	31 December 2019
	Opening balance				Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Audited)
Sinic Bond I	317,075	–	25,018	(24,727)	317,366
Sinic Bond II	274,995	–	21,136	(20,700)	275,431
Sinic Bond III	–	415,674	22,153	–	437,827
	592,070	415,674	68,307	(45,427)	1,030,624

As at the end of the reporting period, the Group's corporate bonds were repayable as follows:

	30 June 2020	31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Repayable within one year	621,816	624,072
Repayable within two to five years	416,263	406,552
	1,038,079	1,030,624

Notes to Interim Condensed Consolidated Financial Information

18. SHARE CAPITAL

Shares

	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)
Issued and fully paid: 3,570,187,000 (2019: 3,570,187,000) ordinary shares of HK\$0.01 each (2019: HK\$0.01 each)	35,701,870	35,701,870

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

	Number of shares in issue	Share capital RMB'000
At 31 December 2019, 1 January 2020 and at 30 June 2020	3,570,187,000	31,958

19. DISPOSAL OF SUBSIDIARIES

(a) 安徽新創房地產開發有限公司 (“Anhui Xinchuang”)

Pursuant to the share transfer agreement dated 11 September 2019, the Group completed to dispose of its 50% equity interest in 安徽新創房地產開發有限公司 (“Anhui Xinchuang”), together with its subsidiary 合肥新城悅弘房地產開發有限公司 to 安徽弘瀚房地產開發有限公司 (“Anhui Honghan”), an independent third party of the Group, for a consideration of RMB65,000,000 on 9 April 2020. Upon the completion of the share transfer, the Group lost control over Anhui Xinchuang and Anhui Xinchuang became a joint venture of the Group thereafter. The consideration was determined by reference to the fair value of the equity interest disposed of at the date of the disposal.

Notes to Interim Condensed Consolidated Financial Information

19. DISPOSAL OF SUBSIDIARIES (Continued)

(a) 安徽新創房地產開發有限公司 (“Anhui Xinchuang”) (Continued)

The carrying values of the assets and liabilities of Anhui Xinchuang on the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	117
Properties under development	1,259,499
Prepayments, other receivables and other assets	2,514
Deferred tax assets	4,964
Cash and cash equivalents	35,467
Other payables and accruals	(23,851)
Contract liabilities	(119,310)
Interest-bearing bank and other borrowings	(1,039,990)
Deferred tax liabilities	(1,136)
	118,274
Gain on disposal of Anhui Xinchuang	11,726
	130,000
50.00% of equity interest in Anhui Xinchuang	65,000
Satisfied by cash	65,000

An analysis of the cash flows of cash and cash equivalents in respect of the disposal of Anhui Xinchuang is as follows:

	RMB'000
Cash consideration	65,000
Cash and cash equivalents of Anhui Xinchuang disposed of	(35,467)
Net inflow of cash and cash equivalents in respect of the disposal of Anhui Xinchuang	29,533

Notes to Interim Condensed Consolidated Financial Information

19. DISPOSAL OF SUBSIDIARIES (Continued)

(b) 湖南新林房地產開發有限公司 (“Hunan Xinlin”)

Pursuant to the share transfer agreement dated 31 May 2020, the Group disposed of its 100% equity interest in 湖南新林房地產開發有限公司 (“Hunan Xinlin”), together with its subsidiary 湖南悅禧置業有限公司 to 長沙聚昂房地產開發有限公司, an independent third party of the Group, for a consideration of RMB250,000,000. The consideration was determined by reference to the fair value of the equity interest disposed of as at the date of the disposal.

The carrying values of the assets and liabilities of Hunan Xinlin on the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	36
Properties under development	320,524
Prepayments, other receivables and other assets	8,009
Deferred tax assets	4,568
Cash and cash equivalents	84
Other payables and accruals	(81,352)
	251,869
Loss on disposal of Hunan Xinlin	(1,869)
	250,000
Disposal consideration outstanding and included in other receivables	250,000

An analysis of the cash flows of cash and cash equivalents in respect of the disposal of Hunan Xinlin is as follows:

	RMB'000
Cash and cash equivalents of Hunan Xinlin disposed of	(84)
Net outflow of cash and cash equivalents in respect of the disposal of Hunan Xinlin	(84)

Notes to Interim Condensed Consolidated Financial Information

20. CONTINGENT LIABILITIES

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

		30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	29,906,357	27,964,704
Guarantees given to banks and other institutions in connection with facilities granted to related companies and third parties	(2)	8,267,651	8,633,382

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

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

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

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

- (2) The Group provided guarantees to banks and other institutions in connection with financial facilities granted to the related companies and third parties. The directors of the Company consider that no provision is needed in respect of the guarantees since the fair value is not significant. Further details are included in note 22.

Notes to Interim Condensed Consolidated Financial Information

21. COMMITMENTS

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but no provided for:		
– Properties under development	16,225,023	16,202,939
– Acquisition of equity interests	1,309,704	2,069,468
– Acquisition of land use right	3,273,872	–
– Capital contributions payable to joint ventures and associates	4,755,240	713,300
	25,563,839	18,985,707

22. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Advances from related companies:		
Joint ventures	2,344,477	2,326,732
Associates	408,504	461,464
Companies controlled by the Controlling Shareholder	2,029,919	6,394,868
Companies owned by a family member of the Controlling Shareholder	–	369,602
Companies over which the Controlling Shareholder has significant influence	–	12,883
Repayment of advances from related companies:		
Joint ventures	1,637,364	926,566
Associates	895,109	135,482
Companies controlled by the Controlling Shareholder	870,162	6,394,868
Companies owned by a family member of the Controlling Shareholder	–	594,146
Companies over which the Controlling Shareholder has significant influence	24,569	12,883
Advances to related companies:		
Joint ventures	1,364,683	5,953,013
Associates	570,543	108,305
Companies controlled by the Controlling Shareholder	–	7,047,327
Companies owned by a family member of the Controlling Shareholder	–	1,118,895
Companies over which the Controlling Shareholder has significant influence	–	63,278

Notes to Interim Condensed Consolidated Financial Information

22. RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Repayment of advances to related companies:		
Joint ventures	895,072	2,660,974
Associates	136,119	294,482
Companies controlled by the Controlling Shareholder	–	5,177,836
Companies owned by a family member of the Controlling Shareholder	–	1,119,012
Companies over which the Controlling Shareholder has significant influence	–	33,686
Construction services provided by companies controlled by a family member of the Controlling Shareholder	650,313	741,185
Miscellaneous purchases from a company controlled by the Controlling Shareholder	7,487	3,501
Property management services provided by companies controlled by the Controlling Shareholder	136,706	91,055
Management consulting services provided by companies controlled by the Controlling Shareholder	–	53,123
Project management services provided to joint ventures and associates	23,797	–
Sales to a family member of the Controlling Shareholder	–	19,372

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

Notes to Interim Condensed Consolidated Financial Information

22. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Guarantees provided to related parties:		
Joint ventures	7,808,421	3,662,942
Associates	409,230	741,740
Guarantees provided by related parties:		
Joint ventures	1,521,600	–

(c) Outstanding balances with related parties

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Due from related companies:		
Non trade-related:		
Joint ventures	4,198,351	3,728,740
Associates	1,501,777	1,067,353
Due to related companies:		
Trade-related:		
Companies controlled by the Controlling Shareholder	47,359	–
Companies owned by a family member of the Controlling Shareholder	55,805	277,438
Due to related companies:		
Non trade-related:		
Joint ventures	4,915,678	4,208,565
Associates	802,408	1,289,013
Companies controlled by the Controlling Shareholder	1,317,536	157,779
Companies over which the Controlling Shareholder has significant influence	–	24,569

Notes to Interim Condensed Consolidated Financial Information

22. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short term employee benefits	8,519	5,086
Pension scheme contributions and social welfare	204	311
Total compensation paid to key management personnel	8,723	5,397

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Financial assets				
Financial assets at fair value through profit or loss	514,963	281,795	514,963	281,795
Financial liabilities				
Financial liabilities at FVTPL	458	498	458	498
Interest-bearing bank and other borrowings	23,916,977	24,730,198	23,933,947	24,748,986
Corporate bonds	1,038,079	1,030,624	1,010,557	1,013,231
Senior notes	3,476,259	812,145	3,469,946	876,738
	28,431,773	26,573,465	28,414,908	26,639,453

Notes to Interim Condensed Consolidated Financial Information

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

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

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of interest-bearing bank and other borrowings and senior notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings and senior notes as at 31 December 2019 and 30 June 2020 was assessed to be insignificant.

The fair values of corporate bonds are based on quoted market prices.

Notes to Interim Condensed Consolidated Financial Information

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020:

	Valuation technique	Significant unobservable input	Rate	Sensitivity of fair value to the input
Financial liabilities at FVTPL	Scenario based method	Discount rate	15%	5% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB7,000

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<i>As at 30 June 2020</i>				
Financial assets at fair value through profit or loss	514,963	–	–	514,963
<i>As at 31 December 2019</i>				
Financial assets at fair value through profit or loss	281,795	–	–	281,795

Notes to Interim Condensed Consolidated Financial Information

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

Fair value hierarchy (Continued)

Liabilities measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<i>As at 30 June 2020</i>				
Financial liabilities at fair value through profit or loss	–	–	458	458
<i>As at 31 December 2019</i>				
Financial liabilities at fair value through profit or loss	–	–	498	498

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2019: Nil).

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<i>As at 30 June 2020</i>				
Interest-bearing bank and other borrowings	–	23,933,947	–	23,933,947
Corporate bonds	1,010,557	–	–	1,010,557
Senior notes	3,469,946	–	–	3,469,946
	4,480,503	23,933,947	–	28,414,450
<i>As at 31 December 2019</i>				
Interest-bearing bank and other borrowings	–	24,748,986	–	24,748,986
Corporate bonds	1,013,231	–	–	1,013,231
Senior notes	–	876,738	–	876,738
	1,013,231	25,625,724	–	26,638,955

Notes to Interim Condensed Consolidated Financial Information

24. EVENTS AFTER THE REPORTING PERIOD

On 24 July 2020, Sinic Real Estate Group Co., Ltd. ("Sinic Real Estate") issued asset-backed securities with a principal amount of RMB516,000,000 due in 2021. The A level and B level asset-backed securities bear interest at 6.00% and 7.00% per annum. The maturity date of the asset-backed securities is 3 August 2021. Sinic Real Estate subscribed RMB26,000,000 of subordinated asset-backed securities.

There has been an outbreak of COVID-19 around the world. The management of the Company believe that, based on the information available as of the date of approval of the interim financial information, the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or material impact on the financial position or financial performance of the Group.

It is uncertain when and whether COVID-19 could be contained globally. The above analysis is made by the management of the Company based on the currently available information concerning COVID-19. The management of the Company cannot assure that the outbreak of COVID-19 will not further escalate or have a material adverse effect on the Group's results of operations.

25. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 28 August 2020.