



中梁控股集团

ZHONGLIANG HOLDINGS GROUP

ZHONGLIANG HOLDINGS GROUP COMPANY LIMITED

中梁控股集团有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2772)

Interim Report 2020



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CORPORATE PROFILE

ABOUT ZHONGLIANG

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

The Group strives to develop quality residential properties targeting first-time home purchasers, first-time home upgraders and second-time home upgraders. It is also engaged in the development, operation and management of commercial properties and holds a portion of such commercial properties for investment purpose. The Group adopts a high-asset turnover development model and standardised real estate development process for developing the projects in the second-, third- and fourth-tier cities. The Group has strived to establish the “Zhongliang” brand name nationwide and was ranked as a Top 20 Real Estate Developer in China by China Real Estate Association and E-house China R&D Institute China Real Estate Appraisal Center in 2019 and 2020.

As at 30 June 2020, the Group achieved a nationwide operating coverage and a strong presence in 149 cities in 23 provinces and municipalities across five strategic economic areas, namely, the Yangtze River Delta, the Midwest China, the Pan-Bohai Rim, the Western Taiwan Straits and the Pearl River Delta. As at 30 June 2020, the Group’s subsidiaries, joint ventures and associates had 504 property projects at various development stages. As at 30 June 2020, the Group’s subsidiaries, joint ventures and associates had a total land bank with GFA of approximately 63.1 million sq.m.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Jian (*Chairman*)
Mr. Chen Hongliang (*Co-President*)
Mr. Li Heli (*Co-President*)
Mr. Yau Sze Ka (Albert)

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

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

COMPANY SECRETARY

Mr. Yeung Tak Yip

AUTHORISED REPRESENTATIVES

Mr. Yau Sze Ka (Albert)
Mr. Yeung Tak Yip

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

LEGAL ADVISOR

Sidley Austin

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKS

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

WEBSITE

www.zldcgroup.com

STOCK CODE

2772

GLOSSARY AND DEFINITION

“Articles”	the amended and restated articles of association of the Company adopted on 19 June 2019
“ASP”	average selling price
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China
“contracted sales”	the total contractual value of properties that are contracted for pre-sale and sale in a given period, which is not equivalent to the revenue in the relevant period and shall not be deemed as an indication for the revenue to be recognised in any future period. Contracted sales data is unaudited, provided for investors’ for reference only and may be subject to various uncertainties during the process of collating such sales information
“core net profit margin”	core net profit attributable to the owners of the Company for the year/period divided by revenue for the year/period and multiplied by 100%
“core net profit”	profit for the year/period excluding changes of fair value of investment properties and financial assets at fair value through profit or loss and listing and other non-recurring expenses, net of deferred tax
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Directors”	director(s) of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing”	the listing of the Shares on the main board of the Stock Exchange on 16 July 2019
“Listing Date”	16 July 2019, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“net gearing ratio”	the total indebtedness less cash and bank balances divided by the total equity at the end of the year/period multiplied by 100%
“Prospectus”	the prospectus of the Company dated 27 June 2019 being issued in connection with the Listing
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

GLOSSARY AND DEFINITION

“Share Option Scheme”	the share option scheme adopted on 19 June 2019
“Share(s)”	ordinary share(s) in the capital of the Company with the nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“total indebtedness”	total interest-bearing bank and other borrowings and senior notes
“weighted average cost of indebtedness”	the weighted average of interest costs of all indebtedness outstanding as at the end of each year/period
“Zhongliang” or “Company”	Zhongliang Holdings Group Company Limited, an exempted company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 2772)

References to “land bank”, “property projects” or “projects” refer to the Group’s property projects with land for which the Group has obtained land-use rights and property projects for which it has not obtained land-use rights but have entered into the land grant contracts or received successful tender or auction confirmations as at the relevant dates.

The site area information for an entire project is based on the relevant land use rights certificates, land grant contracts or tender documents, depending on which documents are available. If more than one document is available, such information is based on the most recent document available.

The figures for GFA are based on figures provided in or estimates based on the relevant governmental documents, such as the property ownership certificate, the construction work planning permit, the pre-sale permit, the construction land planning permit or the land use rights certificate.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am hereby pleased to present to you the business review of the Group for the six months ended 30 June 2020 and its outlook for the second half of 2020.

INTERIM DIVIDEND

The board (the “**Board**”) of directors (the “**Directors**”, each the “**Director**”) of the Company resolved to declare the payment of an interim dividend (the “**Interim Dividend**”) of HK16.3 cents per share for the six months ended 30 June 2020 (equivalent to RMB14.6 cents per share). Based on the total issued shares of the Company as at the date of the interim result announcement for 2020, the interim dividend for the six months ended 30 June 2020 amounted to approximately HK\$583.8 million (approximately RMB522.9 million).

INTERIM RESULTS

For the six months ended 30 June 2020, the Group achieved contracted sales of RMB67.7 billion, representing a year-on-year increase of 6.3% from RMB63.7 billion in the corresponding period in 2019.

The Group's revenue was RMB23,766.6 million for the six months ended 30 June 2020, representing a year-on-year increase of 15.6% over RMB20,556.6 million in the corresponding period in 2019.

The Group's net profit increased by 16.4% to RMB2,210.2 million for the six months ended 30 June 2020 from RMB1,898.7 million in the corresponding period in 2019. The Group's core net profit attributable to the owners of the Company increased by 6.2% to approximately RMB1,308.1 million for the six months ended 30 June 2020 from RMB1,232.2 million in the corresponding period in 2019.

REVIEW OF THE FIRST HALF OF 2020

Since early 2020, the outbreak of the coronavirus disease pandemic has caused a devastating blow to the global economy. The lockdowns due to the pandemic, together with the uncertainties brought by trade disputes and geopolitics, has put economic globalisation in a standstill. The world economy has been complicated and difficult.

According to the World Economic Outlook for the month of June published by the International Monetary Fund (the “**IMF**”), the global GDP in 2020 was revised down to 4.9% of retreat. However, the IMF expects China's GDP growth of this year and the following year to be 1% and 8.2%, respectively. As such, China is expected to be the only major economy that can maintain growth this year.

Amid the severe challenge from the coronavirus pandemic, China unveiled strong-handed and effective counteractive measures, which had a noticeable positive impact with respect to prevention and control of the coronavirus. Overall social and economic order resumed rapidly. However, China is currently undergoing the crucial phase of economic structural optimisation and developmental transformation. Facing risks and challenges, China's economy is still under pressure.

As one of the pillar industries of China's economy, the real estate sector, despite facing short-term pressure, has been resilient and maintained its stable performance. Under the current industry landscape, the Group has proactively responded to government policies and real estate development trends. Since early 2020, the Group's operations continued to grow and sustained its ranking of "2020 Top 20 China Real Estate Developers" published by China Real Estate Association and E-house China R&D Institute and China Real Estate Appraisal Center.

In the first half of 2020, the Group achieved contracted sales of RMB67.7 billion, representing a year-on-year increase of 6%, while ASP increased by 18% year-on-year to approximately RMB12,500 per sq.m.. The Group's steadily increasing ASP reflected the fruitful impact from the Group's operating strategy of shifting to the second-tier and strong third-tier cities in recent years.

Upgrading land bank with higher investment emphasis in second- and third-tier cities

The Group paced its development with the industry trend and proactively scaled up its landbanking efforts in the first half of 2020.

Although the coronavirus pandemic had a temporary impact on the operating environment, the Chinese government adopted timely measures to stimulate the domestic economy and improve funding liquidity during the period, and meanwhile increased land supply. As demand and supply of the real estate market remained generally resilient and balanced, the Group remains cautiously optimistic about the land market of this year. In the first half of 2020, the Group (including its joint ventures and associated companies) made land investments aggregating to RMB39.4 billion, with a total of 56 land parcels acquired, covering a total GFA of approximately 7.4 million sq.m..

The Group made significant progress in its strategy of shifting to second- and strong third-tier cities. Land purchases in second- and third-tier cities accounted for more than 90% of the aggregate acquisition value in the first half of 2020, amongst which second-tier cities accounted for 64%, third-tier cities accounted for 27%, while fourth-tier cities only accounted for 9%. In terms of economic regions, the Yangtze River Delta remained as the main market, accounting for 56% of the aggregate acquisition value; followed by the Midwest China, accounting for 19%; while the Pan-Bohai Rim, the West Taiwan Strait and the Pearl River Delta accounted for 15%, 8% and 1%, respectively. The leading cities ranked by land acquisition value are Hangzhou, Hefei, Tianjin, Suzhou, Wenzhou and Chongqing.

In the first half of 2020, the Group adhered to its investment strategy of vertical penetration and horizontal expansion, enhancing exposure in higher-tier cities. The Group continued to adopt public channels and mergers and acquisitions for land acquisition, and to achieve nationwide coverage for land reserve. The Group's land banking efforts will ensure an adequate saleable supply of resources for future sales growth.

Improving financing structure with lower interest costs

Since Listing, the Group has strived to improve its debt structure by developing offshore and onshore financing channels and enhancing its overall financing capabilities.

In the first half of the year, the Group raised an aggregate of US\$670 million in offshore notes and loans, which further improved its liquidity. Domestically, the Group made good progress in the application of Renminbi receivables asset-backed securities and supply chain financing. The Group further reduced its average interest cost to 8.9% as at 30 June 2020. Such a decrease in interest cost was mainly due to the Group's effort in securing new financing sources, improving onshore liquidity and more emphasis being put in high-tier cities with lower funding costs for development projects.

CHAIRMAN'S STATEMENT

International and domestic credit rating agencies continued to endorse the Group's strong sales execution, nationwide coverage, shifting to higher-tier cities and improving debt structure. Despite that international credit rating agencies have assigned negative rating actions against various China real estate developers since early 2020, credit ratings of Zhongliang remained stable and consistent. During the first half of the year, the Group's ratings granted by Moody, S&P and Fitch were "B1", "B+" and "B+", respectively and overall outlook maintained as "stable". In February 2020, the Group also obtained "BB" issuer rating with "stable" outlook by Lianhe Ratings Global. Domestically, the Group maintained its "AA+" onshore credit rating with "stable" outlook from United Credit.

Organisational optimisation with improving efficiency

The Group completed its nationwide regional organisation and realignment last year. This year, the Group continued to optimise its organisational structure. In the first half of this year, the Group continued to upgrade its operation mechanism. The Group introduced new management incentive instruments, including the granting of share options to certain management executives in July 2020, with a view to create and align corporate values with the management team. Based on its "people first" principle, the Group has proactively implemented mechanism for enhancing talent structure, in order to consolidate personnel reserves and nurturing young management executives.

Enhancing branding and corporate responsibilities

Along with its business expansion, the Group continued to improve its branding and corporate influence in the sector. This April, the Group has upgraded its product standings, from previous series of the "Shanti" [香], "Glory" [御] and "Royal" [國] promoted to the "Star and Sea" [星海], "Mansion" [拾光] and "Metropolis" [鑾金] series. All such initiatives are targeted to meet the growing housing needs in the new era, along with improving the product competitiveness of the Group.

The Group also actively integrates social responsibilities into its corporate development. "Zhongliang Book Reading" is a charity project launched by the Group in response to the national policy to promote youth education and children reading. In 2020, the Group expanded the coverage of "Zhongliang Book Reading" project to new provinces and cities in Yunnan, Tibet and Xinjiang and helped schools in remote areas or in need to build libraries.

During the period, to help fight against the coronavirus pandemic in China, the Group made monetary and surgical masks donation to Wuhan Charity Foundation to support the medical frontline in Wuhan. Together with the China Youth Publishing Group, the Group also donated more than 90,000 periodicals to Wuhan, to provide support for medical workers and patients.

This summer, a hazardous flooding took place along the Yangtze River and the flood control work was difficult. The Group donated cash to support disaster relief activities, provided relief supplies to the frontline rescue workers, and actively helped affected farmers to resolve the difficulties arising from selling their agricultural products.

OUTLOOK

With the pandemic prevention and control measures becoming the norm, the Sino-US disputes and other uncertainties, the global economy is trending downwards in the second half of the year. Global financial markets are expected to be volatile in the near future. On the other hand, China's key economic indicators in the second quarter promptly turned positive, showing the resilience and vitality of its economic development, causing healthy increase in consumer confidence and housing demand.

In 2020, the Chinese Government Report once again reiterated the policy requirements of "homes are for living, not for speculation" and "differentiated policies for individual cities", and "promoting stable and healthy development of the real estate market". Such policy tones mean for a long period of time, China's real estate market will have the attributes of both "market differentiation" and "macro-control measures".

Despite the interruption by the pandemic in the first half of this year, the Group remains cautiously optimistic about the industry prospect for the year. The pandemic only postpones consumers' schedule for housing purchases. In the second quarter, the Group has already achieved a recovery in the contracted sales. Given that the Group has an abundant supply of saleable resources evenly distributed throughout the year and geographically diversified in different regions, the Group is confident to fulfill contracted sales target of RMB168 billion this year.

Though there still exists uncertainties in the external environment, the Group has always insisted on maintaining balance between stable development, profitability and gearing level to achieve a steady and healthy development. In future, the Group will continue to emphasise coverage in key metropolitan cities across the nation to diversify risk arising from regional economic and policy fluctuations, and stress on sell-through and cash collection. Meanwhile, the Group will prudently manage its cash flow, control its gearing level and improve debt structure. The Group anticipates to maintain its stable dividend payout policy. In future, we are confident to sustain considerable returns for our shareholders.

APPRECIATION

Last but not least, on behalf of the Board, I would like to express my sincere gratitude for all staff members for their hard work, and Shareholders and business partners for their supports, especially during the difficult time of the pandemic.

Yang Jian

Chairman

Hong Kong, 24 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE HIGHLIGHTS

	For the six months ended		Change in percentage
	30 June 2020	2019	
Contracted sales			
Contracted sales (RMB billion)	67.7	63.7	+6.3%
Contracted GFA sold (sq.m.)	5,410,700	6,026,900	-10.2%
Contracted ASP (RMB/sq.m.)	12,513	10,565	+18.4%
Selected financial information			
Revenue (RMB million)	23,766.6	20,556.6	+15.6%
Gross profit (RMB million)	5,362.1	5,034.5	+6.5%
Profit for the period attributable to owners of the Company (RMB million)	1,205.8	1,204.1	+0.1%
Core net profit attributable to the owners of the Company (RMB million)	1,308.1	1,232.2	+6.2%
Gross profit margin (%)	22.6	24.5	
Core net profit margin (%)	5.5	6.0	
Earnings per share (basic) (RMB cents)	34	40	
Core earnings per share (basic) (RMB cents)	37	41	
	As at	As at	
	30 June	31 December	Change in
	2020	2019	percentage
Total assets (RMB million)	257,414.1	224,520.0	+14.7%
Cash and bank balances (RMB million)	35,021.4	26,495.3	+32.2%
Total indebtedness (RMB million)	52,809.4	40,181.2	+31.4%
Total equity (RMB million)	25,445.8	20,871.6	+21.9%
Equity attributable to owners of the Company (RMB million)	8,876.3	8,728.1	+1.7%
Net gearing ratio (%)	69.9	65.6	
Weighted average cost of indebtedness (%)	8.9	9.4	

SUMMARY OF PROPERTY DEVELOPMENT

Contracted sales

During the six months ended 30 June 2020, the Group achieved contracted sales of RMB67.7 billion, of which RMB47.3 billion was contributed by its subsidiaries and RMB20.4 billion was contributed by its joint ventures and associates. The Group's contracted sales increased by approximately 6.3% from RMB63.7 billion for the six months ended 30 June 2019. Despite the impact of coronavirus pandemic on contracted sales in the first quarter, the Group's contracted sales recovered sharply since April due to prompt control of the pandemic, resumption of economic order by the Chinese government and more saleable projects fulfilling pre-sale requirements in the second quarter.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, the Group's contracted sales of approximately 5,410,700 sq.m. in GFA, representing a decrease of 10.2% from approximately 6,026,900 sq.m. over the corresponding period of last year. The Group's contracted ASP for the period was RMB12,513 per sq.m., representing an increase from RMB10,565 per sq.m. in the corresponding period of last year. The increase in ASP was mainly due to the result of the Group's strategy of shifting to the second-tier and strong third-tier cities in recent years.

Table 1: Breakdown of contracted sales for the six months ended 30 June 2020

By City

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Wenzhou	11,064,599	16.3	522,116	21,192
Hangzhou	4,253,199	6.3	136,138	31,242
Jinhua	3,346,518	4.9	196,710	17,012
Lishui	2,929,877	4.3	133,464	21,953
Ningbo	2,585,495	3.8	116,574	22,179
Wuxi	2,017,924	3.0	126,397	15,965
Changzhou	1,551,149	2.3	108,944	14,238
Luoyang	1,423,625	2.1	129,788	10,969
Hefei	1,300,866	1.9	95,630	13,603
Suqian	1,291,387	1.9	148,268	8,710
Suzhou (蘇州)	1,264,375	1.9	56,247	22,479
Taizhou (台州)	1,152,514	1.7	99,828	11,545
Chongqing	1,060,425	1.6	135,054	7,852
Xi'an	1,012,247	1.5	87,654	11,548
Huzhou	1,006,235	1.5	69,629	14,451
Nanyang	967,356	1.4	107,946	8,961
Xuzhou	937,065	1.4	30,967	30,260
Dalian	740,160	1.1	68,648	10,782
Yancheng	730,785	1.1	76,820	9,513
Gangzhou	694,036	1.0	89,282	7,774
Yiwu	678,414	1.0	19,273	35,200
Anqing	663,855	1.0	73,612	9,018
Changsha	663,198	1.0	82,026	8,085
Weifang	624,837	0.9	71,727	8,711
Fuyang	609,529	0.9	66,244	9,201
Yantai	555,852	0.8	43,240	12,855
Pingxiang	530,242	0.8	75,416	7,031
Huangshi	519,389	0.8	62,255	8,343
Lu'an	499,284	0.7	62,283	8,016

MANAGEMENT DISCUSSION AND ANALYSIS

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Nanjing	492,671	0.7	21,713	22,690
Zhuji	492,054	0.7	32,285	15,241
Baotou	488,200	0.7	56,818	8,592
Yiyang	415,536	0.6	62,619	6,636
Jinan	411,604	0.6	51,129	8,050
Jining	410,513	0.6	37,681	10,894
Quanzhou	408,789	0.6	30,187	13,542
Jinjiang	393,467	0.6	47,356	8,309
Baoshan	392,493	0.6	62,063	6,324
Ningde	390,420	0.6	39,564	9,868
Kunming	385,282	0.6	43,411	8,875
Xuancheng	383,922	0.6	52,478	7,316
Zhaotong	374,344	0.5	41,272	9,070
Fuzhou (福州)	374,178	0.5	23,406	15,986
Shenyang	362,413	0.5	22,930	15,805
Wuhan	349,540	0.5	28,346	12,331
Binzhou	342,392	0.5	44,229	7,741
Xiamen	341,159	0.5	33,064	10,318
Jingjiang	328,988	0.5	20,751	15,854
Zigong	322,710	0.5	38,510	8,380
Yichang	313,654	0.5	41,367	7,582
Zhangzhou	311,838	0.5	16,481	18,921
Guangde	311,378	0.5	34,353	9,064
Dali	305,113	0.5	23,096	13,211
Fuqing	298,583	0.4	25,651	11,640
Yangzhou	289,122	0.4	16,706	17,306
Zhoushan	287,070	0.4	16,122	17,806
Guigang	277,040	0.4	42,852	6,465
Chengdu	276,171	0.4	10,429	26,481
Ezhou	270,959	0.4	32,047	8,455
Loudi	269,018	0.4	45,242	5,946
Fanchang	267,531	0.4	34,861	7,674
Chizhou	267,283	0.4	32,535	8,215
Chifeng	263,072	0.4	23,317	11,282
Ankang	256,803	0.4	39,446	6,510
Ganzhou	253,033	0.4	28,847	8,772
Jiangmen	252,131	0.4	26,798	9,409
Tangshan	249,856	0.4	26,306	9,498
Bengbu	244,589	0.4	32,882	7,438
Xuchang	243,862	0.4	35,667	6,837
Zunyi	243,301	0.4	36,423	6,680
Chuxiong	239,638	0.3	47,370	5,059

MANAGEMENT DISCUSSION AND ANALYSIS

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Jiangyou	236,815	0.3	47,025	5,036
Nanchang	236,611	0.3	23,443	10,093
Tianjin	231,535	0.3	17,674	13,100
Changshu	220,314	0.3	13,324	16,535
Jiyuan	217,592	0.3	22,007	9,887
Shengzhou	210,485	0.3	16,898	12,456
Weihai	203,816	0.3	21,993	9,267
Dongyang	188,783	0.3	18,936	9,970
Jiaxing	179,133	0.3	10,747	16,668
Xiangyang	177,079	0.3	21,978	8,057
Shangrao	173,520	0.3	16,312	10,638
Quzhou	168,720	0.2	12,535	13,460
Tianshui	165,896	0.2	24,811	6,686
Tongchuan	162,550	0.2	23,191	7,009
Weihui	141,873	0.2	24,698	5,744
Taishun	137,577	0.2	14,046	9,795
Shangqiu	134,879	0.2	20,413	6,608
Chenzhou	129,797	0.2	23,172	5,601
Zibo	126,173	0.2	24,835	5,080
Nantong	124,697	0.2	13,012	9,583
Qingdao	123,847	0.2	11,368	10,894
Xinxiang	123,224	0.2	20,191	6,103
Huaian	122,368	0.2	14,446	8,471
Maoming	120,495	0.2	14,628	8,237
Dazhou	119,477	0.2	5,864	20,375
Zhaoqing	114,106	0.2	13,764	8,290
Wuhu	112,274	0.2	15,293	7,342
Laixi	111,050	0.2	13,408	8,282
Zhuzhou	109,125	0.2	18,107	6,027
Changde	107,058	0.2	18,448	5,803
Chaozhou	107,049	0.2	17,960	5,960
Nanning	103,997	0.2	10,292	10,105
Heyuan	95,700	0.2	10,202	9,381
Bozhou	93,815	0.2	15,219	6,164
Pu'er	93,784	0.1	11,989	7,823
Changge	86,705	0.1	15,379	5,638
Chaohu	80,484	0.1	7,868	10,229
Xinyang	79,049	0.1	8,904	8,878
Pingliang	77,498	0.1	9,440	8,210
Sanming	75,950	0.1	5,119	14,837
Longyan	75,398	0.1	8,514	8,856

MANAGEMENT DISCUSSION AND ANALYSIS

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Enshi	74,750	0.1	13,904	5,376
Jiujiang	74,462	0.1	9,502	7,836
Meishan	72,714	0.1	11,081	6,562
Bijie	71,021	0.1	11,755	6,042
Huanggang	70,090	0.1	9,779	7,167
Yinchuan	66,781	0.1	5,751	11,612
Guiyang	65,292	0.1	5,546	11,773
Qinzhou	64,215	0.1	11,759	5,461
Linfen	63,295	0.1	8,020	7,892
Liaocheng	61,998	0.1	3,167	19,576
Suizhou	59,827	0.1	10,531	5,681
Beihai	59,613	0.1	12,116	4,920
Hanshan	51,800	0.1	7,548	6,863
Tongling	47,311	0.1	8,691	5,444
Yueyang	46,240	0.1	6,052	7,640
Jiaozuo	45,779	0.1	8,580	5,336
Liuzhou	40,394	0.1	2,481	16,281
Yuzhou	40,001	0.1	6,932	5,770
Suining	34,898	0.1	4,806	7,261
Others*	366,664	*	24,417	15,017
	67,703,600	100.0	5,410,661	12,513

* Includes 24 cities of which individual contracted sales accounted for less than 0.1% of the total contracted sales.

By region

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Yangtze River Delta	43,000,976	63.5	2,604,260	16,512
Midwest China	14,948,358	22.1	1,818,399	8,221
Pan-Bohai Rim	5,289,599	7.8	548,356	9,646
Western Taiwan Straits	3,745,816	5.5	352,155	10,637
Pearl River Delta	718,851	1.1	87,491	8,216
	67,703,600	100.0	5,410,661	12,513

MANAGEMENT DISCUSSION AND ANALYSIS

By city tier

	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Second-tier cities ⁽¹⁾	29,737,918	43.9	1,732,240	17,167
Third-tier cities ⁽²⁾	30,586,825	45.2	2,735,797	11,180
Fourth-tier cities ⁽³⁾	7,378,857	10.9	942,624	7,828
	67,703,600	100.0	5,410,661	12,513

Notes:

- (1) Second-tier cities include Wenzhou, Hangzhou, Ningbo, Wuxi, Hefei, Suzhou (蘇州), Chongqing, Xi'an, Dalian, Changsha, Nanjing, Jinan, Kunming, Fuzhou (福州), Shenyang, Wuhan, Xiamen, Chengdu, Nanchang, Tianjin, Qingdao, Nanning, Guiyang, Foshan and Zhengzhou.
- (2) Third-tier cities include Jinhua, Lishui, Rui'an, Changzhou, Luoyang, Suqian, Taizhou (台州), Huzhou, Nanyang, Xuzhou, Yancheng, Cangzhou, Yiwu, Anqing, Weifang, Yantai, Luan, Zhuji, Baotou, Yiyang, Jining, Quanzhou, Jinjiang, Ningde, Xuancheng, Binzhou, Jingjiang, Yichang, Zhangzhou, Guangde, Fuqing, Yangzhou, Zhoushan, Loudi, Chifeng, Ganzhou, Jiangmen, Tangshan, Xuchang, Zunyi, Chuxiong, Shengzhou, Weihai, Dongyang, Jiaxing, Xiangyang, Quzhou, Shangqiu, Chenzhou, Zibo, Nantong, Huaian, Maoming, Dazhou, Zhaoqing, Wuhu, Laixi, Zhuzhou, Changde, Bozhou, Xinyang, Sanming, Longyan, Meishan, Huanggang, Yinchuan, Qinzhou, Liaocheng, Tongling, Yueyang, Liuzhou, Yuzhou, Suining, Nan'an, Linyi, Liuyang, Yulin, Shaoguan, Mianyang, Hohhot, Ningxiang, Taian, Dezhou, Yixing, Hengyang, Taizhou (泰州), Fuzhou (撫州), Shaoxing and Nanchong.
- (3) Fourth-tier cities include Fuyang, Pingxiang, Huangshi, Baoshan, Zhaotong, Zigong, Dali, Guigang, Ezhou, Fanchang, Chizhou, Ankang, Bengbu, Jiangyou, Changshu, Jiuyuan, Shangrao, Tianshui, Tongchuan, Gian, Weihui, Taishun, Xinxiang, Chaozhou, Heyuan, Pu'er, Changge, Chaohu, Pingliang, Enshi, Jiujiang, Bijie, Linfen, Suizhou, Beihai, Hanshan, Jiaozuo, Huaibei, Fu'an, Suzhou (宿州), Puyang and Jingdezhen.

Completed properties held for sale

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

As at 30 June 2020, the Group had 100 completed property projects and completed properties held for sale of RMB7,284.0 million, representing an increase of 75.9% from RMB4,140.7 million as at 31 December 2019.

Projects under development

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

As at 30 June 2020, the Group had 262 projects under development and properties under development of RMB137,665.1 million, representing an increase of 6.9% from RMB128,779.9 million as at 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Land bank

During the six months ended 30 June 2020, there were a total of 56 newly acquired land parcels with a total planned GFA of approximately 7.4 million sq.m. The average cost of land parcels acquired (excluding car parks) was approximately RMB5,288 per sq.m..

Table 2: Breakdown of land parcels the Group acquired during the six months ended 30 June 2020

No.	City	Project	Site area (sq. m.)	Planned GFA	Total	Average land cost
				(excluding car parks) (sq. m.)	consideration (RMB '000)	(excluding car parks) (RMB/sq. m.)
1	Quzhou	No. 2017-3, Huayuan Street, Kecheng District, Quzhou	43,329	73,659	396,500	5,383
2	Xiangyang	Lot 2 of Huahua Avenue, Fancheng District, Xiangyang	5,517	12,138	28,966	2,386
3	Jingzhou	No. 034 (2019), Gong'an County, Jingzhou	44,367	110,917	190,800	1,720
4	Huaian	Plot on the east side of Heyi Road, Higher Education Park, Huaian	68,362	150,397	353,800	2,352
5	Jining	Block C of Lukang North Plant	30,716	61,433	198,430	3,230
6	Hangzhou	Plot 212, Future Science and Technology City, Yuhang District, Hangzhou	97,535	214,577	4,901,540	22,843
7	Xiangyang	Plot No. [2019] 86, High-tech Zone, Xiangyang	29,496	79,639	267,692	3,361
8	Shangrao	Plot DEA2019159 in Shangrao City Center	53,928	129,427	712,500	5,505
9	Maanshan	Plot No. [2019] 16, Western Section in National Land, Hanshan	43,698	74,287	128,472	1,729
10	Ningbo	Plots on the north side of Shunyu Road and the west side of Jinsheng North Road in Yuyao City, Ningbo	41,533	124,599	293,754	2,358
11	Wenzhou	Plot YB-04-H-03, Longshui Unit, Yongqiang North Area, Wenzhou	57,018	150,528	1,104,300	7,336
12	Wenzhou	Plots T8-2-4-1 and T8-1-11 in Tangxia, Ruian City, Wenzhou	56,885	154,838	946,109	6,110
13	Jiangmen	JCR2020-13 (Xinhui 05), Jiangmen	29,911	74,777	515,520	6,894
14	Yongzhou	Intersection plot of South Shundi Road and Hibiscus Road, New Town, Ningyuan County, Yongzhou	48,643	150,793	120,000	796
15	Chengdu	147-acre Bai He Plot, Longquanyi District, Chengdu	98,084	176,552	1,200,552	6,800
16	Hefei	Lot south of Jiganghuai Road and east of Yucai Road, Changfenggang, Hefei	62,635	112,743	627,590	5,567
17	Wuxi	Plot B, Qingfeng, Liangxi District, Wuxi	27,099	46,068	613,800	13,324
18	Qingdao	Plot on Shilin 3rd Road, Jimo District, Qingdao	106,628	213,256	869,231	4,076

MANAGEMENT DISCUSSION AND ANALYSIS

No.	City	Project	Site area (sq. m.)	Planned GFA (excluding car parks) (sq. m.)	Total consideration (RMB '000)	Average land cost (excluding car parks) (RMB/sq. m.)
19	Xian	Plots XXFD-JM02-135 & 139 (commercial) in Fengdong New Town, Xixian New District, Xi'an	65,529	163,383	691,000	4,229
20	Hefei	Plot JK202001 by Nanyan Lake, Hefei Economic and Technological Development Zone, Hefei	133,078	266,155	2,724,764	10,238
21	Nanyang	Plot G2019-96 in Nanyang Hi-tech Industrial Development Zone, Nanyang	48,974	122,434	424,990	3,471
22	Tianjin	Plot J.B.K.(G.)2019-5 in Binhai New Area, Tianjin	46,030	129,122	1,352,800	10,477
23	Yancheng	Plot DH2019-24 in Crystal Town, Donghai County	60,678	133,492	443,980	3,326
24	Zaozhuang	Plot 1 to the west of Fuyuan 2nd Road, Zaozhuang National High-tech Industrial Development Zone, Zaozhuang	69,866	153,705	429,700	2,796
25	Tianjin	Plot J.B.B.(G.)2019-19 in Tianjin Airport Economic Zone, Tianjin	103,962	166,340	1,920,000	11,543
26	Chizhou	Plots 2020-1 and 2020-2 in Nanxin District, Qingyang County	75,279	150,558	342,200	2,273
27	Changsha	Plot 2020-005 in Wangcheng District, Changsha	92,118	276,353	552,770	2,000
28	Chongqing	Plot K1-9-1/07 in Zone K, Nanping Group, Nan'an District, Chongqing	103,501	207,002	1,331,020	6,430
29	Wuxi	Plot 3, Huishan Chengtie Business District, Wuxi	15,020	39,051	256,000	6,556
30	Suzhou	North Lot of Shazhou West Road, Zhangjiagang, Suzhou	54,494	108,989	962,190	8,828
31	Guigang	Plot 2019G-131, Jianshe Road, Gangbei District, Guigang	32,760	131,038	200,200	1,528
32	Suzhou	Plots north of Fengyang Road and west of Shengtang Road, Yangchenghu Town, Suzhou	49,035	88,263	781,480	8,854
33	Taian	Lot 2019-42, Tianping Lake Area, Western area of Taian	65,000	130,000	402,740	3,098
34	Putian	Lot 2020-01 in Xialinzhongtan, PS bid, South area of Putian	41,857	92,685	794,000	8,567
35	Hohhot	Lot 2020003, West of Central Yulong Road, Yuquan District, Hohhot	35,656	71,311	182,377	2,557
36	Taizhou	Lot Xiayangyan, Dayang Subdistrict, Linhai, Taizhou	37,264	81,981	651,000	7,941
37	Chongqing	Lot J04 by Longquan Corporation, Renhe Zutuan, Liangjiang New Area, Chongqing	12,400	37,200	206,000	5,538

MANAGEMENT DISCUSSION AND ANALYSIS

No.	City	Project	Site area (sq. m.)	Planned GFA (excluding car parks) (sq. m.)	Total consideration (RMB '000)	Average land cost (excluding car parks) (RMB/sq. m.)
38	Maanshan	Lot at the southeastern corner, intersection of Yuanqiao Road and No. 1 Guihua Road, Huashan District, Ma'anshan	90,056	198,123	576,000	2,907
39	Huangshan	Lot in the southwestern side of Hengjiang Bridge, Central Huangshan	34,755	62,559	286,691	4,583
40	Handan	Lot No. HD-2020-03-1, Fuxing District, Handan	73,012	197,133	378,000	1,917
41	Nanping	Lot 2020-J-WY-03, Wuyi New Area, Nanjing	41,737	75,125	285,000	3,794
42	Nantong	Plot on the east side of Wanshou South Road, Chengnan Plate, Rugao City	76,482	183,557	923,900	5,033
43	Ningbo	Plot CC09-01-16a, CC09-01-16b in Jiangbei District, Ningbo	48,784	75,311	518,142	6,880
44	Xinyang	Plot WG2020-304 of Xinyang High-tech Zone	95,855	239,636	411,980	1,719
45	Yongzhou	Lot C-29, Lengshuitan District, Yongzhou	35,152	123,032	192,456	1,564
46	Bengbu	Bengbu Bengshan Bengshan (2019) No. 65	123,251	246,502	627,420	2,545
47	Liyang	Block AB, North of Anshun Gas, Yanshan New District, Liyang	89,426	160,967	967,800	6,012
48	Zhangzhou	Changfu Lot No. 2020P07 in Chengdong District of Zhangzhou	82,551	214,632	1,396,000	6,504
49	Suzhou	Land plot on the east side of Shuangze Road, south of Zhenze South Road, Zhenze Town, Wujiang District, Suzhou	84,020	140,692	535,206	3,804
50	Hefei	Lot CF202009, Shuangdun Town, Changfeng County	44,405	79,929	480,258	6,009
51	Yuxi	Plot No. 06-1, YXTC (2006), Hongta District, Yuxi	49,450	98,900	533,000	5,389
52	Jieshou	Lot No. 2020-17.18 in Jieshou Old Town	78,172	156,345	312,261	1,997
53	Changde	Plot No. 3 of Furong New City, Changtu Net, Wuling District, Changde	106,998	288,007	681,000	2,365
54	Wenzhou	Plot of Urban Village Reconstruction Project of Rentian Village, Qiaotou Town, Yongjia County, Wenzhou	30,100	90,300	394,670	4,371
55	Wenzhou	Block B-14, Nanhu Lake, Chabai Area, Wenzhou	43,726	122,869	1,656,370	13,481
56	Wenzhou	Public transfer part of Lot 05-01, Xincheng West Unit, Ruian	6,882	36,634	121,006	3,303
			3,322,699	7,449,943	39,395,927	5,288

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the total land bank attributable to the Group, taking into account the total land bank of projects developed by subsidiaries, joint ventures and associates, was approximately 50.7 million sq.m., among which, approximately 5.3 million sq.m. were completed properties available for sale/leasable and approximately 45.4 million sq.m. were under development or for further development.

Table 3: Breakdown of the Group's total land bank as at 30 June 2020

By Group's subsidiaries

	Number of projects	Completed GFA available for sale/leasable GFA ⁽¹⁾ (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to the Group ⁽²⁾ (sq.m.)	% of total land bank attributable to the Group (%)	Total land bank ⁽³⁾ (sq.m.)
Zhejiang Province	87	2,317,318	4,748,185	1,062,191	8,127,694	16.0	8,127,694
Jiangsu Province	48	34,436	4,656,790	1,525,220	6,216,446	12.3	6,216,446
Anhui Province	31	—	2,627,882	383,868	3,011,750	5.9	3,011,750
Yangtze River Delta	166	2,351,754	12,032,857	2,971,279	17,355,890	34.2	17,355,890
Hunan Province	20	452,435	2,204,811	1,315,502	3,972,748	7.8	3,972,748
Henan Province	23	136,737	3,160,329	239,202	3,536,268	7.0	3,536,268
Yunnan Province	11	137,625	1,574,789	128,368	1,840,782	3.6	1,840,782
Hubei Province	11	57,704	1,402,845	312,416	1,772,965	3.5	1,772,965
Shaanxi Province	8	—	1,403,932	—	1,403,932	2.8	1,403,932
Sichuan Province	10	464,350	633,911	—	1,098,261	2.2	1,098,261
Guangxi Zhuang Autonomous Region	8	7,274	961,745	—	969,019	1.9	969,019
Chongqing	6	—	783,707	162,977	946,684	1.9	946,684
Inner Mongolia Autonomous Region	5	—	732,044	93,657	825,701	1.6	825,701
Ningxia Hui Autonomous Region	2	—	385,594	—	385,594	0.8	385,594
Guizhou Province	3	—	302,824	—	302,824	0.6	302,824
Shanxi Province	2	—	272,468	—	272,468	0.5	272,468
Gansu Province	2	—	195,817	—	195,817	0.4	195,817
Midwest China	111	1,256,125	14,014,816	2,252,122	17,523,063	34.6	17,523,063
Shandong Province	25	199,924	2,550,222	274,037	3,024,183	6.0	3,024,183
Hebei Province	4	—	500,361	249,047	749,408	1.5	749,408
Liaoning Province	4	—	465,261	—	465,261	0.9	465,261
Tianjin	2	—	256,884	—	256,884	0.5	256,884
Pan-Bohai Rim	35	199,924	3,772,728	523,084	4,495,736	8.9	4,495,736
Jiangxi Province	31	951,420	1,607,487	—	2,558,907	5.1	2,558,907
Fujian Province	10	82,481	609,904	378,778	1,071,163	2.1	1,071,163
Western Taiwan Straits	41	1,033,901	2,217,391	378,778	3,630,070	7.2	3,630,070
Guangdong Province	11	—	1,287,568	43,586	1,331,154	2.6	1,331,154
Pearl River Delta	11	—	1,287,568	43,586	1,331,154	2.6	1,331,154
Subtotal	364	4,841,704	33,325,360	6,168,849	44,335,913	87.5	44,335,913

MANAGEMENT DISCUSSION AND ANALYSIS

By Group's joint ventures and associates

	Number of projects	Completed GFA available for sale/leasable GFA ⁽¹⁾ (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to the Group ⁽²⁾ (sq.m.)	% of total land bank attributable to the Group (%)	Total land bank ⁽³⁾ (sq.m.)
Zhejiang Province	59	240,922	1,729,645	—	1,970,567	3.9	6,197,224
Jiangsu Province	22	9,247	1,017,011	13,773	1,040,031	2.1	2,579,553
Anhui Province	12	24,369	621,473	231,459	877,301	1.7	2,570,131
Yangtze River Delta	93	274,538	3,368,129	245,232	3,887,899	7.7	11,346,908
Chongqing	6	54,083	339,757	—	393,840	0.8	1,105,382
Henan Province	5	—	222,740	155,259	377,999	0.7	1,326,296
Hunan Province	3	64,485	156,019	—	220,504	0.4	515,425
Hubei Province	1	—	127,476	—	127,476	0.3	208,464
Sichuan Province	1	—	—	103,692	103,692	0.2	259,230
Yunnan Province	3	2,558	80,036	—	82,594	0.2	168,317
Guangxi Zhuang Autonomous Region	2	—	20,271	42,226	62,497	0.1	238,802
Midwest China	21	121,126	946,299	301,177	1,368,602	2.7	3,821,916
Tianjin	2	—	36,539	167,806	204,345	0.4	413,420
Shandong Province	6	6,126	133,310	23,298	162,734	0.3	629,731
Liaoning Province	1	—	16,773	—	16,773	*	32,888
Pan-Bohai Rim	9	6,126	186,622	191,104	383,852	0.7	1,076,039
Jiangxi Province	11	41,606	228,355	74,557	344,518	0.7	1,315,330
Fujian Province	5	—	308,239	—	308,239	0.6	1,074,490
Western Taiwan Straits	16	41,606	536,594	74,557	652,757	1.3	2,389,820
Guangdong Province	1	—	48,600	—	48,600	0.1	162,000
Pearl River Delta	1	—	48,600	—	48,600	0.1	162,000
Subtotal	140	443,396	5,086,244	812,070	6,341,710	12.5	18,796,683
Total	504	5,285,100	38,411,604	6,980,919	50,677,623	100.0	63,132,596

* less than 0.1%

MANAGEMENT DISCUSSION AND ANALYSIS

By city tier

	Number of projects	Completed GFA available for sale/leasable GFA ⁽¹⁾ (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to the Group ⁽²⁾ (sq.m.)	% of total land bank attributable to the Group (%)	Total land bank ⁽³⁾ (sq.m.)	% of total land bank (%)
Second-tier cities	166	1,250,595	10,289,081	2,396,241	13,935,917	27.5	19,539,496	30.9
Third-tier cities	261	3,317,572	20,615,698	3,833,165	27,766,435	54.8	33,232,341	52.6
Fourth-tier cities	77	716,933	7,506,825	751,513	8,975,271	17.7	10,360,759	16.4
Total	504	5,285,100	38,411,604	6,980,919	50,677,623	100.0	63,132,596	100.0

By region

	Number of projects	Completed GFA available for sale/leasable GFA ⁽¹⁾ (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to the Group ⁽²⁾ (sq.m.)	% of total land bank attributable to the Group (%)	Total land bank ⁽³⁾ (sq.m.)	% of total land bank (%)
Yangtze River Delta	259	2,626,292	15,400,986	3,216,511	21,243,789	41.9	28,702,798	45.5
Midwest China	132	1,377,251	14,961,115	2,553,299	18,891,665	37.3	21,344,979	33.8
Pan-Bohai Rim	44	206,050	3,959,350	714,188	4,879,588	9.6	5,571,775	8.8
Western Taiwan Straits	57	1,075,507	2,753,985	453,335	4,282,827	8.5	6,019,890	9.5
Pearl River Delta	12	—	1,336,168	43,586	1,379,754	2.7	1,493,154	2.4
Total	504	5,285,100	38,411,604	6,980,919	50,677,623	100.0	63,132,596	100.0

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2020, the Group derived its revenue from (i) sales of properties; (ii) other services; and (iii) rental income from property leasing. The revenue of the Group was primarily derived from the sales of properties in the PRC. The following table sets forth the breakdown of the Group's revenue recognised by business line for the periods indicated:

	For the six months ended		Change in percentage
	2020 (RMB'000)	2019 (RMB'000)	
Revenue			
Sales of properties	23,654,596	20,413,499	+15.9%
Other services	106,303	138,918	-23.5%
Rental income	5,743	4,148	+38.5%
Total	23,766,642	20,556,565	+15.6%

In the first half of 2020, the Group's property construction and delivery schedule was severely impacted due to the coronavirus pandemic. Despite under pressure from property delivery, the Group still managed to recognise an increase in the total recognised GFA by approximately 53.2% to 2,782,571 sq.m. for the six months ended 30 June 2020 from 1,816,690 sq.m. in the previous corresponding period. The impact of increased recognised GFA was offset partially by the decrease in recognised ASP by approximately 24.3% to RMB8,501 per sq.m. in the six months ended 30 June 2020 from RMB11,237 per sq.m. in the previous corresponding period. During the period, the decrease in recognised ASP was due to decrease in proportion of recognised revenue contributed from the Yangtze River Delta which generally had higher ASP.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue recognised from sales of properties

Revenue generated from the sales of properties amounted to RMB23,654.6 million for the six months ended 30 June 2020.

Table 4: Breakdown of recognised revenue from sales of properties for the six months ended 30 June 2020

	For the six months ended 30 June 2020			
	Revenue (RMB'000)	% of total revenue (%)	Recognised GFA (sq.m.)	Recognised ASP (RMB/sq.m.)
Yangtze River Delta				
Wenzhou	4,405,055	18.6	288,959	15,245
Taizhou	1,534,184	6.5	119,192	12,872
Wuxi	987,200	4.2	85,776	11,509
Huzhou	795,769	3.4	65,712	12,110
Chizhou	779,564	3.3	92,215	8,454
Others	3,001,934	12.7	400,461	7,496
Subtotal	11,503,706	48.7	1,052,315	10,932
Midwest China				
Ningde	1,303,923	5.5	170,005	7,670
Dazhou	1,210,473	5.1	173,083	6,994
Mianyang	614,612	2.6	82,636	7,438
Xinyang	481,843	2.0	69,741	6,909
Kunming	480,808	2.0	82,903	5,800
Others	2,408,829	10.2	389,207	6,189
Subtotal	6,500,488	27.4	967,575	6,718
Pan-Bohai Rim				
Linyi	965,932	4.1	101,068	9,557
Yantai	842,601	3.6	137,438	6,131
Binzhou	523,822	2.2	81,861	6,399
Others	94,869	0.4	12,647	7,501
Subtotal	2,427,224	10.3	333,014	7,289
Western Taiwan Straits				
Shangrao	1,247,725	5.3	195,981	6,367
Ganzhou	1,167,341	4.9	129,125	9,040
Zhangzhou	511,317	2.2	61,808	8,273
Others	286,090	1.2	41,055	6,968
Subtotal	3,212,473	13.6	427,969	7,506
Pearl River Delta	10,705	*	1,698	6,304
Total	23,654,596	100.0	2,782,571	8,501

* less than 0.1%

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2019

	Revenue (RMB'000)	% of total revenue (%)	Recognised GFA (sq.m.)	Recognised ASP (RMB/sq.m.)
Yangtze River Delta				
Wenzhou	1,754,890	8.6	143,463	12,232
Ningbo	1,296,358	6.3	122,009	10,625
Suzhou	51,706	0.3	3,367	15,357
Shaoxing	47,499	0.2	6,118	7,764
Taizhou	3,099,525	15.2	247,486	12,524
Hangzhou	62,795	0.3	4,600	13,651
Others	10,843,444	53.1	887,042	12,224
Subtotal	17,156,217	84.0	1,414,085	12,132
Midwest China				
Dazhou	52,437	0.3	7,870	6,663
Kunming	83,971	0.4	9,536	8,806
Changsha	7,334	*	1,407	5,213
Others	558,775	2.7	75,446	7,406
Subtotal	702,517	3.4	94,259	7,453
Pan-Bohai Rim				
Yantai	3,205	*	502	6,384
Linyi	10,466	0.1	1,014	10,321
Others	75,643	0.4	10,502	7,203
Subtotal	89,314	0.5	12,018	7,432
Western Taiwan Straits				
Ganzhou	695,637	3.4	65,915	10,554
Ningde	55,091	0.3	7,058	7,805
Jiujiang	13,672	0.1	1,772	7,716
Others	1,681,693	8.2	218,834	7,685
Subtotal	2,446,093	12.0	293,579	8,332
Pearl River Delta				
	19,358	0.1	2,749	7,042
Total	20,413,499	100.0	1,816,690	11,237

* less than 0.1%

Cost of sales

The Group's cost of sales increased by approximately 18.6% from RMB15,522.1 million for the six months ended 30 June 2019 to RMB18,404.6 million for the six months ended 30 June 2020. This increase was generally in line with the increase in the Group's total revenue.

Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. As a result of the foregoing, the Group's gross profit increased by approximately 6.5% from RMB5,034.5 million for the six months ended 30 June 2019 to RMB5,362.1 million for the six months ended 30 June 2020.

The Group's gross profit margin softened from 24.5% for the six months ended 30 June 2019 to 22.6% for the six months ended 30 June 2020, mainly because of higher land acquisition costs relative to the respective ASP in respect of property projects delivered during the period.

Other income and gains

The Group's other income and gains primarily include (i) gain on disposal of subsidiaries and joint venture; (ii) forfeiture of deposits; (iii) government grants; and (iv) others, which mainly include sundry income. The Group's other income increased by approximately 26.2% from RMB83.6 million for the six months ended 30 June 2019 to RMB105.5 million for the six months ended 30 June 2020.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately 6.2% from RMB1,007.4 million for the six months ended 30 June 2019 to RMB945.1 million for the six months ended 30 June 2020. During the period, the Group incurred less selling and distribution expenses as there was a slow-down in marketing activities and less promotional expenses budget due to the impact of the coronavirus pandemic.

Administrative expenses

The Group's administrative expenses increased by approximately 12.1% from RMB1,055.2 million for the six months ended 30 June 2019 to RMB1,182.6 million for the six months ended 30 June 2020, primarily due to the increase in administrative expenses as a result of the Group's business expansion.

Finance income

The Group's finance income, which mainly represents bank interest income, decreased by approximately 17.3% from RMB192.3 million for the six months ended 30 June 2019 to RMB159.1 million for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

The Group's finance costs decreased by approximately 21.7% from RMB250.9 million for the six months ended 30 June 2019 to RMB196.5 million for the six months ended 30 June 2020.

The Group's total finance costs expensed and capitalised for the six months ended 30 June 2020 was approximately RMB2,451.7 million, representing an increase of 15.5% from RMB2,122.1 million for the six months ended 30 June 2019. The increase in finance cost was due to the increase in bank and other borrowings.

The Group's weighted average cost of indebtedness for the period was approximately 8.9% (31 December 2019: approximately 9.4%).

Share of losses/profits of joint ventures

The Group recorded share of profits of joint ventures accounted for using the equity method of RMB44.1 million for the six months ended 30 June 2019 and share of losses of joint ventures of RMB19.6 million for the six months ended 30 June 2020, primarily due to an increase in the Group's relevant expenses shared resulting from the increased property projects held by its new joint ventures.

Share of profits of associates

The Group's share of profits of associates increased by approximately 194.5% from RMB169.6 million for the six months ended 30 June 2019 to RMB499.4 million for the six months ended 30 June 2020, primarily due to the increase in 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 13.9% from RMB3,193.3 million for the six months ended 30 June 2019 to RMB3,636.8 million for the six months ended 30 June 2020.

Income tax expense

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

The Group's income tax expense increased by approximately 10.2% from RMB1,294.6 million for the six months ended 30 June 2019 to RMB1,426.7 million for the six months ended 30 June 2020.

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

As a result of the aforementioned changes of the Group's financials, the Group's profit for the period attributable to owners of the Company increased by approximately 0.1% from RMB1,204.1 million for the six months ended 30 June 2019 to RMB1,205.8 million for the six months ended 30 June 2020. The Group's core net profit for the period attributable to the owners of the Company increased by approximately 6.2% from RMB1,232.2 million for the six months ended 30 June 2019 to RMB1,308.1 million for the six months ended 30 June 2020.

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, proceeds from bank and other borrowings, capital contribution from non-controlling shareholders and other financings. The Group's need for long-term liquid capital is associated with capital allocated for new property development projects and repayment of indebtedness.

Net current assets

As at 30 June 2020, the Group's net current assets amounted to RMB34,442.4 million (31 December 2019: RMB26,112.3 million). Specifically, the Group's total current assets increased by approximately 12.1% from RMB210,130.8 million as at 31 December 2019 to RMB235,642.9 million as at 30 June 2020. The Group's total current liabilities increased by approximately 9.3% from RMB184,018.5 million as at 31 December 2019 to RMB201,200.5 million as at 30 June 2020. The increase in the Group's total current assets was primarily attributable to (i) the increase in properties under development; (ii) the increase in completed properties held for sale; and (iii) the increase in prepayments and other receivables during the period.

Cash position

As at 30 June 2020, the Group had cash and bank balances of RMB35,021.4 million (31 December 2019: RMB26,495.3 million), representing an increase of approximately 32.2% as compared with the end of 2019.

Indebtedness

As at 30 June 2020, the Group had total outstanding indebtedness of RMB52,809.4 million (31 December 2019: RMB40,181.2 million), of which RMB44,342.1 million (31 December 2019: RMB31,994.1 million) was carried at fixed rates. Except for the senior notes of RMB7,845.7 million and the bank and other borrowings of RMB1,203.5 million which were denominated in USD, all of the other borrowings of the Group were denominated in RMB.

Subject to certain terms and conditions in facility, the current portion of bank and other borrowings of approximately RMB1,061.9 million could be extended for 364 days upon its maturity.

MANAGEMENT DISCUSSION AND ANALYSIS

Table 5: Breakdown of the Group's total indebtedness:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Current		
Bank loans		
— secured	2,226,080	2,193,310
Other loans		
— secured	9,361,796	10,378,095
— unsecured	1,618,205	890,550
Current portion of long-term bank loans		
— secured	3,155,014	4,786,982
Current portion of long-term other loans		
— secured	1,559,748	1,876,376
Senior note	5,054,138	1,378,045
Total current indebtedness	22,974,981	21,503,358
Non-current		
Bank loans		
— secured	22,510,087	11,991,707
— unsecured	—	1,150,000
Other loans		
— secured	4,532,690	2,718,849
Senior notes	2,791,595	2,817,326
Total non-current indebtedness	29,834,372	18,677,882
Total indebtedness	52,809,353	40,181,240
Secured	51,191,148	38,140,690
Unsecured	1,618,205	2,040,550
Total indebtedness	52,809,353	40,181,240

MANAGEMENT DISCUSSION AND ANALYSIS

By maturity profiles

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Bank loans repayable:		
— Within one year or on demand	5,381,094	6,980,292
— In the second year	16,033,415	11,251,174
— In the third to fifth year, inclusive	6,476,672	1,890,533
	27,891,181	20,121,999
Other borrowings repayable:		
— Within one year or on demand	12,539,749	13,145,021
— In the second year	4,101,690	2,718,849
— In the third to fifth year, inclusive	431,000	—
	17,072,439	15,863,870
Senior notes repayable:		
— Within one year	5,054,138	1,378,045
— In the second year	2,791,595	2,817,326
	7,845,733	4,195,371
Total	52,809,353	40,181,240

Pledge of assets

As at 30 June 2020, the Group's borrowings were secured by the Group's assets of RMB68,123.1 million (31 December 2019: RMB60,039.6 million) which included (i) investment properties; (ii) properties under development; (iii) pledged deposits; and (iv) restricted cash.

Financial risks

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

Interest rate risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign currency risk

The Group has transactional currency exposures arising from transactions by the group entities in currencies other than their respective functional currencies. In addition, the Group has foreign currency exposures from its cash and cash equivalents and senior notes.

As at 30 June 2020, the Group had cash and bank balances denominated in United States dollars and Hong Kong dollars of RMB1,590.2 million and of RMB1,096.4 million, respectively, bank and other borrowings denominated in United States dollars of RMB1,203.5 million, and senior notes denominated in United States dollars of RMB7,845.7 million, which are subject to fluctuations in exchange rates. The Group has not entered into any foreign currency hedging arrangement. 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 trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the head of credit control of the Group.

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 and senior notes. Cash flows are closely monitored on an ongoing basis.

CONTINGENT LIABILITIES

Mortgage guarantees

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

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

The total outstanding guarantee amounts provided by the Group to banks amounted to RMB56,210.6 million as at 30 June 2020 (31 December 2019: RMB51,717.8 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 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.

Financial guarantees

As at 30 June 2020, the Group guaranteed certain bank and other borrowings made to its joint ventures and associates up to RMB8,523.7 million (31 December 2019: RMB10,228.9 million).

Legal contingents

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

COMMITMENTS

As at 30 June 2020, the Group's property development expenditures and acquisition of land use rights and capital contributions payable to joint ventures and associates that had contracted but yet provided for were RMB81,007.9 million (31 December 2019: RMB75,218.3 million).

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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in note 19 to the interim condensed consolidated financial statements on pages 61 to 62 in this report, there were no other significant investments held, no material acquisition or disposal of subsidiaries, associated companies and joint ventures during the six months ended 30 June 2020. As at 30 June 2020, the Board has not authorised any plan for other material investments or additions of capital assets.

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\$3,050.7 million (equivalent to approximately RMB2,732.8 million). Up to the date of this report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

An analysis of the utilisation of the net proceeds from the Listing Date up to 30 June 2020 is set out below:

	Planned use of net proceeds as stated in the Prospectus RMB million	Actual use of net proceeds up to 30 June 2020 RMB million	Unutilised net proceeds as at 30 June 2020 RMB million
Construction costs for the development of the Group's existing property projects	1,675.2	1,061.8	613.4
Repayment of trust loans	784.3	784.3	—
General working capital	273.3	273.3	—
Total	2,732.8	2,119.4	613.4

The remaining unutilised net proceeds will be used to settle construction payments in accordance with the progress of construction.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2020, the Group employed a total of 12,597 full-time employees. For the six months ended 30 June 2020, the staff cost recognised as expenses of the Group amounted to RMB813.9 million (30 June 2019: RMB719.0 million).

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 7 July 2020, 62,300,000 share options with exercise price of HK\$5.83 per share had been granted to certain eligible participants (the "Grantees") under the Share Option Scheme, subject to the acceptance of the options by the Grantees. The options shall be exercisable within a period of ten years from the date of grant. Details can be referred to the Company's announcement dated 7 July 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhance investors' confidence to the Company and the Company's accountability. The Company therefore strives to attain and maintain effective corporate governance practices and procedures.

The Company has adopted the Corporate Governance Code contained in Appendix 14 to the Listing Rules as its own code on corporate governance during the six months ended 30 June 2020 and, to the best knowledge of the Directors, the Company had complied with all the applicable code provisions contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the guidelines for the Directors' dealings in the securities of the Company since the Listing. In response to specific enquiry made by the Company, all Directors confirmed that they have complied with the Model Code for the six months ended 30 June 2020.

SPECIFIC PERFORMANCE OF CONTROLLING SHAREHOLDERS UNDER RULE 13.18 OF THE LISTING RULES

On 16 March 2020, the Company as a borrower accepted a facility letter (the "**Facility Letter**") issued by Hang Seng Bank Limited as lender pursuant to which a US\$20,000,000 term loan facility was made available to the Company, with a maturity period of 12 months after the first drawdown date.

Pursuant to the Facility Letter, the Company is required to procure that (i) Mr. Yang Jian ("**Mr. Yang**") or his immediate family member(s) shall remain as the chairman of the Board and the executive Director of the Company; and (ii) Mr. Yang and Ms. Xu Xiaoqun ("**Ms. Xu**") collectively own at least 60% of the, direct or indirect, beneficial shareholding interest in the issued share capital of, and carrying at least 30% of the voting rights in, the Company, free from any security.

On 23 March 2020, US\$20,000,000 was drawn down by the Company and such loan remained outstanding as at 30 June 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

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

Details of the Share Option Scheme

(1) Purpose

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

(2) Participants

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

(3) The maximum number of Shares available for issue

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the total Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, and such 10% limit represents 353,000,000 Shares, representing approximately 9.86% of the total Shares in issue as at the date of this report.

(4) The maximum entitlement of each participant

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

(5) Time of acceptance and exercise of option

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

(6) Subscription price for Shares

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

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

(7) The duration of the Share Option Scheme

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

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

During the six months ended 30 June 2020, no option was granted or agreed to be granted, exercised or cancelled by the Company pursuant to the Share Option Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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 SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

Interests in Shares of the Company

Name of Director/chief executive	Nature of interest	Number of Shares ^(Note 1)	Approximate percentage of shareholding ^(Note 1)
Mr. Yang	Founder of a discretionary trust ^(Note 2)	2,822,167,839 (L)	78.79%
	Interest of controlled corporation ^(Note 3)	89,121,090 (L)	2.49%
	Interest of spouse ^(Note 4)	59,414,060 (L)	1.66%

Notes:

- (1) As at 30 June 2020, the Company issued 3,581,791,500 Shares. The letter (L) denotes the person's long position in the relevant Shares.
- (2) 2,822,167,839 Shares are held by Liangzhong International Co., Ltd. ("**Liangzhong**"), a company directly wholly-owned by Changxing International Co., Ltd., which is in turn wholly-owned by Changxing Pte. Ltd. Changxing Pte. Ltd. is the trustee of a discretionary trust set up by Mr. Yang. By virtue of Part XV of the SFO, Mr. Yang is deemed to be interested in the Shares held by Liangzhong.
- (3) Liangyi International Co., Ltd. ("**Liangyi**"), a company directly wholly-owned by Mr. Yang, directly holds 89,121,090 Shares of the Company. By virtue of the SFO, Mr. Yang is deemed to be interested in 89,121,090 Shares held by Liangyi.
- (4) Liangtai International Co., Ltd. ("**Liangtai**"), a company directly wholly owned by Ms. Xu, the spouse of Mr. Yang, directly holds 59,414,060 Shares of the Company. By virtue of Part XV of the SFO, Ms. Xu is deemed to be interested in 59,414,060 Shares held by Liangtai and Mr. Yang, as the spouse of Ms. Xu, is deemed to be interested in the same number of Shares in which Ms. Xu is interested.

Interests in shares of associated corporations of the Company

Name of Director/chief executive	Name of associated corporation	Nature of interest	Number of shares	Percentage of shareholding
Mr. Yang	Liangyi	Beneficial owner	1	100%

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 (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2020, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares ^(Note 1)	Approximate percentage of shareholding ^(Note 1)
Liangzhong	Beneficial owner	2,822,167,839 (L)	78.79%
Liangyi	Beneficial owner	89,121,090 (L)	2.49%
Liangtai	Beneficial owner	59,414,060 (L)	1.66%
Ms. Xu	Interest of controlled corporation ^(Note 2) Interest of spouse ^(Note 3)	59,414,060 (L) 2,911,288,929 (L)	1.66% 81.28%
Changxing International Co., Ltd.	Interest of controlled corporation ^(Note 4)	2,822,167,839 (L)	78.79%
Changxing Pte. Ltd.	Trustee ^(Note 4)	2,822,167,839 (L)	78.79%

Notes:

- (1) As at 30 June 2020, the Company issued 3,581,791,500 Shares. The letter (L) denotes the person's long position in the relevant Shares.
- (2) Liangtai is directly wholly-owned by Ms. Xu. By virtue of the SFO, Ms. Xu is deemed to be interested in the Shares held by Liangtai.
- (3) Ms. Xu, as the spouse of Mr. Yang, is deemed to be interested in the same number of Shares in which Mr. Yang is interested.
- (4) Liangzhong is directly wholly-owned by Changxing International Co., Ltd., which is in turn wholly-owned by Changxing Pte. Ltd. Changxing Pte. Ltd. is the trustee of a discretionary trust set up by Mr. Yang. By virtue of the SFO, Changxing Pte. Ltd. and Changxing International Co., Ltd. are deemed to be interested in the Shares held by Liangzhong.

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

INTERIM DIVIDEND

On 24 August 2020, the Board resolved to declare an Interim Dividend of HK16.3 cents (equivalent to RMB14.6 cents) per Share for the six months ended 30 June 2020 to the Shareholders whose name appear on the register of member of the Company at the close of business on Thursday, 12 November 2020. The Interim Dividend is expected to be paid on or about Tuesday, 24 November 2020.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who qualify for the Interim Dividend, the register of members of the Company will be closed from Tuesday, 10 November 2020 to Thursday, 12 November 2020, both days inclusive. In order to qualify for the Interim Dividend, all transfer documents should be lodged for registration to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 9 November 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the interim results 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.

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

Hong Kong, 24 August 2020

INDEPENDENT REVIEW REPORT



To the board of directors of Zhongliang Holdings Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 40 to 72, which comprises the condensed consolidated statement of financial position of Zhongliang 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.

Ernst & Young
Certified Public Accountants
Hong Kong
24 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	5	23,766,642	20,556,565
Cost of sales		(18,404,563)	(15,522,059)
GROSS PROFIT		5,362,079	5,034,506
Other income and gains	5	105,501	83,577
Selling and distribution expenses		(945,119)	(1,007,433)
Administrative expenses		(1,182,583)	(1,055,179)
Impairment losses on financial assets, net		(3,095)	(5,014)
Other expenses		(162,218)	(41,527)
Fair value gains on investment properties	11	41,176	29,093
Fair value (losses)/gains on financial assets at fair value through profit or loss		(21,221)	210
Finance income		159,055	192,294
Finance costs	7	(196,489)	(250,853)
Share of profits and losses of:			
Joint ventures		(19,648)	44,095
Associates		499,394	169,559
PROFIT BEFORE TAX	6	3,636,832	3,193,328
Income tax expense	8	(1,426,678)	(1,294,640)
PROFIT FOR THE PERIOD		2,210,154	1,898,688
Attributable to:			
Owners of the parent		1,205,787	1,204,108
Non-controlling interests		1,004,367	694,580
		2,210,154	1,898,688
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the period	10	RMB0.34	RMB0.40

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	2,210,154	1,898,688
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(11,808)	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(11,808)	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(11,808)	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,198,346	1,898,688
Attributable to:		
Owners of the parent	1,193,979	1,204,108
Non-controlling interests	1,004,367	694,580
	2,198,346	1,898,688

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		94,284	117,679
Investment properties	11	1,595,150	1,196,550
Right-of-use assets		108,460	144,809
Intangible assets		6,714	8,128
Investments in joint ventures		3,606,510	3,240,364
Investments in associates		11,993,056	6,749,631
Prepayments, deposits and other receivables		919,746	—
Deferred tax assets		3,447,339	2,932,066
Total non-current assets		21,771,259	14,389,227
CURRENT ASSETS			
Financial assets at fair value through profit or loss		410,383	290,723
Properties under development		137,665,112	128,779,890
Completed properties held for sale		7,283,954	4,140,691
Trade receivables	12	6,299	3,035
Due from related companies	22	10,822,173	9,446,200
Prepayments and other receivables		41,325,540	38,283,718
Tax recoverable		3,107,995	2,691,238
Cash and bank balances	13	35,021,412	26,495,261
Total current assets		235,642,868	210,130,756
CURRENT LIABILITIES			
Trade and bills payables	14	12,645,198	12,060,536
Other payables and accruals		20,745,390	19,019,087
Contract liabilities		125,095,791	115,873,077
Due to related companies	22	15,819,521	11,985,635
Interest-bearing bank and other borrowings	15	17,920,843	20,125,313
Lease liabilities		88,014	46,234
Tax payable		3,690,789	3,406,783
Provision for financial guarantee contracts	16	47,244	31,364
Senior notes	17	5,054,138	1,378,045
Other financial liabilities		93,573	92,378
Total current liabilities		201,200,501	184,018,452
NET CURRENT ASSETS		34,442,367	26,112,304
TOTAL ASSETS LESS CURRENT LIABILITIES		56,213,626	40,501,531

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	27,042,777	15,860,556
Lease liabilities		42,500	100,210
Deferred tax liabilities		890,958	851,884
Senior notes	17	2,791,595	2,817,326
Total non-current liabilities		30,767,830	19,629,976
NET ASSETS			
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	31,450	31,450
Reserves		8,844,857	8,696,650
		8,876,307	8,728,100
Non-controlling interests		16,569,489	12,143,455
Total equity		25,445,796	20,871,555

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	Retained profits	Exchange fluctuation reserve	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
31 December 2019 and 1 January 2020 (audited)	31,450	3,629,765	3,138	(29,153)	1,242,937	3,862,528	(12,565)	8,728,100	12,143,455	20,871,555
Profit for the period	—	—	—	—	—	1,205,787	—	1,205,787	1,004,367	2,210,154
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(11,808)	(11,808)	—	(11,808)
Total comprehensive income for the year	—	—	—	—	—	1,205,787	(11,808)	1,193,979	1,004,367	2,198,346
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	3,449,896	3,449,896
Dividends and distributions	—	—	—	—	—	(1,073,135)	—	(1,073,135)	—	(1,073,135)
Partial disposal of equity interests in subsidiaries without losing control	—	—	—	13,012	—	—	—	13,012	(13,012)	—
Disposal of subsidiaries	—	—	—	—	—	—	—	—	(866)	(866)
Acquisition of non-controlling interests	—	—	—	14,351	—	—	—	14,351	(14,351)	—
As at 30 June 2020 (unaudited)	31,450	3,629,765	3,138	(1,790)	1,242,937	3,995,180	(24,373)	8,876,307	16,569,489	25,445,796

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

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 OPERATING ACTIVITIES			
Profit before tax		3,636,832	3,193,328
Adjustments for:			
Depreciation of items of property, plant and equipment	6	17,851	22,761
Depreciation of right-of-use assets		39,418	30,863
Amortisation of intangible assets	6	1,461	161
Impairment losses recognised for properties under development	6	152,816	31,952
Impairment losses recognised for properties held for sale	6	87,684	—
Impairment losses recognised for financial assets		3,095	5,014
Changes in provision for financial guarantee contracts	16	(14,992)	(21,434)
Gain on disposal of subsidiaries	5	(1,511)	(29,128)
Gain on disposal of associates	5	(46,852)	—
Share of profits and losses of joint ventures		19,648	(44,095)
Share of profits and losses of associates		(499,394)	(169,559)
Fair value gains on investment properties	11	(41,176)	(29,093)
Fair value losses/(gains) on financial assets at fair value through profit or loss		21,221	(210)
Finance costs	7	196,489	250,853
Finance income		(159,055)	(192,294)
Increase in properties under development and completed properties held for sale		(13,708,485)	(16,154,271)
Increase in prepayments and other receivables		(6,828,874)	(11,687,537)
Increase in restricted cash		(3,429,976)	(5,069,408)
Increase in pledged deposits		(299,490)	(870,299)
(Increase)/decrease in trade receivables		(3,264)	4,354
Increase in trade and bills payables		587,620	2,101,101
Increase in other payables and accruals		6,721,211	2,841,523
Increase in contract liabilities		9,222,714	19,461,811
Decrease in amounts due to related companies		48,890	—
Cash used in operations		(4,276,119)	(6,323,607)
Interest received		159,055	192,294
Interest paid		(1,688,828)	(1,567,120)
Tax paid		(2,048,832)	(2,062,155)
Net cash flows used in operating activities		(7,854,724)	(9,760,588)

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		(9,072)	(17,259)
Purchase of intangible assets		(47)	(384)
Acquisition of financial assets at fair value through profit or loss		(140,881)	(5,000)
Acquisition of a subsidiary		—	(19,432)
Disposal of subsidiaries	19	(117,354)	(323,184)
Gain on disposal of items of property, plant and equipment		14,581	—
Investments in joint ventures and associates		(5,087,933)	(1,084,187)
Disposal of a joint venture		57,621	—
Purchase of investment properties		(357,424)	(75,307)
Advances to related companies	22	(10,461,204)	(4,179,730)
Repayment of advances to related companies	22	9,041,583	6,143,473
Net cash flows (used in)/from investing activities		(7,060,130)	438,990
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling shareholders of subsidiaries		3,449,896	733,233
Advances from related companies	22	7,902,884	5,827,078
Repayment of advances from related companies	22	(4,074,240)	(3,550,399)
Increase in pledged deposits		(212,001)	(188,510)
Principal portion of lease payments		(27,786)	(41,768)
Proceeds from issue of senior notes		3,478,425	—
Proceeds from interest-bearing bank and other borrowings		27,317,813	18,000,990
Repayment of interest-bearing bank and other borrowings		(18,339,730)	(15,946,172)
Net cash flows from financing activities		19,495,261	4,834,452
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,580,407	(4,487,146)
Cash and cash equivalents at beginning of the period		14,955,756	14,551,518
Effect of foreign exchange rate changes, net		4,277	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD		19,540,440	10,064,372
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		35,021,412	24,721,435
Less: Restricted cash		13,624,595	12,961,477
Pledged deposits		1,856,377	1,695,586
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and statement of cash flows		19,540,440	10,064,372

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

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

During the six months ended 30 June 2020, the Group was principally involved in property development, property leasing and management consulting services.

In the opinion of the directors, the immediate holding company of the Company is Liangzhong International Co., Ltd. The ultimate controlling parties of the Group are Mr. Yang Jian and Ms. Xu Xiaoqun.

2. 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 annual consolidated financial statements for the year ended 31 December 2019.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 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	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

- (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.

- (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. The amount of rent concession was not significant to the Group and the amendment did not have a significant impact on the Group's interim condensed consolidated financial information.

- (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

For the six months ended 30 June 2020

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

No revenue from sales to a single customer or a Group of customers under common control accounted for 10% or more of the Group's revenue for the reporting period.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>	23,760,899	20,552,417
<i>Revenue from other sources</i>		
Gross rental income	5,743	4,148
	23,766,642	20,556,565

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of properties	23,654,596	20,413,499
Other services	106,303	138,918
Total revenue from contracts with customers	23,760,899	20,552,417
Timing of revenue recognition		
Sale of properties transferred at a point in time	22,264,902	18,245,680
Sale of properties transferred over time	1,389,694	2,167,819
Services transferred over time	106,303	138,918
Total revenue from contracts with customers	23,760,899	20,552,417
Other income and gains		
Gain on disposal of subsidiaries	1,511	29,128
Gain on disposal of a joint venture	46,852	—
Changes in provision for financial guarantee contracts	14,992	21,434
Forfeiture of deposits	4,819	11,595
Government grants	11,480	9,438
Others	25,847	11,982
	105,501	83,577

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	18,118,216	15,387,074
Impairment losses recognised for properties under development	152,816	31,952
Impairment losses recognised for properties held for sale	87,684	—
Depreciation of right-of-use assets	39,418	30,863
Depreciation of items of property, plant and equipment	17,851	22,761
Amortisation of intangible assets	1,461	161
Foreign exchange loss, net	88,962	—
Auditor's remuneration	4,100	3,800
Employee benefit expense (including directors' and chief executives' remuneration):		
Wages and salaries	726,662	596,231
Pension scheme contributions and social welfare	87,200	122,746

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings and senior notes	1,840,955	1,588,994
Interest expense arising from revenue contracts	601,919	526,582
Interest on lease liabilities	8,787	6,509
Total interest expense on financial liabilities not at fair value through profit or loss	2,451,661	2,122,085
Less: Interest capitalised	(2,255,172)	(1,871,232)
	196,489	250,853

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

8. INCOME TAX

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

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

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
CIT	1,443,832	1,299,710
LAT	481,512	505,046
Deferred tax	(498,666)	(510,116)
Total tax charge for the period	1,426,678	1,294,640

9. DIVIDENDS

The proposed 2019 final dividend of HK32.8 cents (equivalent to approximately RMB30.0 cents) per share, totalling HK\$1,175 million (equivalent to approximately RMB1,073 million), was approved by the Company's shareholders at the annual general meeting on 5 June 2020. It was recorded in "other payables and accruals" in the interim condensed consolidated statement of financial position and was subsequently distributed in July 2020.

On 24 August 2020, the board of directors declared an interim dividend of HK16.3 cents, equivalent to RMB14.6 cents (six months ended 30 June 2019: HK15.3 cents, equivalent to RMB13.8 cents) per ordinary share, amounting to a total of approximately HK\$583.8 million, equivalent to RMB522.9 million (six months ended 30 June 2019: HK\$548.0 million, equivalent to RMB494.3 million). The interim dividend has not been recognised as a liability at the end of the reporting period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB1,205,787,000 (six months ended 30 June 2019: RMB1,204,108,000), and the weighted average number of ordinary shares of 3,581,791,500 (six months ended 30 June 2019: 3,000,000,000) in issue during the 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 potential dilutive ordinary shares in issue during the periods.

11. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2019 (audited)	469,000	459,900	928,900
Additions	—	287,295	287,295
Transfer	257,250	(257,250)	—
Disposal of a subsidiary	(69,500)	—	(69,500)
Net gain from a fair value adjustment	2,805	47,050	49,855
Carrying amount at 31 December 2019 and 1 January 2020 (audited)	659,555	536,995	1,196,550
Additions	—	357,424	357,424
Transfer	210,168	(210,168)	—
Net gain from a fair value adjustment	15,127	26,049	41,176
Carrying amount at 30 June 2020 (unaudited)	884,850	710,300	1,595,150

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

11. INVESTMENT PROPERTIES (Continued)

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

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

As at 30 June 2020, certain of the Group's investment properties with an aggregate carrying amount of approximately RMB790,300,000 (31 December 2019: RMB351,000,000) have been pledged to secure bank and other borrowings granted to the Group (note 15).

12. TRADE RECEIVABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Less than 1 year	6,299	3,035

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For the six months ended 30 June 2020

13. CASH AND BANK BALANCES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	35,021,412	26,495,261
Less: Restricted cash	13,624,595	10,194,619
Pledged deposits	1,856,377	1,344,886
Cash and cash equivalents	19,540,440	14,955,756
Denominated in RMB	16,853,778	14,506,628
Denominated in HK\$	1,096,424	27,453
Denominated in US\$	1,590,238	421,675
	19,540,440	14,955,756

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 30 June 2020, such restricted cash amounted to RMB13,202,669,000 (31 December 2019: RMB9,502,611,000).

Certain of the Group's restricted cash with an aggregate carrying amount of approximately RMB421,926,000 (31 December 2019: RMB692,008,000) has been pledged to secure bank and other borrowings granted to the Group (note 15).

As at 30 June 2020, certain of the Group's pledged deposits with an aggregate carrying amount of approximately RMB236,953,000 (31 December 2019: RMB44,757,000), has been pledged to secure bank and other borrowings granted to the Group (note 15).

Bank deposits of RMB1,619,424,000 (31 December 2019: RMB1,300,129,000) were pledged as security for purchasers' mortgage loans, or construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

14. TRADE AND BILLS PAYABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Less than 1 year	12,456,473	11,706,261
Over 1 year	188,725	354,275
	12,645,198	12,060,536

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current		
Bank loans — secured	2,226,080	2,193,310
Other loans — secured	9,361,796	10,378,095
Other loans — unsecured (Note)	1,618,205	890,550
Current portion of long term bank loans — secured	3,155,014	4,786,982
Current portion of long term other loans — secured	1,559,748	1,876,376
	17,920,843	20,125,313
Non-current		
Bank loans — secured	22,510,087	11,991,707
Bank loans — unsecured	—	1,150,000
Other loans — secured	4,532,690	2,718,849
	27,042,777	15,860,556
	44,963,620	35,985,869

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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 or on demand	5,381,094	6,980,292
In the second year	16,033,415	11,251,174
In the third to fifth years, inclusive	6,476,672	1,890,533
	27,891,181	20,121,999
Other borrowings repayable:		
Within one year or on demand	12,539,749	13,145,021
In the second year	4,101,690	2,718,849
In the third to fifth years, inclusive	431,000	—
	17,072,439	15,863,870
	44,963,620	35,985,869

Certain of the Group's bank and other borrowings are secured by the pledges of the 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)
Properties under development	66,673,900	58,951,830
Investment properties	790,300	351,000
Restricted cash	421,926	692,008
Pledged deposits	236,953	44,757

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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.

- i. The Group's bank and other borrowings were guaranteed by its related parties (note 22(2)).
- ii. Certain of the bank and other borrowings of up to RMB3,555,920,000 were guaranteed by the Company's non-controlling shareholders and independent third parties as at 30 June 2020 (31 December 2019: RMB4,241,440,000).

Note: With the consent of the lenders, the Group may deliver an extension request for certain unsecured other loans totally amounting to RMB1,061,925,000 that the repayment date will be extended for 364 days.

16. PROVISION FOR FINANCIAL GUARANTEE CONTRACTS

	RMB'000
At 1 January 2020 (audited)	31,364
Fair value changes	(14,992)
Additions	30,872
At 30 June 2020 (unaudited)	47,244

The financial guarantee contracts represent guarantees given to banks and other financial institutions in connection with borrowings made to the Group's joint ventures and associates. Details are set out in note 20.

The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by directors of the Group.

The financial guarantee contracts are measured at the higher of the expected credit loss (ECL) allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the joint ventures and associates). During the period ended 30 June 2020, an ECL allowance of RMB47,244,000 was provided as a result of guarantees provided to the joint ventures and associates (31 December 2019: RMB31,364,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

17. SENIOR NOTES

	30 June 2020 (Unaudited)				31 December 2019 (Audited)			
	Principal at original currency	Contractual interest rate (%)	Maturity	RMB'000	Principal at original currency	Contractual interest rate (%)	Maturity	RMB'000
	US\$'000				US\$'000			
Senior notes due 2020 I ("2020 Notes")	200,000	9.75	2020	1,413,705	200,000	9.75	2020	1,378,045
Senior notes due 2021 I ("September 2021 Notes I")	300,000	11.50	2021	2,150,823	300,000	11.50	2021	2,107,742
Senior notes due 2021 II ("September 2021 Notes II")	100,000	11.50	2021	722,186	100,000	11.50	2021	709,584
Senior notes due 2021 I ("February 2021 Notes")	250,000	8.75	2021	1,810,060	—	—	—	—
Senior notes due 2021 II ("June 2021 Notes")	250,000	8.75	2021	1,748,959	—	—	—	—
				7,845,733				4,195,371
Less: Current portion				5,054,138				1,378,045
Non-current portion				2,791,595				2,817,326

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
The Group's senior notes were repayable as follows:		
Repayable within one year	5,054,138	1,378,045
Repayable in the second year	2,791,595	2,817,326
Repayable in the third to fifth years	—	—
Total	7,845,733	4,195,371

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

17. SENIOR NOTES (Continued)

June 2021 Notes

On 29 June 2020, the Company issued the June 2021 Notes at a coupon rate of 8.75% due within 2021 with an aggregate principal amount of US\$250,000,000. The Company raised net proceeds of US\$246,982,730 (after deduction of underwriting discounts and commissions and other expenses).

At any time prior to 27 June 2021, the Company may, at its option, redeem the June 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the June 2021 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to 27 June 2021, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the June 2021 Notes with the net cash proceeds of one or more sales of common stock in an equity offering at a redemption price of 108.75% of the principal amount of the June 2021 Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem the June 2021 Notes at a redemption price equal to 100% of the principal amount of the June 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

February 2021 Notes

On 18 February 2020, the Company issued the February 2021 Notes at a coupon rate of 8.75% due within 2021 with an aggregate principal amount of US\$250,000,000. The Company raised net proceeds of US\$247,699,957 (after deduction of underwriting discounts and commissions and other expenses).

At any time prior to 16 February 2021, the Company may at its option redeem the February 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the February 2021 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to 16 February 2021, the Company, may at its option, redeem up to 35% of the aggregate principal amount of the February 2021 Notes with the net cash proceeds of one or more sales of common stock in an equity offering at a redemption price of 108.75% of the principal amount of the February 2021 Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem the February 2021 Notes at a redemption price equal to 100% of the principal amount of the February 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

18. SHARE CAPITAL

Shares

	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)
Issued and fully paid: 3,581,791,500 (2019: 3,581,791,500) ordinary shares of HK\$0.01 each (2019: HK\$0.01 each)	35,817,915	35,817,915
Equivalent to RMB'000	31,450	31,450

19. DISPOSAL OF SUBSIDIARIES

(a) 濟寧梁順置業有限公司 (“Jining Liangshun Property Co., Ltd.”)

Pursuant to the resolutions of shareholders and amendments to the articles of association dated 13 March 2020, the registered capital of Jining Liangshun Property Co., Ltd. (“Jining Liangshun”) increased from RMB10,000,000 to RMB200,000,000. The additional capital of RMB50,000,000 was injected by a subsidiary of the Group, Zaozhuang Liangxin Real Estate Co., Ltd. (“Zaozhuang Liangxin”), while RMB140,000,000 was injected by the new shareholders. Zaozhuang Liangxin’s equity interest in Jining Liangshun decreased from 100% to 30%. Upon the completion of the capital injection, the Group lost control over Jining Liangshun thereafter. This transaction is accounted for as deemed disposal of a subsidiary.

(b) 瑞安市梁潤置業有限公司 (“Ruian Liangrun Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 22 January 2020, the Group disposed of its 94% equity interest in Ruian Liangrun Property Co., Ltd. to 瑞安市中茂置業有限公司 (“Ruian Zhongmao Property Co., Ltd.”) for a consideration of nil.

(c) 寧波市梁錦置業有限公司 (“Ningbo Liangjin Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 20 April 2020, the Group disposed of its 66% equity interest in Ningbo Liangjin Property Co., Ltd. to 杭州建杭和樂置業有限公司 (“Hangzhou Jianhang Heyue Property Co., Ltd.”) and 上海花樣年房地產開發有限公司 (“Shanghai Fantasia Real Estate Development Co., Ltd.”) for a consideration of nil.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

19. DISPOSAL OF SUBSIDIARIES (Continued)

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

	For the six months ended 30 June 2020 RMB'000 (Unaudited)
Net assets disposed of:	
Property, plant and equipment	35
Deferred tax assets	6,336
Properties under development	3,060,498
Cash and cash equivalents	117,354
Prepayments and other receivables	2,870,401
Trade and bills payables	(2,959)
Other payables and accruals	(6,054,042)
Non-controlling interests	866
	(1,511)
Gain on disposal of subsidiaries	1,511
Satisfied by cash	—

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

	RMB'000 (Unaudited)
Cash consideration	—
Cash and bank balances disposed of	(117,354)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(117,354)

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

20. CONTINGENT LIABILITIES

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

	Notes	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)	56,210,615	51,717,760
Guarantees given to banks in connection with facilities granted to related companies	(2)	8,523,730	10,228,866

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

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, and 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 periods start from the dates of grant of the relevant mortgage loans and end upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within half a year to two years after the purchasers take possession of the relevant properties.

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

- (2) The Group provided guarantees to banks and other institutions in connection with borrowings made to the related companies. As of 30 June 2020, an allowance of RMB47,244,000 (31 December 2019: RMB31,364,000) was provided for as a result of the guarantees provided to the related companies.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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 not provided for:		
Property development activities	69,213,184	68,331,392
Acquisition of land use rights	7,737,950	2,887,197
Capital contributions payable to joint ventures and associates	4,056,736	3,999,720
	81,007,870	75,218,309

22. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Advances to related companies:		
Joint ventures and associates	10,461,204	4,155,977
Companies controlled by the ultimate controlling shareholders	—	23,753
Repayment of advances to related companies:		
Companies controlled by certain directors and/or their close family members	—	57,655
Joint ventures and associates	9,041,583	5,839,174
Companies controlled by the ultimate controlling shareholders	—	246,644
Advances from related companies:		
Joint ventures and associates	7,902,884	5,827,078
Repayment of advances from related companies:		
Companies controlled by certain directors and/or their close family members	—	119,458
Joint ventures and associates	4,074,240	3,360,163
Companies controlled by the ultimate controlling shareholders	—	70,778

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

22. RELATED PARTY TRANSACTIONS (Continued)

(1) Significant related party transactions (Continued)

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period: (Continued)

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other services to joint ventures and associates (Note)	72,009	86,607
Donation to a company controlled by certain directors and/or their close family members*	4,000	—
Finance costs from a company significantly impacted by certain directors (Note)	—	3,750
Property management services from companies controlled by the ultimate controlling shareholders (Note)	103,387	87,028
Design, decoration and outfitting services from companies controlled by the ultimate controlling shareholders (Note)	101,625	—

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

* As at 30 June 2020, the Group has donated up to RMB4,000,000 (30 June 2019: Nil) to 上海中梁公益基金會 (“Zhongliang Foundation”), the director of which is a close family member of the controlling shareholders of the Company.

(2) Other transactions with related parties

- i. As at 30 June 2020, Deqing Jinhao Property Co., Ltd. (德清錦皓置業有限公司) has guaranteed certain of the bank and other borrowings of nil (31 December 2019: RMB235,200,000).
- ii. As at 30 June 2020, the Group has guaranteed certain of the bank and other borrowings made to its joint ventures and associates of up to RMB8,523,730,000 (31 December 2019: RMB10,228,866,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

22. RELATED PARTY TRANSACTIONS (Continued)

(3) Outstanding balances with related parties

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Due from related companies:		
Companies controlled by certain directors and/or their close family members	—	43,717
Joint ventures and associates	10,820,915	9,401,294
Due to related companies:		
Joint ventures and associates	15,727,420	11,898,776

Balances with the above related parties were non-trade, unsecured, interest-free and had no fixed terms of repayments.

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Due from related companies:		
Companies controlled by the ultimate controlling shareholders	1,258	1,189
Due to related companies:		
Companies controlled by the ultimate controlling shareholders	92,101	86,859

Balances with the above related parties were trade, unsecured, interest-free and had no fixed terms of repayments.

(4) 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	13,489	18,739
Pension scheme contributions	128	335
Total compensation paid to key management personnel	13,617	19,074

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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 FVTPL	410,383	290,723	410,383	290,723
Financial liabilities				
Senior notes	7,845,733	4,195,371	7,890,295	4,205,800
Interest-bearing bank and other borrowings	44,963,620	35,985,869	44,870,798	36,000,290
Other financial liabilities	93,573	92,378	93,573	92,378
Provision for financial guarantee contracts	47,244	31,364	47,244	31,364

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

The Group's corporate finance team headed by the group financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the group financial controller and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the group financial controller. The valuation process and results are discussed with the board of directors twice a year for 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 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 as at 30 June 2020 was assessed to be insignificant.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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

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

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

Set out 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 and 31 December 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Other financial liabilities	Discounted cash flow method	Incremental borrowing cost	30 June 2020:	1% increase/decrease in incremental borrowing cost would result in a decrease/increase in fair value by RMB31,000/RMB31,000
			7.20%–22.75%	
		Expected rate of return per annum	30 June 2020:	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB8,000/RMB8,000
			16.97%	
2019:	7.20%–22.75%	1% increase/decrease in incremental borrowing cost would result in a decrease/increase in fair value by RMB103,000/RMB103,000		
			16.97%–21.45%	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB22,000/RMB22,000

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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

Set out 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 and 31 December 2019: (Continued)

	Valuation technique	Significant unobservable input	Input	Sensitivity of fair value to the input
Financial assets at FVTPL	Market approach	Net asset value per share	30 June 2020: 0.9756	1% increase/decrease in net asset value per share would result in an increase/decrease in fair value by RMB2,146,320/ RMB2,146,320
	Market approach	Net asset value	2019: 0.9708	1% increase/decrease in net asset value per share would result in an increase/decrease in fair value by RMB2,135,760/ RMB2,135,760

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Provision for financial guarantee contracts	Expected credit loss model	Recovery rate	30 June 2020: 36.4%–39.5%	1% increase/decrease in recovery rate would result in a decrease/increase in fair value by RMB288,170/ RMB288,170
			2019: 37.30%–40.00%	1% increase/decrease in recovery rate would result in a decrease/increase in fair value by RMB52,905/ RMB52,382
	Discount rate	30 June 2020: 1.2%–3.70%	1% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB63,964/ RMB63,964	
		2019: 1.26%–2.73%	1% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB2,663/ RMB2,639	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2020

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at FVTPL	195,751	—	214,632	410,383

As at 31 December 2019

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Financial assets at FVTPL	77,147	—	213,576	290,723

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Financial assets at FVTPL		
— Wealth management products at fair value		
At 1 January	213,576	228,757
Acquisition of financial assets at fair value	—	5,000
Disposal of financial assets at fair value	—	—
Fair value changes	1,056	210
At 30 June	214,632	233,967

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 30 June 2020

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Other financial liabilities	—	—	93,573	93,573
Provision for financial guarantee contracts	—	—	47,244	47,244
	—	—	140,817	140,817

As at 31 December 2019

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Other financial liabilities	—	—	92,378	92,378
Provision for financial guarantee contracts	—	—	31,364	31,364
	—	—	123,742	123,742

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

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For the six months ended 30 June 2020

24. EVENTS AFTER REPORTING PERIOD

On 7 July 2020, 62,300,000 share options, of which the exercise price was HK\$5.83 per share, were granted to certain eligible participants (the “Grantees”) under the Share Option Scheme, subject to the acceptance of the options by the Grantees. The options shall be exercisable within a period of ten years from the date of grant. Details can be referred to the Company’s announcement dated on 7 July 2020.

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 24 August 2020.