

JOVAN 佳源

Jiayuan International Group Limited
佳源國際控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)
Stock Code : 2768



2021
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Shum Tin Ching (*Chairman*)
Shen Xiaodong

Executive Directors

Zhang Yi (*Vice Chairman*)
Huang Fuqing (*Vice Chairman*)
Cheuk Hiu Nam
Wang Jianfeng (*Vice President*)

Independent non-executive Directors

Tai Kwok Leung, Alexander
Cheung Wai Bun, Charles, JP
Gu Yunchang

AUDIT COMMITTEE

Tai Kwok Leung, Alexander (*Chairman*)
Cheung Wai Bun, Charles, JP
Gu Yunchang

REMUNERATION COMMITTEE

Cheung Wai Bun, Charles, JP (*Chairman*)
Tai Kwok Leung, Alexander
Zhang Yi*

NOMINATION COMMITTEE

Shum Tin Ching (*Chairman*)
Cheung Wai Bun, Charles, JP
Gu Yunchang

PRESIDENT

Shen Hongjie

JOINT COMPANY SECRETARIES

Cheuk Hiu Nam
Lau Yee Wa

AUTHORISED REPRESENTATIVES

Cheuk Hiu Nam
Lau Yee Wa

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISERS

As to Hong Kong law:
Mayer Brown

As to PRC law:
Jingtian & Gongcheng

As to Cayman Islands law:
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Banco Tai Fung
Bank of Communications
China Minsheng Bank
Huishang Bank
Agricultural Development Bank of China
SPD Bank

REGISTERED OFFICE

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PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HEADQUARTERS

Room 1403, 9 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 59, Gu Jia Ying Road
Xuanwu District
Nanjing
China

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.jiayuanintl.com

STOCK CODE

2768

* Ms. Cheuk Hiu Nam has ceased to act as a member of the Remuneration Committee of the Board since 29 March 2021 while Mr. Zhang Yi was appointed as a member of the Remuneration Committee on the same date.

COMPANY PROFILE

ABOUT JIAYUAN

Jiayuan International Group Limited (the "Company" and together with its subsidiaries, collectively as the "Group") (Stock Code: 2768) is an established property developer of large-scale residential complexes and commercial complexes in the People's Republic of China (the "PRC"). As at 30 June 2021, the total land bank of the Group was approximately 18.70 million sq.m..

With 26 years of experience in property development, the Group develops property projects through comprehensive planning, meticulous quality control, sophisticated operating systems and experienced professional teams to meet the needs of different regions and strengthen the "Jiayuan" brand.

As of 30 June 2021, the Group has a portfolio of 100 property projects in China. Ever since its establishment, the Group has had a deep presence in the property project development in Jiangsu and Anhui regions. Since 2016, the Group has taken the lead in entering Guangdong-Hong Kong-Macao Greater Bay Area, and has successively obtained a number of quality projects in Shenzhen, Jiangmen and Macau. In 2018, it established a joint venture company in Hong Kong to formally enter the Hong Kong real estate market. Also, the Group purchased the quality properties of Shanghai from Mr. Shum Tin Ching ("Mr. Shum"), Chairman, non-executive Director and ultimate controlling shareholder of the Company, thus enhancing its leading position in the Yangtze River Delta Region. In addition, the Group also succeeded in expanding its business coverage to key provincial capital cities, including Guiyang and Urumqi. The Group also ventured into countries and regions along the "Belt and Road" initiative, such as acquiring fine land parcels in Cambodia. In addition, the Group acquired a property management business, for which property management services of the Group was deeply rooted in Yangtze River Delta Region. Jiayuan Services (stock code: 01153.HK) became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2020. In 2021, the Group acquired the Shandong property development project from Mr. Shum to further expand its development regions.

The Group's residential and commercial complexes in cities with sizeable economies and populations have been or will be developed into mixed-use community centres. The Group strives to infuse the following key values into its developments:

1. Education value: The Group believes that education is of paramount importance to customers as parents. Therefore, the Group focuses on selecting locations with relatively mature school nets. In addition, the Group has participated in the construction of five schools in its developed property projects, aiming at building an excellent school net;
2. Leisure value: For projects building, it is the Group's general practice to spare a certain portion of its site area for the construction of European or Chinese-style theme parks and plazas, aiming at enhancing the visual attraction of properties and bringing leisure enjoyment to its customers;
3. Commercial value: The residential properties under the Group also include retail stores and shopping malls, providing a "one-stop" shopping experience to its customers and taking care of the daily needs of residents and citizens nearby;
4. Green value: Green construction and green innovation are important areas for practicing environmental responsibility. The Group will put more emphasis on green development to integrate the green concept into the whole process of planning, designing, building and operating, so as to create green buildings and healthy building with high qualities. Meanwhile, residential industrialization is actively promoted and energy conservation and consumption reduction requirements are implemented, so as to enhance the environmental performance in a multi-pronged approach.

FINANCIAL HIGHLIGHTS

- The Group achieved contracted sales of approximately RMB19,127 million for the six months ended 30 June 2021 representing an increase of approximately 64% from corresponding period and achieved 47% of the full year target.
- The Group's revenue was stable at approximately RMB9,364 million for the six months ended 30 June 2021 as compared to the corresponding period of approximately RMB9,354 million in 2020, and representing an increase approximately RMB805 million or 9% as compared to the corresponding period of approximately RMB8,559 million before the acquisition of Luyuan^(note 1).
- The Group's gross profit was approximately RMB2,994 million for the six months ended 30 June 2021, with gross profit margin of approximately 32%.
- Net profit of the Group for the six months ended 30 June 2021 amounted to approximately RMB2,170 million, representing an increase of approximately RMB425 million or 24% as compared to the corresponding period in 2020.
- Core net profit of the Group for the six months ended 30 June 2021^(note 2) was approximately RMB2,051 million.
- Cash and bank balances of the Group^(note 3) as at 30 June 2021 was RMB12,261 million, representing an increase of 10% compared to 31 December 2020.
- As at 30 June 2021, the Group's liabilities to assets ratio after excluding pre-sale deposits received^(note 4) was 62.11%, representing a decrease of 2.17 percentage points as compared to 64.28% as at 31 December 2020.
- As at 30 June 2021, the Group's non-restricted cash to current borrowings ratio^(note 5) was 1.29, which maintained the same level as at 31 December 2020.
- Net gearing ratio^(note 6) of the Group decreased from approximately 53.85% as at 31 December 2020 to approximately 40.71% as at 30 June 2021.
- The Group's basic earnings per share was approximately RMB33 cents for the six months ended 30 June 2021, representing an increase of approximately 19% in the corresponding period in 2020.
- As at 30 June 2021, the Group had land reserves of approximately 18.70 million sq.m..

Note 1: On 30 June 2021, the Group completed the acquisition of Luyuan Investment Holdings Limited ("Luyuan"), which are engaged in property development projects in Shandong Province, the PRC. Luyuan was wholly-owned by Mr. Shum Tin Ching ("Mr. Shum"). Pursuant to the relevant sale and purchase agreement, the consideration of HKD7,247,560,000 (equivalent to approximately RMB6,034,318,000) was settled (i) as to HKD3,420,640,000 by way of issue of convertible bonds by the Company; (ii) as to HKD2,772,000,000 by way of issue of 840,000,000 ordinary shares by the Company; and (iii) as to the remaining balance of HKD1,054,920,000 by cash. Please refer to the Company's announcement on 30 June 2021 for details.

Note 2: Core net profit of the Group for the six months ended 30 June 2021 and 30 June 2020 exclude fair value change on investment properties, net impairment reversal/(losses) on financial assets, fair value change on financial assets at fair value through profit or loss, fair value change on derivative financial instruments and their related deferred tax, foreign exchange gains/(losses).

Note 3: Cash and bank balances include cash and cash equivalents and restricted bank deposits.

Note 4: Liabilities to assets ratio after excluding pre-sale deposit received is calculated by dividing total liabilities minus pre-sale deposit received (including contract liabilities and relevant value-added tax) by total assets minus pre-sale deposit received (including contract liabilities and relevant value-added tax).

Note 5: Non-restricted cash to current borrowings ratio is calculated by dividing cash and cash equivalents by current borrowings.

Note 6: Net gearing ratio was measured by net debt (bank and other borrowings and senior notes net of cash and cash equivalents and restricted bank deposits) over the total equity.

CHAIRMAN'S STATEMENT

Dear **Shareholders**,

Into 2021, the domestic and international environment was still complicated and fast-changing. With the persistence of the Novel Coronavirus ("COVID-19") epidemic, the domestic overall situation in China was under effective control with the adoption of vigorous anti-epidemic measures and large-scale vaccination. Under proactive fiscal policies and steady monetary policies, the economic growth of China has been recovering during the first half of the year. With an optimizing economic structure, strengthening innovation momentum and improving livelihood protection, the economic and social development was on an uptrend on top of reinforced stability. The real estate market in China followed the national economic trend closely in the first half of the year and continued the purchasing interest from the end of 2020, which led to an overall buoyance during the second quarter. To foster sound development in the real estate industry, region-specific control measures were introduced in various regions. "City-specific policies" and "housing is for accommodation instead of speculation" remained as the keynote of control policies. Performance of the real estate market became more standardized and the national real estate market maintained a stable trend.

In the first half of the year, through the initiatives including the fortification of sales team development, adjustment on layout strategies and continuous optimization of capital and debt structures, the Group continued to deliver an encouraging performance in terms of various operating indicators. The contracted sales amount and sales area for the first half of the year reached RMB19,127 million and 1,491,382 sq.m., respectively. The revenue and core net profit reached RMB9,364 million and RMB2,051 million, respectively. In addition, during the first half of the year, the Group reported satisfying achievements in respect of investment expansion, adding a gross floor area of 1.147 million sq.m.. In the meantime, the Group still maintained a robust financial position with its net gearing ratio decreased to 40.71%. In the second half of the year, the Group will focus on enforcing plans of property sales vis-à-vis new land reserves, having full confidence in completing the sales target for the whole year.

Next, China's economy will continue to recover steadily with an uptrend and high-quality developments will constantly achieve results. However, the global COVID-19 epidemic is still evolving and the external environment shall become more complicated and rigorous, and therefore the national economic recovery will still be facing challenges. In face of the complicated and fast-changing environment, we will firmly adhere to our sound and stable development strategies and insist on deep and concentrated development. We will continue to enhance our expansion and operation in the Yangtze River Delta Economic Zone, the Guangdong-Hong Kong-Macao Greater Bay Area, the key provincial cities in central and western China as well as the countries and regions along the "Belt and Road" initiative. Through raising our own management standard in an effort to achieve high quality development, we offer our customers quality products, thereby constantly creating benefits for our shareholders.

Shum Tin Ching

Chairman

Jiayuan International Group Limited

Hong Kong

25 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Market Review

In the first half of 2021, in the face of the complicated and fast-changing domestic and international environment, China's economy continued to recover steadily. All major macro-economic indicators were within reasonable ranges and the economy was on an uptrend on top of reinforced stability. The gross domestic product ("GDP") of China amounted to RMB53,216.7 billion in the first half of 2021, representing a period-on-period increase of 12.7%. The GDP by quarter indicated a decelerating growth with period-on-period increase of 18.3% in the first quarter and period-on-period increase of 7.9% in the second quarter.

The overall trend of the real estate market in China declined before bouncing back, then plateaued at a high level in the first half of 2021. At the beginning of the year, the active atmosphere at the end of 2020 continued to influence the market. In February, trading became less frequent due to the Chinese New Year holiday and other factors. The property market had a "short rally" in March and April, when trading in certain key regions and key cities flourished and led to an overall market buoyance during the said period of time. In May and June, the market gradually stabilized by the increasingly stringent regulation policies in many cities and the tightening of credit environment.

From the perspective of distribution by cities, the property market had diverged performance in northern and southern China and excellent performance in central region. Divergence between cities continued to develop as trading tended to concentrate in well-established high-quality cities. Yangtze River Delta was still the most robust region as compared with all other major economic zones. Both Pearl River Delta and Chengdu-Chongqing Economic Circle had outstanding performance. As for other provinces and regions, usually only the downtown area of provincial capital cities performed satisfactorily, while rural counties and third and fourth-tier cities were deeply engaged in the strategy of lowering prices in exchange for increase in trading volume.

From the perspective of data analysis, from January to June, the sold area of commodity properties amounted to 886.35 million sq.m., representing a period-on-period increase of 27.7%; the investment in property development amounted to RMB7,217.9 billion, representing a period-on-period increase of 15.0%; new property construction areas amounted to 1,012.88 million sq.m., representing a period-on-period increase of 3.8%; the sales amount of commodity properties amounted to RMB9,293.1 billion, representing a period-on-period increase of 38.9%; the average transaction price of new housing amounted to RMB16,877 per sq.m., representing a period-on-period increase of 3.51%.

Results Performance

Geographic concentration with improvement in diversification

The Group deepened its region-focused development strategy and achieved steady growth in its key performance indicators. During the first half of 2021, the Group's contracted sales of properties amounted to approximately RMB19,127 million, representing an increase of 64% from the period ended 30 June 2020 to the period ended 30 June 2021. Contracted sales area amounted to approximately 1,491,382 sq.m.. As at 30 June 2021, the Group had land bank of 18.7 million sq.m., with planned locked-in saleable resources of RMB250.3 billion, of which the Yangtze River Delta Area accounted for RMB126.5 billion or 51%, the Guangdong-Hong Kong-Macau Bay Area accounted for RMB58.1 billion or 23%, and Shandong Province accounted for RMB36.4 billion or 15%, respectively.

During the first half of 2021, the Group acquired seven premium projects in Hefei, Yangzhou, Suqian, Zhuhai and Foshan through tender and bidding in the public market, merger and acquisition. With effective control of land acquisition costs, new lands were acquired at an average cost of RMB5,225 per sq.m., laying a solid foundation for continuous and robust development.

As at 30 June 2021, all the conditions set out in Sale and Purchase Agreement with Mr. Shum Tin Ching ("Mr. Shum") for the purpose of acquiring five premium projects in Qingdao and Weihai owned by Mr. Shum privately have been fulfilled. Following the completion of the Sale and Purchase Agreement, the five projects in Qingdao and Weihai have become premium land reserves of the Group.

Optimizing financial structure through active debt management

In the first half of 2021, the management of the Group strived for enhancing its financial discipline by stringently controlling its cash recovery ratio vis-à-vis land acquisitions and emphasizing prudence in expanding its liabilities, and as a result of which, various liquidity indicators and debt structures were constantly optimized. Moody's Investor Service changed the ratings outlook of the Company to "positive" from "stable" on 13 April 2021, which reflected that the Company will grow its operating scale without sacrificing profitability, maintain strong credit metrics and improve its capital structure over the next 12-18 months.

On 5 February 2021, the Company repurchased its 13.75% Senior notes due March 2022 (the "2022 Notes"). A total of approximately USD55.8 million in principal amount of the 2022 Notes have been validly tendered and accepted pursuant to the Company's offer to purchase. On 11 March 2021, a total of approximately USD61.5 million in principal amount of the 2022 Notes were further repurchased by the Company following the exercise of a put option pursuant to the terms of the 2022 Notes.

On 20 July 2021, the Company made on-market repurchases of the senior notes due July 2023 (the "2023 Notes") and the senior notes due February 2024 (the "2024 Notes") in an aggregate principal amount of USD5.0 million and USD3.0 million respectively, representing approximately 1.66% and 2.31% of the aggregate principal amount of the 2023 Notes and the 2024 Notes originally issued, respectively.

On 17 August 2021, the Company announced as at the expiration deadline of 13 August 2021, a total of approximately USD43.9 million in principal amount of the senior notes due March 2022, and a total of approximately USD84.9 million in principal amount of the senior notes due February 2023 have been validly tendered and not withdrawn pursuant to the offer to purchase announced on 29 July 2021. The Company settled a total of approximately USD12.6 million in principal amount of the senior notes due March 2022, and a total of approximately USD80.6 million in principal amount of the senior notes due February 2023 on 20 August 2021.

On 21 July 2021, the Company was the first to issue green financing convertible bonds among Chinese property developers, issuing in a principal amount of USD100 million bearing an interest rate of 7.00% and due 2025. The issuance of convertible bonds is an innovation in expanding the company's financing channels, which can effectively reduce financing costs and help the Company further optimize its financial structure. In the long run, it will increase the liquidity and trading volume of the Company's shares, providing more space for future asset injections from Mr. Shum.

On 9 July 2021, S&P Ratings issued its green framework alignment opinion on the Company's green financing framework ("the Framework") with opinion that the Framework is aligned with the four components of the Green Bond Principles 2021 and Green Loan Principles 2021. The Framework clarifies that the funds raised under green financings will be used in eligible green projects such as green buildings, pollution prevention and control, sustainable water management. It marked another milestone in the Company's efforts to promote green industry development and achieve sustainable growth.

Prospects

Looking ahead to the second half of 2021, it may be difficult for the global economy to fully recover. Following the fade out of loosened monetary policies in Europe and America, inflation around the globe may reach its peak during the year. Economic recovery is yet to be stable under the continuous effect of the COVID-19 pandemic. Despite the bigger challenges that China may face regarding economic recovery in the second half of the year, the long-term outlook still remains optimistic.

For the real estate industry, under the guidance of the policy "housing is for accommodation instead of speculation", control policies may be introduced and implemented to more cities. Market transaction scale and average price will still be aiming at maintaining stability. Differentiation between tiers of cities will further intensify. It is expected that market of first-tier cities may be less active in the second half of the year under further development of control policies, but nonetheless it will remain at a high level. With an accelerated internal differentiation in second-tier cities, major cities in some popular regions such as Yangtze River Delta, Pearl River Delta and Chengdu-Chongqing Economic Circle will still be robust. Meanwhile, under strengthened control in popular cities, some secondary popular cities will take up part of the spillover demand and gain higher popularity.

For real estate developers, with gradual increase in industry concentration, coupled with the effects of "three redlines" new policy, housing mortgage concentration management system and centralized land supply policy, the industry is faced with new reforms, which imply more severe challenges to real estate developers. The market gradually shifts from a "quantity-first" approach to a "quality-first" approach, which marked the arrival of the era of refined management.

In view of the challenges and opportunities brought by the new trend in the property market, the Group will be committed to implementing steady financial policies and risk control measures, strengthening its contracted sales and receipt of sales proceeds and applying strict control over its various costs and expenses, so as to secure a stable operating cash flow as well as investment returns.

At the same time, the Group will continue to replenish its premium land bank by adopting practical strategies and hold on to the deep cultivation strategy to optimise the geographical layout of its projects. It will also devise corresponding investment portfolios to suit the different urbanisation stages of the PRC and pay attention to the demands of different local markets. In future, on a foundation of solid development, the Group will make flexible adjustments according to various local market situations and achieve high-quality and all-rounded development for continuous increase of profitability in order to maximise the value for its shareholders.

Contracted Sales

The Group recorded total contracted sales (including contracted sales of the Group's subsidiaries, joint ventures and associates) of approximately RMB19,127 million in the six months ended 30 June 2021. The contracted sales attributable to the owners of the Company was RMB15,450 million represented an effective ownership interest of 81%, respectively.

The following table sets out the contracted sales of the Group's subsidiaries, joint ventures and associates for the six months ended 30 June 2021:

	Contracted sales RMB (million) (unaudited)	Six Months ended 30 June 2021			
		Contracted gross floor area ("GFA") (sq.m.)	Contracted average selling price ("ASP") (RMB per sq.m.)	Percentage	
Hefei	2,478	137,353	18,040	13.0%	
Yangzhou	2,376	160,618	14,791	5.4%	
Suqian	1,632	198,005	8,242	12.4%	
Yancheng	1,453	113,863	12,761	6.6%	
Taizhou	1,264	152,507	8,289	8.5%	
Nanjing	1,028	35,349	29,081	3.7%	
Bozhou	704	95,972	7,333	7.6%	
Shanghai/Suzhou/Changzhou/Lu'an	1,019	85,443	11,934	5.3%	
Yangtze River Delta Region subtotal	11,954	979,110	12,209	62.5%	
Qingdao	2,588	82,305	31,448	13.5%	
Weihai	197	15,527	12,655	1.0%	
Shandong Province subtotal	2,785	97,832	28,466	14.5%	
Guangdong – Hong Kong – Macao Greater Bay Area subtotal	1,162	99,523	11,671	6.1%	
Zhengzhou	1,589	109,219	14,551	8.4%	
Urumqi	1,437	188,033	9,661	7.5%	
Hainan	200	17,665	11,322	1.0%	
Other Cities subtotal	3,226	314,917	10,245	16.9%	
Total	19,127	1,491,382	12,825	100.0%	

Land Reserves

The following table sets out a summary of the Group's land reserves by city as at 30 June 2021:

	Total GFA (sq.m.)	Percentage
Hefei	1,658,591	8.9%
Nanjing	756,172	4.0%
Shanghai	168,702	0.9%
Yangzhou	1,238,511	6.6%
Taizhou	1,355,136	7.3%
Suqian	1,866,671	10.0%
Bozhou	863,450	4.6%
Suzhou/Changzhou/Zhenjiang/Yancheng	992,282	5.3%
Bengbu/Huainan/Ma'anshan/Lu'an	942,401	5.0%
Yangtze River Delta Region subtotal	9,841,916	52.7%
Shenzhen	310,544	1.7%
Guangzhou	177,850	1.0%
Foshan	201,399	1.1%
Zhuhai	317,464	1.7%
Huizhou	512,575	2.7%
Hong Kong	26,582	0.1%
Macao	60,969	0.3%
Enping	1,136,636	6.1%
Guangdong – Hong Kong – Macao Greater Bay Area subtotal	2,744,019	14.7%
Qingdao	1,589,343	8.5%
Weihai	35,511	0.2%
Shandong Province Region subtotal	1,624,854	8.7%
Urumqi	1,892,509	10.1%
Zhengzhou	455,163	2.4%
Guizhou	721,182	3.9%
Hainan	85,909	0.5%
Cambodia	1,308,092	7.0%
Other regions subtotal	4,462,855	23.9%
Total	18,673,644	100.0%

Investment Properties

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 30 June 2021 the Group had investment properties with a total GFA of approximately 885,064 sq.m.. Certain portions of these investment properties are located in the integrated commercial complexes developed by the Group, in which the Group will retain control over the central management of the shopping arcades, through third-party property management firms, in order to enable the Group to select tenants and determine industry composition.

FINANCIAL REVIEW

Operating Results

Revenue

Revenue of the Group mainly consists of revenue derived from (i) property development, (ii) property investment and (iii) property management service. For the six months ended 30 June 2021, revenue of the Group amounted to approximately RMB9,364 million.

Property Development

The Group's revenue from property development included the sale of residential and commercial properties. The Group recognises revenue from the sale of properties when the buyer obtains the physical possession or the legal title of the completed property and the Group has a present right to payment and where the collection of the consideration is probable. Revenue derived from property development amounted to approximately RMB8,904 million for the six months ended 30 June 2021. It was mainly due to delivery of properties pre-sold upon their completion in the first half of 2021.

Property Investment

The Group's property investment mainly consisted of leasing of commercial properties (including predominantly shopping arcades, retail shops, office properties and car parks). Revenue generated from property investment for the six months ended 30 June 2021 was approximately RMB97 million. The income was primarily due to rental income from leasing contracts.

Property Management

The Group's revenue of property management is derived from three types of services: (i) property management services; (ii) value-added services to property developers; and (iii) community value-added services.

Revenue generated from property management increased by approximately 37% to approximately RMB362 million for the six months ended 30 June 2021 from approximately RMB265 million for the six months ended 30 June 2020. The increase was primarily attributable to (i) the increase in GFA under management; and (ii) the increase in the average property management fee.

Gross Profit and Gross Profit Margin

The Group's gross profit was approximately RMB2,994 million for the six months ended 30 June 2021. The Group's gross profit margin was 32% for the six months ended 30 June 2021.

Other Income

The Group had other income of approximately RMB164 million for the six months ended 30 June 2021 as compared with approximately RMB173 million for the six months ended 30 June 2020, representing a decrease of approximately RMB9 million or 5% which was mainly due to the decrease of compensation income during the period.

Other Gains and Losses

The Group's other gains and losses recognized gains at approximately RMB295 million for the six months ended 30 June 2021. The increase in other gains was mainly due to foreign exchange gains arising from appreciation of Renminbi against the U.S. dollar and the gains arising from bargain purchase of acquisition of subsidiaries.

Selling and Marketing Costs and Administrative Expenses

The Group's selling and marketing costs and administrative expenses for the six months ended 30 June 2021 amounted to approximately RMB309 million, compared with approximately RMB360 million for six months ended 30 June 2020, representing a decrease of approximately 14%, mainly due to the Group's stringent control over expenses and costs to maximize its shareholder's interests.

Finance Costs

The Group's finance costs decreased by approximately 81% from approximately RMB154 million for the six months ended 30 June 2020 to RMB29 million for the six months ended 30 June 2021, which was primarily due to the increase of capitalised amount on qualifying assets.

Income Tax Expense

The Group's income tax expense decreased to approximately RMB938 million for the six months ended 30 June 2021 from approximately RMB1,248 million for the six months ended 30 June 2020. The Group's income tax expense included provisions made for Enterprise Income Tax ("EIT") and Land Appreciation Tax ("LAT") less deferred taxation during the period. The decrease was mainly due to the decrease of LAT provision, which tax at a progressive rate between 30%–60%.

Profit and Total Comprehensive Income Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased by approximately 23% to approximately RMB1,985 million for the six months ended 30 June 2021 from approximately RMB1,617 million for the six months ended 30 June 2020.

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2021, the Group had an aggregate of cash and cash equivalents, which includes restricted bank deposits of approximately RMB12,261 million (as at 31 December 2020: approximately RMB11,154 million), representing an increase of approximately 10% as compared to that as at 31 December 2020. As at 30 June 2021, restricted bank deposits of approximately RMB1,750 million (as at 31 December 2020: approximately RMB2,003 million) were restricted for use in specific property development projects or pledged for mortgage guarantees given by the Group.

Guarantees

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Mortgage guarantees	13,932,563	11,041,907
Facility granted to related parties	200,000	300,000

Bank and Other Borrowings

As at 30 June 2021, the Group had bank and other borrowings of approximately RMB13,152 million (as at 31 December 2020: approximately RMB13,605 million). Amongst the borrowings, approximately RMB4,375 million (as at 31 December 2020: approximately RMB1,380 million) will be repayable within one year and approximately RMB8,777 million (as at 31 December 2020: approximately RMB12,224 million) will be repayable after one year.

Net Gearing Ratio

The net gearing ratio of the Group was 40.71% as at 30 June 2021. The net gearing ratio was measured by net debt (bank and other borrowings and senior notes net of bank balances and cash and restricted/pledged bank deposits) over total equity.

Exchange Rate Risk

As most of the Group's operating entities are located in Mainland China, the Group collects most of its revenue in Renminbi and most of the Group's expenditure including expenditure incurred in property sales as well as capital expenditures are also denominated in Renminbi.

For the six months ended 30 June 2021, the Group recorded a foreign exchange gain in the amount of RMB75 million due to fluctuations in foreign exchange rates. However, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. The Group's management will continue to closely monitor fluctuations in foreign exchange rates and actively take corresponding measures to minimise foreign currency risks.

The Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

In the opinion of the Directors of the Company, the fair values of these financial guarantee contracts are insignificant at initial recognition and at relevant reporting dates, accordingly no value has been recognised for these contracts.

Material Acquisitions and Disposals

On 30 June 2021, the Company completed the major acquisition of Luyuan, which is engaged in property development projects in Shandong Province, the PRC. Luyuan was ultimately and wholly-owned by Mr. Shum prior to the acquisition. Pursuant to the relevant sale and purchase agreement, the consideration of HKD7,247,560,000 (equivalent to approximately RMB6,034,318,000) was settled (i) as to HKD3,420,640,000 by way of issue of convertible bonds by the Company; (ii) as to HKD2,772,000,000 by way of issue of 840,000,000 ordinary shares by the Company; and (iii) as to the remaining balance of HKD1,054,920,000 by cash.

Significant Investment

Save as those disclosed under the section headed "Management Discussion and Analysis" and notes 15, 18 to the Interim Financial Information, the Group did not have any significant investment during the six months ended 30 June 2021.

Employees, Remuneration Policies and Share Option Scheme

As at 30 June 2021, the Group had 7,481 employees (as at 30 June 2020: 6,163 employees). For the six months ended 30 June 2021, the Group incurred employee costs of approximately RMB303 million (six months ended 30 June 2020: approximately RMB283 million). Remuneration for the employees generally includes salary and performance-based bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Company adopted a share option scheme on 12 February 2016 as incentive for eligible employees, details of which are set out in the section headed "Share Option Scheme" on page 16 of this interim report.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

There was no forfeited contribution utilized to offset employers' contributions for the year ended 31 December 2020 and the six months ended 30 June 2021, respectively, and there was no forfeited contribution available to reduce the contribution payable in the future years as at 31 December 2020 and 30 June 2021, respectively.

Future Plans for Material Investments

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities, if it thinks fit. These investments will be funded by internal resources and external borrowings. The Group does not have any future plans for material investments as at the date of this report.

Events after the Reporting Period

Issue of Convertible Bonds

On 21 July 2021, the Company issued convertible bonds in a principal amount of USD100 million bearing an interest rate of 7.00% and due 2025.

The convertible bonds can be convertible at any time on or after the first anniversary of the settlement date up to and seventh day prior to maturity. The initial conversion price is HKD3.50. For further details, please refer to the announcement of the Company dated 27 July 2021 and 28 July 2021.

Repurchase of Senior Notes

On 20 July 2021, the Company made on-market repurchases for part of its USD300,000,000 12.5% senior notes due July 2023 and USD130,000,000 11.0% senior notes due February 2024 in an aggregate principal amount of USD5,000,000 and USD3,000,000 respectively.

On 20 August 2021, the Company repurchased part of its USD145,207,000 13.75% senior notes due March 2022 in the aggregate principal amount of USD12,577,000 and part of its USD327,500,000 13.75% senior notes due February 2023 in the aggregate principal amount of USD80,638,000.

Distribution of Final Dividend

On 30 July 2021, the Group despatched certificates for scrip shares and cheques of cash dividend in an aggregate amount of HKD628,639,000. The final dividend in respect of the year ended 31 December 2020 of HK15.5 cents per ordinary share was approved at the Company's Annual General Meeting on 9 June 2021. The final dividend has been paid in cash of HKD578,040,000 and in form of scrip shares of HKD50,599,000.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of directors (the "Directors") of the Company believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of its shareholders and to enhance its corporate value and accountability. The Board is committed to achieving high corporate governance standards.

During the six months ended 30 June 2021, the Company had adopted, applied and complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the basis of the Company's corporate governance practices.

The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by directors and employees who are likely to be in possession of unpublished inside information of the Company (the "Code of Conduct") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code and the Code of Conduct throughout the six months ended 30 June 2021.

No incident of non-compliance with the Code of Conduct by the Group's employees was noted by the Company during the six months ended 30 June 2021. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and employees in advance.

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

Dr. Cheung Wai Bun, Charles, JP, has ceased to be a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital, and a member of Regional Advisory Committee of Kowloon, Hospital Authority with effect from 31 March 2021.

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

REVIEW OF INTERIM FINANCIAL INFORMATION

The interim financial information for the six months ended 30 June 2021 is unaudited, but has been reviewed 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 the Company's independent auditor, PricewaterhouseCoopers, whose report on review of interim financial information is included in this interim report.

The Audit Committee comprises three members who are all independent non-executive Directors, namely, Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang. Mr. Tai Kwok Leung, Alexander, who has appropriate professional qualifications and experience in accounting matters, is the chairman of the Audit Committee. The Audit Committee of the Board has reviewed the Group's interim financial information for the six months ended 30 June 2021, and discussed with the Company's management regarding the review, internal controls and other relevant matters.

INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2021, the Company redeemed part of its USD262,500,000 13.75% senior notes due March 2022 in the aggregate principal amount of USD117,293,000 and part of its USD115,000,000 11.375% senior notes due May 2022 in the aggregate principal amount of USD12,000,000. The Company cancelled the repurchased senior notes in accordance with the terms of the notes and indentures. After cancellation, as at 30 June 2021, the aggregate principal amount of the 13.75% senior notes due March 2022 that remains outstanding is USD145,207,000 and the aggregate principal amount of the 11.375% senior notes due May 2022 that remains outstanding is USD103,000,000. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders of the Company has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the prospectus of the Company dated 26 February 2016 (the "Prospectus")). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders during the period commencing from the Deed of Non-Competition and up to the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As disclosed in the section headed "Relationship with the Controlling Shareholders" in the Prospectus, Mr. Shum Tin Ching is the ultimate owner of a group of real estate development companies (other than members of the Group) (the "Private Group"). Mr. Shum Tin Ching entered into the Deed of Non-Competition to provide certain non-compete undertakings in favour of the Company. Since 8 March 2016 (the "Listing Date"), the date on which the Company completed the initial public offering with its shares listed on the Main Board of the Stock Exchange, and up to the date of this report, the Directors were not aware of any competing business between the Private Group and the Group.

Save as disclosed above, none of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules since the Listing Date and up to the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No other Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its controlling shareholders, or any of its subsidiaries or fellow subsidiaries was a party at any time during the six months ended 30 June 2021.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the Hong Kong Companies Ordinance. Such provision was in force during the six months ended 30 June 2021 and remained in force as of the date of this report. The Company has also arranged appropriate directors' and officers' liability insurance for the directors and officers of the Group.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 12 February 2016 (the "Share Option Scheme"). The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, offer to grant an option to subscribe for ordinary shares with a par value of HKD0.01 each (the "Shares") of the Company subject to such conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as they may think fit, to the following persons (the "Eligible Participants"): (a) any full-time or part-time employees, executives or officers of the Company; (b) any director (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (d) such other persons who, in the sole opinion of the Directors, will contribute or have contributed to the Group.

A consideration of HKD1.00 is payable on acceptance of the offer of grant of an option.

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 180,000,000 Shares, being 10% of the shares in issue as at the Listing Date. No share options had been granted by the Company under the Share Option Scheme up to the date of this report. Therefore, the number of Shares available for issue is 180,000,000 Shares, being approximately 3.68% of the Shares in issue as at the date of this report.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (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. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting.

The subscription price per Share under the Share Option Scheme shall be a price determined by the Directors, but shall not be lower than the higher of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years from the Listing Date. The period during which an option may be exercised will be determined by the Directors in their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Interest in Shares of the Company

Name of Director	Nature of interest	Number of shares or securities held ⁽¹⁾	Percentage of interest in the Company ⁽⁵⁾
Mr. Shum Tin Ching	Interest of a controlled corporation	4,632,865,993 ⁽²⁾ shares (L)	94.63%
	Beneficial owner	72,001,718 ⁽³⁾ shares (L)	1.47%
	Interest of a controlled corporation	427,662,171 ^{(2),(4)} shares (S)	8.73%

Notes:

- (1) The letters "L" and "S" denote the Director's long position and short position in the shares of the Company respectively.
- (2) The disclosed interest represents an interest in the Company held by Mingyuan Group Investment Limited ("Mingyuan Investment"), which is indirectly wholly-owned by Mr. Shum Tin Ching. Therefore, Mr. Shum Tin Ching is deemed to be interested in Mingyuan Investment's interest in the Company by virtue of the SFO. On 30 June 2021, the Company completed the major acquisition of Luyuan, which is engaged in property development projects in Shandong Province, the PRC. Luyuan was ultimately and wholly-owned by Mr. Shum prior to the acquisition. Pursuant to the relevant sale and purchase agreement, the consideration of HKD7,247,560,000 (equivalent to approximately RMB6,034,318,000) was settled (i) as to HKD3,420,640,000 by way of issue of convertible bonds by the Company; (ii) as to HKD2,772,000,000 by way of issue of 840,000,000 ordinary shares by the Company; and (iii) as to the remaining balance of HKD1,054,920,000 by cash. On the date of completion, the Company has issued convertible bonds in the aggregate principal amount of HK\$3,420,640,000 entitling Mingyuan Investment (which is indirectly wholly-owned by Mr. Shum) to exercise the conversion rights attached to the convertible bonds at the conversion price of HK\$3.30 per conversion share (subject to adjustment for dilutive events) into a maximum number of 1,036,557,575 conversion shares. As at the date of this report, none of the conversion rights have been exercised. For further details, please refer to the announcements of the Company dated 13 January 2021, 25 February 2021, 26 February 2020 and 30 June 2021, respectively.
- (3) These shares are wholly owned by Mr. Shum Tin Ching as a beneficial owner.
- (4) On 31 December 2019, Mingyuan Investment entered into a release agreement with CCB International Overseas Limited, pursuant to which, CCB International Overseas Limited agreed to discharge and release 600,000,000 shares out of 2,712,244,324 shares held by Mingyuan Investment in favour of CCB International Overseas Limited as one of the collaterals for a secured note issued by a company wholly owned by Mr. Shum Tin Ching to CCB International Overseas Limited on 29 June 2017. On the same day, Mingyuan Investment entered into a share mortgage agreement with CCB International Overseas Limited, pursuant to which, Mingyuan Investment agreed to pledge 500,000,000 shares out of 2,712,244,324 shares held by it in favour of CCB International Overseas Limited as one of the collaterals for a loan issued to the Company. As at 31 December 2020, 90,000,000 shares out of the pledged shares have been released.
- (5) As at 30 June 2021, the total number of issued shares of the Company was 4,895,734,623.

(b) Interest in shares of Mingyuan Investment

Name of Director	Nature of interest	Number of shares or securities held ⁽¹⁾	Percentage of shareholding
Mr. Shum Tin Ching	Beneficial owner	150,000 shares (L)	100%

Note:

- (1) The letter "L" denotes the Director's long position in the share of Mingyuan Investment.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors are aware as of 30 June 2021, the following persons (other than the Directors or chief executive of the Company) had the following 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 Substantial Shareholder	Nature of interest	Number of shares or securities held ⁽¹⁾	Percentage of interest in the Company ⁽⁹⁾
Ms. Wang Xinmei ⁽²⁾	Interest of spouse	4,704,867,711 ⁽⁴⁾ shares (L)	96.10%
	Interest of spouse	427,662,171 ⁽⁵⁾ shares (S)	8.73%
Galaxy Emperor Limited ⁽³⁾	Interest of a controlled corporation	4,632,865,993 ⁽⁴⁾ shares (L)	94.63%
	Interest of a controlled corporation	427,662,171 ⁽⁵⁾ shares (S)	8.73%
China Jiayuan Group Limited ⁽³⁾	Interest of a controlled corporation	4,632,865,993 ⁽⁴⁾ shares (L)	94.63%
	Interest of a controlled corporation	427,662,171 ⁽⁵⁾ shares (S)	8.73%
Mingyuan Investment ⁽⁴⁾	Beneficial owner	4,632,865,993 ⁽⁴⁾ shares (L)	94.63%
	Beneficial owner	427,662,171 ⁽⁵⁾ shares (S)	8.73%

Name of Substantial Shareholder	Nature of interest	Number of shares or securities held ⁽¹⁾	Percentage of interest in the Company ⁽⁹⁾
CCB International Overseas Limited ^{(6),(8)}	Person having a security interest in shares	427,662,171 ⁽⁵⁾ shares (L)	8.73%
Design Time Limited ⁽⁷⁾	Beneficial owner	26,228,771 shares (L)	0.54%
CCBI Investments Limited ⁽⁷⁾	Interest of a controlled corporation	26,228,771 shares (L)	0.54%
CCB International (Holdings) Limited ^{(6),(7),(8)}	Person having a security interest in shares	427,662,171 ⁽⁵⁾ shares (L)	8.73%
	Interest of a controlled corporation	26,228,771 shares (L)	0.54%
Instant Wealth Investments Limited ^{(6),(7),(8)}	Person having a security interest in shares	427,662,171 ⁽⁵⁾ shares (L)	8.73%
	Interest of a controlled corporation	26,228,771 shares (L)	0.54%
Honour Grace Investments Limited ^{(6),(7),(8)}	Person having a security interest in shares	427,662,171 ⁽⁵⁾ shares (L)	8.73%
	Interest of a controlled corporation	26,228,771 shares (L)	0.54%
CCB Financial Holdings Limited ^{(6),(7),(8)}	Person having a security interest in shares	427,662,171 ⁽⁵⁾ shares (L)	8.73%
	Interest of a controlled corporation	26,228,771 shares (L)	0.54%
CCB International Group Holdings Limited ^{(6),(7),(8)}	Person having a security interest in shares	427,662,171 ⁽⁵⁾ shares (L)	8.73%
	Interest of a controlled corporation	26,228,771 shares (L)	0.54%
China Construction Bank Corporation ^{(6),(7),(8)}	Person having a security interest in shares	427,662,171 ⁽⁵⁾ shares (L)	8.73%
	Interest of a controlled corporation	26,228,771 shares (L)	0.54%
Central Huijin Investment Ltd. ^{(6),(7),(8)}	Person having a security interest in shares	427,662,171 ⁽⁵⁾ shares (L)	8.73%
	Interest of a controlled corporation	26,228,771 shares (L)	0.54%

Other Information

Notes:

- (1) The letters "L" and "S" denote a person's/an entity's long position and short position in the shares of the Company respectively.
- (2) Ms. Wang Xinmei, the spouse of Mr. Shum Tin Ching, is deemed to be interested in Mr. Shum Tin Ching's interest in the Company.
- (3) China Jiayuan Group Limited is a wholly-owned subsidiary of Galaxy Emperor Limited, which is wholly-owned by Mr. Shum Tin Ching.
- (4) These shares are held by Mingyuan Investment, which is wholly-owned by Mr. Shum Tin Ching. The shareholding as disclosed includes conversion shares that could be issued under the Company's zero-coupon convertible bonds issued to settle part of the consideration for acquiring Luyuan Investment Holdings Limited from Mr. Shum. On 30 June 2021, the Company completed the major acquisition of Luyuan, which is engaged in property development projects in Shandong Province, the PRC. Luyuan was ultimately and wholly-owned by Mr. Shum prior to the acquisition. Pursuant to the relevant sale and purchase agreement, the consideration of HKD7,247,560,000 (equivalent to approximately RMB6,034,318,000) was settled (i) as to HKD3,420,640,000 by way of issue of convertible bonds by the Company; (ii) as to HKD2,772,000,000 by way of issue of 840,000,000 ordinary shares by the Company; and (iii) as to the remaining balance of HKD1,054,920,000 by cash. On the date of completion, the Company has issued convertible bonds in the aggregate principal amount of HK\$3,420,640,000 entitling Mingyuan Investment (which is indirectly wholly-owned by Mr. Shum) to exercise the conversion rights attached to the convertible bonds at the conversion price of HK\$3.30 per conversion share (subject to adjustment for dilutive events) into a maximum number of 1,036,557,575 conversion shares. As at the date of this report, none of the conversion rights have been exercised. For further details, please refer to the announcements of the Company dated 13 January 2021, 25 February 2021, 26 February 2020 and 30 June 2021, respectively.
- (5) On 31 December 2019, Mingyuan Investment entered into a release agreement with CCB International Overseas Limited, pursuant to which, CCB International Overseas Limited agreed to discharge and release 600,000,000 shares out of 2,712,244,324 shares held by Mingyuan Investment in favour of CCB International Overseas Limited as one of the collaterals for a secured note issued by a company wholly owned by Mr. Shum Tin Ching to CCB International Overseas Limited on 29 June 2017. On the same day, Mingyuan Investment entered into a share mortgage agreement with CCB International Overseas Limited, pursuant to which, Mingyuan Investment agreed to pledge 500,000,000 shares out of 2,712,244,324 shares held by it in favour of CCB International Overseas Limited as one of the collaterals for a loan issued to the Company. As at 31 December 2020, 90,000,000 shares out of the pledged shares have been released.
- (6) Based on the public records, these security interest in shares are held by CCB International Overseas Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited.
- (7) Design Time Limited is a wholly-owned subsidiary of CCBI Investments Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited.
- (8) CCB International (Holdings) Limited and Instant Wealth Investments Limited are wholly-owned subsidiaries of CCB Financial Holdings Limited, which is in turn a wholly-owned subsidiary of CCB International Group Holdings Limited. Honour Grace Investments Limited is a wholly-owned subsidiary of Instant Wealth Investments Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation, which is owned as to 57.11% by Central Huijin Investment Ltd..
- (9) As at 30 June 2021, the total number of issued shares of the Company was 4,895,734,623.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any person who had an interest or short position in the shares and the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DILUTIVE IMPACT ON THE SHARES IN THE EVENT THAT ALL OUTSTANDING CONVERTIBLE SECURITIES WERE CONVERTED

As at 30 June 2021, the Company has issued convertible bonds in the principal amount of RMB3,420,640,000 to Mingyuan Investment, which are convertible into a maximum number of 1,036,557,575 conversion shares at the conversion price of HKD3.30 per share (subject to adjustment for dilutive events). The convertible bonds were issued to settle part of the consideration for the acquisition of Luyuan Investment Holdings Limited, which is engaged in property development projects in Shandong Province, the PRC. For more details, please refer to the Company's announcement on 30 June 2021. If all outstanding convertible bonds as at 30 June 2021 were converted, the dilutive impact on the then number of issued shares of the Company and the respective shareholdings of the substantial shareholders of the Company will be as follows:

	As at 30 June 2021		Upon full conversion of the convertible bonds at the price of HKD 3.30 per conversion share	
	No. of shares	Approximate %	No. of shares	Approximate %
Mr. Shum and his associates	3,668,310,136	74.93	4,704,867,711	79.31
Public Shareholders	1,227,424,487	25.07	1,227,424,487	20.69
Total	4,895,734,623	100.00	5,932,292,198	100.00

Note:

There is no right for the convertible bond holder to convert any principal amount of the convertible bonds and the Company shall not issue any conversion shares thereof if, upon such commission and issue of the conversion shares, the Company will be in breach of the minimum public float requirement as stipulated under the Listing Rules.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF
JIAYUAN INTERNATIONAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 76, which comprises the condensed consolidated statement of financial position of Jiayuan International Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other 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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion 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 of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2021

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CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Revenue	6	9,363,917	9,354,254
Cost of sales	12	(6,370,024)	(5,858,987)
Gross profit		2,993,893	3,495,267
Other income	8	163,765	173,050
Other gains and losses	9	294,791	(155,663)
Net impairment reversal/(losses) on financial assets		4,098	(12,276)
Fair value change on investment properties	15	(35,720)	(126,609)
Selling and marketing costs	12	(144,934)	(156,337)
Administrative expenses	12	(163,789)	(203,385)
Other expenses	12	–	(1,814)
Finance costs	10	(29,284)	(154,298)
Share of results of investments accounted for using the equity method	18	25,268	135,633
Profit before taxation		3,108,088	2,993,568
Income tax expenses	11	(938,117)	(1,248,255)
Profit for the period		2,169,971	1,745,313
Profit for the period attributable to:			
– Owners of the Company		1,979,789	1,619,011
– Non-controlling interests		190,182	126,302
		2,169,971	1,745,313
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
– Basic and diluted earnings per share	14	33	28

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Profit for the period	2,169,971	1,745,313
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss:		
– Exchange differences arising on translation of foreign operations	5,464	(1,571)
Total comprehensive income for the period	2,175,435	1,743,742
Total comprehensive income for the period attributable to:		
– Owners of the Company	1,985,253	1,617,440
– Non-controlling interests	190,182	126,302
	2,175,435	1,743,742

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Non-current assets			
Investment properties	15	7,732,477	7,926,545
Property and equipment	16	137,145	125,437
Intangible assets	17	146,222	38,670
Right-of-use assets		13,170	9,624
Investments accounted for using the equity method	18	6,652,027	2,289,700
Financial assets at fair value through profit or loss	19	971,373	961,039
Deposits paid for acquisitions		778,104	1,150,157
Deferred tax assets		815,715	692,987
Trade and other receivables	21	29,209	38,450
		17,275,442	13,232,609
Current assets			
Inventories of properties	20	50,876,459	44,863,464
Trade and other receivables	21	8,739,944	7,929,056
Financial assets at fair value through profit or loss	19	124,277	131,880
Prepaid income tax		474,429	397,964
Restricted bank deposits	22	1,749,904	2,002,900
Cash and cash equivalents	22	10,511,028	9,151,057
		72,476,041	64,476,321
Total assets		89,751,483	77,708,930
Current liabilities			
Trade and other payables	23	11,371,731	7,506,257
Pre-sale deposits received	24	20,660,022	18,918,597
Current income tax liabilities		7,503,229	6,654,592
Bank and other borrowings	25	4,375,271	1,380,497
Derivative financial instruments	26	76,692	190,913
Senior notes	26	3,752,787	5,687,872
Lease liabilities		9,416	6,638
		47,749,148	40,345,366
Net current assets		24,726,893	24,130,955
Total assets less current liabilities		42,002,335	37,363,564

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Non-current liabilities			
Bank and other borrowings	25	8,776,740	12,224,169
Pre-sale deposits received	24	227,768	540,412
Deferred tax liabilities		925,930	726,512
Senior notes	26	5,977,485	3,065,145
Lease liabilities		4,057	2,957
		15,911,980	16,559,195
Equity attributable to owners of the Company			
Share capital	28	41,870	34,876
Convertible bonds	29	2,848,025	–
Reserves		17,452,992	16,169,358
		20,342,887	16,204,234
Non-controlling interests		5,747,468	4,600,135
Total equity		26,090,355	20,804,369
Total equity and non-current liabilities		42,002,335	37,363,564

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

The interim financial information on page 23 to 76 was approved by the Board of Directors on 25 August 2021 and was signed on its behalf.

Zhang Yi
Director

Cheuk Hiu Nam
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Convertible bonds RMB'000	Reserves RMB'000	Total RMB'000		
At 1 January 2021 (Unaudited and restated)		34,876	–	16,169,358	16,204,234	4,600,135	20,804,369
Total comprehensive income for the period		–	–	1,985,253	1,985,253	190,182	2,175,435
Dividends	13	–	–	(523,405)	(523,405)	–	(523,405)
Dividend paid by entities under common control before acquisition	13	–	–	(154,700)	(154,700)	–	(154,700)
Capital contribution from ultimate shareholder	1.2	–	–	3,960,000	3,960,000	–	3,960,000
Acquisitions of entities under common control	1.2	6,994	2,848,025	(3,733,345)	(878,326)	–	(878,326)
Capital injection from non-controlling interests	33	–	–	–	–	1,169,054	1,169,054
Acquisitions of non-controlling interests	33	–	–	(250,169)	(250,169)	(271,731)	(521,900)
Acquisitions of subsidiaries from third parties		–	–	–	–	68,433	68,433
Dividends to non-controlling interests		–	–	–	–	(8,605)	(8,605)
At 30 June 2021 (Unaudited and restated)		41,870	2,848,025	17,452,992	20,342,887	5,747,468	26,090,355
At 1 January 2020 (Unaudited and restated)		33,870	–	9,819,641	9,853,511	2,123,087	11,976,598
Total comprehensive income for the period		–	–	1,617,440	1,617,440	126,302	1,743,742
Dividends	13	–	–	(388,962)	(388,962)	–	(388,962)
Acquisitions of non-controlling interests	33	–	–	(29,005)	(29,005)	(30,995)	(60,000)
Capital injection from ultimate shareholder		–	–	1,633,798	1,633,798	–	1,633,798
Capital injection from non-controlling interests	33	–	–	263,063	263,063	549,413	812,476
Dividends to non-controlling interests		–	–	–	–	(3,500)	(3,500)
At 30 June 2020 (Unaudited and restated)		33,870	–	12,915,975	12,949,845	2,764,307	15,714,152

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Note	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Cash flows from operating activities		
Cash used in operations	(197,253)	(888,210)
Income tax paid	(177,291)	(255,418)
Net cash used in operating activities	(374,544)	(1,143,628)
Cash flows from investing activities		
Refund from deposits paid for trust financing arrangements	30,969	58,300
Additions of property and equipment	(9,890)	(5,708)
Disposal of property and equipment	664	977
Net cash flow on disposal of subsidiaries	(52,738)	–
Additions of investment properties	(13,914)	(43,448)
Advances to related parties	(1,934,093)	(78,979)
Advances to non-controlling interests	(522,717)	(241,479)
Repayment from related parties	163,180	1,919,091
Repayment from non-controlling interests	331,678	11,507
Interest received	85,888	238,496
Refund from deposits paid for acquisitions	373,079	–
Payment for deposits paid for acquisitions	–	(216,567)
Net cash flow on acquisition of subsidiaries	(889,028)	–
Capital injection to investments accounted for using the equity method	(54,000)	(882,796)
Additions of intangible assets	–	(35)
Disposal of investment properties	144,698	–
Placement of restricted bank deposits	(309,663)	–
Withdrawal of restricted bank deposits	574,036	901,129
Purchase of financial assets at fair value through profit or loss	–	(145,817)
Disposal of financial assets at fair value through profit or loss	16,594	–
Net cash generated from investing activities	(2,065,257)	1,514,671

Note	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000 (Unaudited and restated)
	(Unaudited)	
Cash flows from financing activities		
Proceeds from borrowings	2,969,892	2,406,457
Repayment of borrowings	(3,530,745)	(2,174,116)
Principal elements of lease payments	(10,856)	(4,006)
Interest paid	(1,137,008)	(1,135,428)
Issuance of senior notes	2,648,562	1,847,927
Repayment of senior notes	(1,832,876)	–
Acquisitions of entities under common control	1.2 (878,326)	–
Advances from related parties	1,470,534	30,000
Repayment to related parties	(1,275,776)	(1,882,523)
Advances from non-controlling interests	952,515	2,480
Repayment to non-controlling interests	(63,928)	(25,119)
Acquisitions of non-controlling interests	(521,900)	(60,000)
Dividends paid to non-controlling interests	–	(3,500)
Dividends paid before acquisition of entities under common control	(154,700)	–
Capital contribution from ultimate shareholder	3,960,000	1,633,798
Capital contribution from non-controlling interests	1,169,054	812,476
Net cash generated from financing activities	3,764,442	1,448,446
Net increase in cash and cash equivalents	1,324,641	1,819,489
Cash and cash equivalents at beginning of the period	9,151,057	6,036,655
Exchange gains on cash and cash equivalents	35,330	49,017
Cash and cash equivalents at end of the period	10,511,028	7,905,161

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION

Jiayuan International Group Limited (the "Company") was incorporated on 5 May 2015 and registered in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. In March 2016, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"). Its immediate holding company is Mingyuan Group Investment Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability. Its ultimate holding company is Galaxy Emperor Limited, a company incorporated in the BVI with limited liability. Its ultimate controlling party is Mr. Shum Tin Ching (the "Ultimate Shareholder").

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111, Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the "Group") are principally engaged in the property development, property investment and provision of property management services.

The interim financial information for the six months ended 30 June 2021 ("Interim Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated, and was approved for issue by the Board of Directors of the Company on 25 August 2021.

1.1 Basis of preparation

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34, 'Interim Financial Reporting'. This Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2020 ("2020 Financial Statements"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

1.2 Merger accounting for business combination involving entities under common control

On 13 January 2021, the Company entered into a sale and purchase agreement with the Ultimate Shareholder whereby the Company conditionally agreed to acquire and the Ultimate Shareholder agreed to sell the 100% equity interest of Luyuan Investment Holdings Limited ("Luyuan") ("Luyuan Acquisition"), at an initial consideration of Hong Kong Dollar ("HKD") 7,247,560,000 which would be settled (i) as to HKD3,420,640,000 by way of issue of a maximum number of 1,036,557,575 convertible bonds by the Company; (ii) as to HKD2,772,000,000 by way of issue of 840,000,000 ordinary shares by the Company; and (iii) as to the remaining balance of HKD1,054,920,000 by cash.

The purpose of Luyuan Acquisition was to acquire certain property development business controlled or jointly controlled by the Ultimate Shareholder in the People's Republic of China ("PRC") (the "Target Business"). The Target Business was primarily conducted by Weihai Xiangyuan Real Estate Development Co., Ltd. ("Weihai Xiangyuan"), Zhongwei (Qingdao) Real Estate Development Co., Ltd. ("Qingdao Zhongwei"), Qingdao Shuiqingmuhua Creative Development Co., Ltd. ("Qingdao Shuiqingmuhua") and Qingdao Lingshihuafu Property Co., Ltd. ("Lingshihuafu"). Weihai Xiangyuan, Qingdao Zhongwei and Qingdao Shuiqingmuhua were controlled by the Ultimate Shareholder and Lingshihuafu was jointly controlled by the the Ultimate Shareholder.

In preparation and as the conditions of the completion for the Acquisition, Luyuan and its subsidiaries (collectively "Luyuan Group") completed below reorganisation before the completion date (the "Reorganisation").

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION – CONTINUED

1.2 Merger accounting for business combination involving entities under common control – continued

- (a) The Ultimate Shareholder transferred its 100% equity interest of Weihai Xiangyuan, 79.93% equity interest of Qingdao Zhongwei and 68.5% equity interest of Qingdao Shuiqingmuhua to Luyuan.
- (b) The Ultimate Shareholder injected cash of RMB3,960,000,000 as capital contribution to Luyuan Group to finance Luyuan Group to acquire Lingshihuafu.
- (c) Luyuan Group acquired 63% equity interest of Lingshihuafu at a consideration of RMB3,960,000,000.

Upon completion of the Reorganisation, Weihai Xiangyuan, Qingdao Zhongwei and Qingdao Shuiqingmuhua became subsidiaries of Luyuan and Lingshihuafu became a joint venture of Luyuan Group.

On 30 June 2021, Luyuan Acquisition was completed and Luyuan became a subsidiary of the Group. The Company then issued 840,000,000 ordinary shares, issued 1,036,557,575 convertible bonds and paid cash of HKD1,054,920,000 (equivalent to RMB878,326,000) as the consideration at the completion date. The fair value of the issued ordinary shares of HKD2,772,000,000 (equivalent to RMB2,307,967,000) and convertible bonds of HKD3,420,640,000 (equivalent to RMB2,848,025,000) were determined by reference to HKD3.30 per ordinary share, being the closing price of the ordinary share of the Company as quoted on the Stock Exchange on 30 June 2021.

Given Luyuan Group is under the control of the Ultimate Shareholder before and after Luyuan Acquisition, Luyuan Acquisition is regarded as a business combination under common control. The Group has applied merger accounting to Luyuan Acquisition under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA to account for Luyuan Acquisition. The Group and Luyuan Group are thus regarded as continuing entities. As a result, the comparative amounts of the Interim Financial Information for the six months ended 30 June 2020 are restated to present as if Luyuan Group had been consolidated by the Group since the date of the respective business came under common control of the Ultimate Shareholder. The effect of restatements on the Interim Financial Information is disclosed in Note 1.3.

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION – CONTINUED

1.3 Effect of restatements for business combination under common control

- (a) The effect of restatements on the condensed consolidated income statement for the six months ended 30 June 2020 by line items is as follows:

	Unaudited and originally stated RMB'000	Luyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Unaudited and restated RMB'000
Revenue	8,559,230	795,317	(293)	9,354,254
Cost of sales	(5,356,309)	(502,678)	–	(5,858,987)
Gross profit	3,202,921	292,639	(293)	3,495,267
Other income	172,950	100	–	173,050
Other gains and losses	(153,682)	(1,981)	–	(155,663)
Net impairment losses on financial assets	(1,102)	(11,174)	–	(12,276)
Fair value change on investment properties	(126,609)	–	–	(126,609)
Selling and marketing costs	(155,271)	(1,066)	–	(156,337)
Administrative expenses	(197,130)	(6,548)	293	(203,385)
Other expenses	(1,814)	–	–	(1,814)
Finance costs	(153,852)	(446)	–	(154,298)
Share of results of investments accounted for using the equity method	135,633	–	–	135,633
Profit before taxation	2,722,044	271,524	–	2,993,568
Income tax expense	(1,132,600)	(115,655)	–	(1,248,255)
Profit for the period	1,589,444	155,869	–	1,745,313
Profit for the period attributable to:				
– Owners of the Company	1,461,801	157,210	–	1,619,011
– Non-controlling interests	127,643	(1,341)	–	126,302
	1,589,444	155,869	–	1,745,313

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION – CONTINUED

1.3 Effect of restatements for business combination under common control – continued

- (b) The effect of restatements on the condensed consolidated statement of comprehensive income for the six months ended 30 June 2020 by line items is as follows:

	Unaudited and originally stated RMB'000	Luyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Unaudited and restated RMB'000
Profit for the period	1,589,444	155,869	–	1,745,313
Other comprehensive income Items that may be reclassified to profit or loss: – Exchange differences arising on translation of foreign operations	(1,571)	–	–	(1,571)
Total comprehensive income for the period	1,587,873	155,869	–	1,743,742
Total comprehensive income for the period attributable to: – Owners of the Company – Non-controlling interests	1,460,230 127,643	157,210 (1,341)	–	1,617,440 126,302
	1,587,873	155,869	–	1,743,742

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION – CONTINUED

1.3 Effect of restatements for business combination under common control – continued

- (c) The effect of restatements on the condensed consolidated statement of financial position for 31 December 2020 by line items is as follows:

	Audited and originally stated RMB'000	Luyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Unaudited and restated RMB'000
Non-current assets				
Investment properties	7,926,545	–	–	7,926,545
Property and equipment	123,671	1,766	–	125,437
Intangible assets	38,670	–	–	38,670
Right-of-use assets	9,624	–	–	9,624
Investments accounted for using the equity method	2,289,700	–	–	2,289,700
Financial assets at fair value through profit or loss	961,039	–	–	961,039
Deposits paid for acquisitions	1,150,157	–	–	1,150,157
Deferred tax assets	668,841	24,146	–	692,987
Trade and other receivables	38,450	–	–	38,450
	13,206,697	25,912	–	13,232,609

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION – CONTINUED

1.3 Effect of restatements for business combination under common control – continued

- (d) The effect of restatements on the condensed consolidated statement of financial position for 31 December 2020 by line items is as follows:

	Audited and originally stated RMB'000	Luyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Unaudited and restated RMB'000
Current assets				
Inventories of properties	42,338,765	2,524,699	–	44,863,464
Trade and other receivables	5,286,935	2,643,718	(1,597)	7,929,056
Financial assets at fair value through profit or loss	131,880	–	–	131,880
Prepaid income tax	383,901	14,063	–	397,964
Restricted bank deposits	1,938,081	64,819	–	2,002,900
Cash and cash equivalents	9,002,740	148,317	–	9,151,057
	59,082,302	5,395,616	(1,597)	64,476,321
Total assets	72,288,999	5,421,528	(1,597)	77,708,930
Current liabilities				
Trade and other payables	7,283,549	224,305	(1,597)	7,506,257
Pre-sale deposits received	18,136,057	782,540	–	18,918,597
Current income tax liabilities	6,558,589	96,003	–	6,654,592
Bank and other borrowings	1,377,858	2,639	–	1,380,497
Derivative financial instruments	190,913	–	–	190,913
Senior notes	5,687,872	–	–	5,687,872
Lease liabilities	6,638	–	–	6,638
	39,241,476	1,105,487	(1,597)	40,345,366
Net current assets	19,840,826	4,290,129	–	24,130,955
Total assets less current liabilities	33,047,523	4,316,041	–	37,363,564

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION – CONTINUED

1.3 Effect of restatements for business combination under common control – continued

- (d) The effect of restatements on the condensed consolidated statement of financial position for 31 December 2020 by line items is as follows: – continued

	Audited and originally stated RMB'000	Luyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Unaudited and restated RMB'000
Non-current liabilities				
Bank and other borrowings	11,254,769	969,400	–	12,224,169
Pre-sale deposits received	540,412	–	–	540,412
Deferred tax liabilities	726,512	–	–	726,512
Senior notes	3,065,145	–	–	3,065,145
Lease liabilities	2,957	–	–	2,957
	15,589,795	969,400	–	16,559,195
Equity attributable to owners of the Company				
Share capital	34,876	2,509,619	(2,509,619)	34,876
Reserves	13,583,354	76,385	2,509,619	16,169,358
	13,618,230	2,586,004	–	16,204,234
Non-controlling interests				
	3,839,498	760,637	–	4,600,135
Total equity				
	17,457,728	3,346,641	–	20,804,369
Total equity and non-current liabilities				
	33,047,523	4,316,041	–	37,363,564

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION – CONTINUED

1.3 Effect of restatements for business combination under common control – continued

(e) The financial effect of the restatements to the Group's equity on 1 January 2020 is summarised below:

	Audited and originally stated RMB'000	Luyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Unaudited and restated RMB'000
Equity attributable to owners of the Company				
Share capital	33,870	20,000	(20,000)	33,870
Reserves	9,825,610	(25,969)	20,000	9,819,641
	9,859,480	(5,969)	–	9,853,511
Non-controlling interests				
	1,977,678	145,409	–	2,123,087
Total equity				
	11,837,158	139,440	–	11,976,598

(f) The financial effect of the restatements to the Group's equity on 30 June 2020 is summarised below:

	Unaudited and originally stated RMB'000	Luyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Unaudited and restated RMB'000
Equity attributable to owners of the Company				
Share capital	33,870	20,000	(20,000)	33,870
Reserves	11,130,937	1,765,038	20,000	12,915,975
	11,164,807	1,785,038	–	12,949,845
Non-controlling interests				
	2,307,762	456,545	–	2,764,307
Total equity				
	13,472,569	2,241,583	–	15,714,152

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION – CONTINUED

1.3 Effect of restatements for business combination under common control – continued

- (g) The effect of the restatement on the Group's earnings per share for the six months ended 30 June 2020 is as follows:

	For the six months ended 30 June 2020 RMB cents
Basic and diluted	
Unaudited and originally stated	37
Adjustments arising from business combination under common control	<u>(9)</u>
Unaudited and restated	<u>28</u>

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the 2020 Financial Statements, except for the adoption of accounting policies regarding convertible bonds as explained in Note 2.3. Income tax expense was recognised based on management's estimate of the annual income tax rate expected for the full financial year.

2.1 New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial period beginning on 1 January 2021. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

2.2 New and amended standards and interpretations not yet adopted

Up to the date of issuance of this report, the HKICPA has issued the following new standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group:

	Effective for annual periods beginning on or after
Amendments to HKFRS 3	Update reference to the conceptual framework 1 January 2022
Amendments to HKAS 16	Proceeds before intended use 1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract 1 January 2022
Annual improvements	Annual improvements to HKFRS standards 2018-2020 cycle 1 January 2022
Amendments to Accounting Guideline 5	Merger accounting for common control combinations 1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current 1 January 2023
HKFRS 17 and Amendments to HKFRS 17 HK Interpretation 5	Insurance contract Classification by the borrower of a term loan that contains a repayment on demand clause 1 January 2023 1 January 2023
HKFRS Practice statement 2 and HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors 1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction 1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.3 New accounting policies adopted – Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for a non-convertible bond with similar terms. This amount is recorded as a liability on an amortised cost basis until conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and, if any, redemption option. The conversion option is recognised and included in shareholders' equity or derivative liability according to the conversion feature embedded. The redemption option is recognised as derivative liability based on the terms. Any directly attributable transaction costs are allocated to the liability and equity or derivative liability component in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a convertible bond is measured at amortised cost using the effective interest method. The equity component of a convertible bond is not re-measured subsequent to initial recognition except on conversion or expiry. The derivative liability component of a convertible bond is measured at fair value with changes in fair value recognised in profit or loss.

As disclosed in Note 29, the Company issued convertible bonds as a part of the consideration for Luyuan Acquisition. These convertible bonds are recognised and included in equity upon initial recognition.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2020 Financial Statements.

4 SIGNIFICANT CHANGES IN PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

Save for those disclosed in Note 1.2, Note 18 and Note 27, there was no significant change in principal subsidiaries, joint ventures and associates of the Group during the six months ended 30 June 2021.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the 2020 Financial Statements.

There have been no significant changes in the risk factors and management policies since the year ended 31 December 2020.

5.2 Liquidity risk

The directors of the Company closely monitor the cash flows of the Group and, upon maturity, would renew the bank borrowings and issue new senior notes, where necessary, to enable the Group to carry on its operations in the foreseeable future. In this regard, the directors of the Company consider that the Group's liquidity risk is significantly reduced.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans which are repayable on demand are included in the earliest time band. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

5 FINANCIAL RISK MANAGEMENT – CONTINUED

5.2 Liquidity risk – continued

	On demand or Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 30 June 2021					
(Unaudited)					
Trade and other payables (excluding business and other tax payables, payroll payable)	10,544,906	–	–	10,544,906	10,544,906
Lease liabilities	9,934	2,694	2,123	14,751	13,473
Bank and other borrowings	5,446,606	7,588,410	1,935,339	14,970,355	13,152,011
Senior notes	4,783,514	3,964,249	2,993,063	11,740,826	9,730,272
	20,784,960	11,555,353	4,930,525	37,270,838	33,440,662
Financial guarantee					
– Mortgage guarantees	13,932,563	–	–	13,932,563	–
– Facilities granted to related parties	200,000	–	–	200,000	–
At 31 December 2020					
(Unaudited and restated)					
Trade and other payables (excluding business and other tax payables, payroll payable)	6,681,173	–	–	6,681,173	6,681,173
Lease liabilities	7,179	3,061	94	10,334	9,595
Bank and other borrowings	2,773,632	10,173,827	2,991,322	15,938,781	13,604,666
Senior notes	6,180,809	1,701,528	2,152,124	10,034,461	8,753,017
	15,642,793	11,878,416	5,143,540	32,664,749	29,048,451
Financial guarantee					
– Mortgage guarantees	11,041,907	–	–	11,041,907	–
– Facilities granted to related parties	300,000	–	–	300,000	–

5 FINANCIAL RISK MANAGEMENT – CONTINUED

5.3 Fair value measurement of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

The difference levels are defined as follows:

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000	Fair value hierarchy	Valuation techniques, key inputs and relationships of unobservable inputs to fair value
Financial assets at fair value through profit or loss:				
Debt instruments in Hong Kong	242,247	263,875	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments. The higher internal rate of return, the lower fair value.
Debt instruments in overseas	712,591	680,560	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments. The higher internal rate of return, the lower fair value.
Deposits paid for life insurance policies	16,535	16,604	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments. The higher internal rate of return, the lower fair value.
Listed equity investments in Hong Kong	124,277	131,880	Level 1	Quoted bid prices in an active market.
Total	1,095,650	1,092,919		

5 FINANCIAL RISK MANAGEMENT – CONTINUED

5.3 Fair value measurement of financial instruments – continued

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000	Fair value hierarchy	Valuation techniques, key inputs and relationships of unobservable inputs to fair value
Derivative financial instruments				
Put options of senior notes recognised	76,692	132,887	Level 2	The fair value of put options are determined by assessing the difference between the fair values of the bonds by quoted price based on observable inputs and the pure bond value.
Put options of senior notes recognised	–	58,026	Level 3	The fair value of put options are determined by assessing the difference between the fair values of the bonds by quoted price based on unobservable inputs (including discount rate) and the pure bond value.
Total	76,692	190,913		The higher discount rate, the lower fair value.

There were no transfers between Level 1, 2 and 3 during the six months ended 30 June 2021 and year ended 31 December 2020.

There were no changes in valuation techniques and key inputs during the six months ended 30 June 2021 and year ended 31 December 2020.

6 REVENUE

Revenue is stated net of sales related tax and is analysed as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Types of goods and services		
Sales of properties	8,904,408	8,978,440
Property management services	362,413	264,527
Property rental	97,096	111,287
Total	9,363,917	9,354,254
 Revenue is recognised:		
Contracts with customers:		
– At a point in time	8,904,408	8,982,989
– Over time	362,413	259,978
Other source: rental income	9,266,821	9,242,967
	97,096	111,287
	9,363,917	9,354,254

Sales of properties by markets

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Mainland China		
Hong Kong	8,891,874	8,913,810
Total	12,534	64,630
	8,904,408	8,978,440

There was no individual customer contributing over 10% of the total revenue for the six months ended 30 June 2021 and 2020.

7 SEGMENT INFORMATION

The Group is principally engaged in property development revenue of which accounted for over 90% of total turnover.

No segment assets and liabilities are presented as they were not provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

The Group has only one reportable segment – Property development. The other segments are individually and collectively insignificant for segment reporting purpose. As such, no segment information is presented.

No geographical segment analysis is shown as more than 90% of the Group's revenue are derived from activities in and from customers located in the Mainland China and more than 90% of the carrying values of the Group's non-current assets excluding financial instruments and deferred tax assets are situated in the Mainland China.

8 OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000 (Unaudited and restated)
Interest income on financial assets at fair value through profit or loss	68,502	43,569
Interest income on loans receivable	53,369	63,311
Interest income on bank deposits	20,258	36,719
Government grant	9,451	2,281
Compensation income	1,162	17,187
Others	11,023	9,983
	163,765	173,050

9 OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000 (Unaudited and restated)
	(Unaudited)	
Fair value change on financial assets at fair value through profit or loss	(2,251)	(21,605)
Fair value change on derivative financial instruments	92,669	(135,450)
Gain on deemed disposal of a subsidiary (Note 18)	30,267	–
Gain on deemed disposal of a joint venture	2,977	–
Losses on disposals of investment properties	(27,564)	–
Gain on extinguishment upon repurchasing senior notes	1,219	–
Foreign exchange gain/(loss), net	75,164	(5,119)
Gains arising from bargain purchase (Note 27)	122,237	6,535
Others	73	(24)
	294,791	(155,663)

10 FINANCE COSTS

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000 (Unaudited and restated)
	(Unaudited)	
Interest expenses:		
– Bank and other borrowings	753,048	668,152
– Senior notes	714,134	527,404
– Lease liabilities	1,470	391
	1,468,652	1,195,947
Less: amounts capitalised on qualifying assets	(1,439,368)	(1,041,649)
	29,284	154,298

Finance costs have been capitalised for investment properties under construction and properties under development at average rate of 12.07% per annum for the six months ended 30 June 2021 (six months ended 30 June 2020: 11.10%).

11 INCOME TAX EXPENSES

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
	(Unaudited)	(Unaudited and restated)
Current income tax		
– Corporate income tax	788,644	842,653
– Land appreciation tax	212,010	580,220
	1,000,654	1,422,873
Deferred income tax	(62,537)	(174,618)
	938,117	1,248,255

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during both periods.

Hong Kong profits tax has been provided at the rate of 16.5% (2020:16.5%) on the estimated assessable profits of the Group's subsidiaries operating in Hong Kong.

Under the Law of the Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% from 1 January 2008 onwards.

All gains arising from the sale or transfer of real estate in the Mainland China are subject to land appreciation tax 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 payments made for acquisition of land use rights, costs and certain expenses for the development of the land. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of development and construction of new buildings or related facilities.

12 EXPENSE BY NATURE

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000 (Unaudited and restated)
	(Unaudited)	
Cost of inventories sold	6,235,399	5,676,085
Employee benefit expenses	252,240	259,208
Advertising and promotion expenses	95,062	119,710
Bank charges	22,534	12,326
Office expenses	67,814	48,693
Tax and surcharges	26,308	28,054
Travelling and entertainment expenses	22,944	13,542
Professional service fees	14,359	9,197
Depreciation and amortisation charges	11,740	10,553
Auditors' remuneration	4,000	8,359
Rental expenses	2,907	5,214
Reversal for impairment of inventories of properties (a)	(89,732)	–
Listing expenses of a subsidiary	–	13,451
Other expenses	13,172	16,131
Total cost of sales, selling and marketing costs, and administrative expenses and other expenses	6,678,747	6,220,523

(a) The reversal for impairment of inventories of properties is mainly caused by sale of related properties.

13 DIVIDENDS

The Board of Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

The final dividend in respect of the year ended 31 December 2020 of HK15.5 cents (2019: HK11 cents) per ordinary share, in an aggregate amount of HKD628,639,000, approximately RMB523,405,000, (2019: HKD433,868,000, approximately RMB388,962,000), approved at the Annual General Meeting on 9 June 2021, has been recognised as a liability as at 30 June 2021.

On 28 February, Weihai Xiangyuan declared and paid a dividend of RMB154,700,000 to its then shareholder.

14 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000 (Unaudited and restated)
Profit for the period attributable to owners of the Company (RMB'000)	1,979,789	1,619,011
Weighted average number of ordinary shares in issue (in thousands)	5,932,292	5,820,810
Basic earnings per share (RMB cents)	33	28

The weighted average number of ordinary shares in issue have been adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in resources, including the ordinary shares and convertible bonds issued as considerations for Luyuan Acquisition. As the convertible bonds were mandatorily convertible into ordinary shares, they are included in the calculation of basic earnings per share. Details relating to the ordinary shares and convertible bonds are set out in Note 1.2 and Note 29.

(b) Diluted earnings per share

For the six months ended 30 June 2021 and 2020, diluted earnings per share equal basic earnings per share as there were no dilutive potential shares in both periods.

15 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
At 1 January 2021 (Unaudited and restated)	7,405,988	520,557	7,926,545
Additions	–	13,914	13,914
Disposals	(172,262)	–	(172,262)
Fair value change	(38,339)	2,619	(35,720)
At 30 June 2021 (Unaudited)	7,195,387	537,090	7,732,477
At 1 January 2020 (Unaudited and restated)	7,647,680	194,226	7,841,906
Additions	–	43,448	43,448
Transfer to inventories of properties	(18,858)	–	(18,858)
Fair value change	(151,465)	24,856	(126,609)
At 30 June 2020 (Unaudited and restated)	7,477,357	262,530	7,739,887

At 30 June 2021 and 31 December 2020, the Group had only level 3 investment properties.

There were no changes in valuation processes and valuation techniques from those disclosed in 2020 Financial Statements.

16 PROPERTY AND EQUIPMENT

During the six months ended 30 June 2021, there were RMB9,890,000 (six months ended 30 June 2020: RMB5,708,000) purchases and RMB11,775,000 (six months ended 30 June 2020: nil) additions from acquisitions of subsidiaries on property and equipment of the Group. In addition, the Group has disposed of property and equipment with net book value of RMB664,000 during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB969,000).

17 INTANGIBLE ASSETS

During the period, there are RMB110,495,000 additions on intangible assets of the Group due to the goodwill from the acquisition of Shanghai Baoji Property Management Co., Ltd. ("Shanghai Baoji") (Note 27) (six months ended 30 June 2020: RMB35,000).

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Interests in joint ventures (a)	6,166,397	2,236,558
Interests in associates (b)	485,630	53,142
	6,652,027	2,289,700

(a) Interests in joint ventures

	30 June 2021 RMB'000 (Unaudited)	30 June 2020 RMB'000 (Unaudited and restated)
At 1 January	2,236,558	931,896
Additions	4,176,556	1,021,658
Share of results	28,697	137,471
Transfer to subsidiaries (Note 27)	(275,414)	–
At 30 June	6,166,397	2,091,025

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – CONTINUED

(a) Interests in joint ventures – continued

- (i) During the six months ended 30 June 2021, paid-in capital of RMB50,000,000 was injected by the Group to Zhuhai Hengqin Jiayuan Lingqian Investment Company Limited ("Hengqin Jiayuan"), a company established by the Group jointly with a third party for 50% of equity interest.
- (ii) As disclosed in Note 1.2, Luyuan Group acquired 63% equity interest of Lingshihuafu from the Ultimate Shareholder for a consideration of RMB3,960,000,000 in June 2021. Details of the transaction are as follows:

	RMB'000
63% of the fair value of the identifiable assets and liabilities of Lingshihuafu at the acquisition date	3,960,000
Consideration settled by offsetting the balance of other receivables of Luyuan Group due from the companies controlled by the Ultimate Shareholder	3,960,000

The directors of the Company has determined the fair value of the identifiable assets and liabilities of Lingshihuafu as at the acquisition, which has made reference to the valuation report prepared by independent valuer. The fair value of the identifiable assets and liabilities of Lingshihuafu, which mainly include properties under development and properties held for sale, were determined using residual method. Residual method of valuation is used by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on land and construction costs, expenses, taxes and interest payments to be incurred as well as anticipated developer's profits. In addition, the fair value of other material identifiable assets and liabilities, which mainly include cash and cash equivalents, prepayments and other receivables, trade and other payables, pre-sale deposits received, bank and other borrowings, and current and deferred income tax liabilities, were determined based on their recoverable amounts or obligations, as appropriate, at the acquisition.

Upon the completion of Luyuan Acquisition, Lingshihuafu was owned by the Group, Mr. Yu Xihua and a third party as to 63%, 7% and 30% respectively. According to the Articles of Lingshihuafu and the shareholders' agreement, the decisions about the relevant activities of Lingshihuafu require the unanimous consent of two-thirds or more of shareholder votes. As the Group and Mr. Yu Xihua are acting in concert in the management of Lingshihuafu, Lingshihuafu is accounted for as a joint venture of the Group.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – CONTINUED

(a) Interests in joint ventures – continued

The tables below provide the summarised unaudited financial information for Lingshihuafu, which is a joint venture material to the Group. The financial information disclosed reflects the amounts presented in the financial statements of the Lingshihuafu and not the Company's share of those amounts. These amounts have been amended to reflect adjustments made by the Company when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

Summarised balance sheet

	As at acquisition date and 30 June 2021 RMB'000 (Unaudited)
Non-current assets	
Property and equipment	82
Deferred tax assets	31,735
	31,817
Total non-current assets	31,817
Current assets	
Inventories of properties	16,428,000
Trade and other receivables	2,205,225
Prepaid income tax	191,087
Cash and cash equivalents	113,634
	18,937,946
Total current assets	18,937,946
	18,969,763
Total assets	18,969,763
Current liabilities	
Trade and other payables	1,897,307
Pre-sale deposits received	4,396,976
Bank and other borrowings	200,000
	6,494,283
Total current liabilities	6,494,283
Non-current liabilities	
Bank and other borrowings	4,068,850
Deferred tax liabilities	2,120,916
	6,189,766
Total non-current liabilities	6,189,766
Net assets	6,285,714

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – CONTINUED

(a) Interests in joint ventures – continued

Reconciliation to carrying amounts:

	As at acquisition date and 30 June 2021 RMB'000
Net assets of Lingshihuafu	6,285,714
Group's share in %	63%
Group's share in RMB	3,960,000
Carrying amount	3,960,000

As Lingshihuafu was acquired on 30 June 2021, there was no share of results of Lingshihuafu by the Group during the period.

(b) Interests in associates

	30 June 2021 RMB'000 (Unaudited)	30 June 2020 RMB'000 (Unaudited and restated)
At 1 January	53,142	53,155
Additions	4,000	–
Transfer from subsidiaries	431,917	–
Share of results	(3,429)	(1,838)
At 30 June	485,630	51,317

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – CONTINUED

(b) Interests in associates – continued

- (i) Guoyang Jiayuan Real Estate Development Co., Ltd. ("Guoyang Jiayuan") was a 100% wholly-owned subsidiary of the Group before January 2021. In January 2021, a third party injected RMB560,000,000 as additional capital into Guoyang Jiayuan, which owned 70% of the equity interests in Guoyuan Jiayuan. As a result, Guoyang Jiayuan became an associate of the Group and the transaction was treated as a deemed disposal of a subsidiary.

Details of the deemed disposal are as follows:

	RMB'000
Fair value of 30% equity interest of Guoyang Jiayuan	241,755
Less: net assets of Guoyang Jiayuan at the disposal date	240,258
Gains on disposal	1,497
Cash proceeds from disposals, net of cash disposed of	–
– Cash consideration received	–
– Less: cash and cash equivalents in Guoyang Jiayuan disposed of	(2,316)
Net cash outflow on disposals	(2,316)

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – CONTINUED

(b) Interests in associates – continued

- (ii) Fengtai Mingyuan Real Estate Development Co., Ltd. ("Fengtai Mingyuan") was a 100% wholly-owned subsidiary of the Group before April 2021. In April 2021, a third party injected RMB495,000,000 as additional capital into Fengtai Mingyuan, which owned 70.83% of the equity interests in Fengtai Mingyuan. As a result, Fengtai Mingyuan became an associate of the Group and the transaction was treated as a deemed disposal of a subsidiary.

Details of the deemed disposal are as follows:

	RMB'000
Fair value of 29.17% equity interest of Fengtai Mingyuan	190,162
Less: net assets of Fengtai Mingyuan at the disposal date	161,392
Gains on disposal	28,770
Cash proceeds from disposals, net of cash disposed of	
– Cash consideration received	–
– Less: cash and cash equivalents in Fengtai Mingyuan disposed of	(50,422)
Net cash outflow on disposals	(50,422)

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Debt instruments:		
Debt instruments in Hong Kong	242,247	263,875
Debt instruments in overseas	712,591	680,560
Deposits paid for a life insurance policy	16,535	16,604
Debt instruments:		
Listed equity investment in Hong Kong	124,277	131,880
Less: Non-current portion	1,095,650 (971,373)	1,092,919 (961,039)
	124,277	131,880

20 INVENTORIES OF PROPERTIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Properties under development (a)		
At cost	39,885,072	34,053,503
At net realisable value ("NRV")	246,417	524,258
Properties held for sale (b)		
At cost	40,131,489	34,577,761
At NRV	8,795,966	8,308,143
	1,949,004	1,977,560
	10,744,970	10,285,703
Total	50,876,459	44,863,464

The operating cycle of the Group's property development projects generally ranges from one to three years.

As at 30 June 2021 and 31 December 2020, the Group's inventories of properties are situated in the Mainland China, Hong Kong and Macao.

20 INVENTORIES OF PROPERTIES – CONTINUED

(a) Amounts of properties under development comprise:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
– Construction costs including depreciation and staff cost capitalised	10,262,049	7,403,898
– Land use rights	26,845,631	24,265,408
– Borrowing costs capitalised	3,128,325	3,105,962
 Total costs	40,236,005	34,775,268
 Less: provision for impairment	(104,516)	(197,507)
 Net amounts	40,131,489	34,577,761

As at 30 June 2021, properties under development amounting to RMB14,029,114,000 (31 December 2020: RMB14,046,568,000) were expected to be completed beyond one year.

The capitalization rate used to capitalize interest on general borrowings for the six months ended 30 June 2021 was 12.07% (six months ended 30 June 2020: 11.10%) per annum.

(b) Amounts of properties held for sale comprises:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Total properties held for sale	10,987,027	10,524,501
Less: provision for impairment	(242,057)	(238,798)
 Net amounts	10,744,970	10,285,703

21 TRADE AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Trade receivables (a)	530,398	524,773
Other receivables (b)	5,755,180	6,190,838
Prepayments (c)	2,483,575	1,251,895
	8,769,153	7,967,506
Less: Non-current portion of other receivables (b)	(29,209)	(38,450)
Current portion of trade and other receivables	8,739,944	7,929,056

(a) Details of trade receivables are as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Trade receivables	577,894	560,091
Less: allowance for impairment	(47,496)	(35,318)
Trade receivables – net	530,398	524,773

21 TRADE AND OTHER RECEIVABLES – CONTINUED

(a) Details of trade receivables are as follows: – continued

Trade receivables mainly arise from properties rental and provisions of properties management services. Customers are generally granted credit terms of nil to 1 month. The ageing analysis of trade receivables based on property delivery date or invoice date is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
0-60 days	356,741	381,423
61-180 days	92,276	51,950
181-365 days	78,569	68,107
Over 1 year	50,308	58,611
	577,894	560,091

As at 30 June 2021 and 31 December 2020, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses. As at 30 June 2021, a provision of RMB47,496,000 (31 December 2020: RMB35,318,000) was made against the gross amounts of trade receivables.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

21 TRADE AND OTHER RECEIVABLES – CONTINUED

(b) Details of other receivables are as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Advances to related parties (i)	1,499,213	3,171,273
Advances to non-controlling interests	1,331,971	1,140,932
Deposits paid for acquisitions of land use rights (ii)	1,260,810	446,923
Projects related deposits (iii)	661,776	488,556
Deposits for trust financing arrangements	29,209	60,178
Other deposits	321,180	186,869
Advance to staff	39,246	37,609
Loans receivable (iv)	512,802	509,971
Interest receivable	118,484	62,243
Other receivables	73,275	187,141
	5,847,966	6,291,695
Less: allowance for impairment	(92,786)	(100,857)
	5,755,180	6,190,838
Less: Non-current portion of deposits for trust financing arrangements	(29,209)	(38,450)
	5,725,971	6,152,388

- (i) The amounts mainly represent advances to joint ventures and associates and advances to the Ultimate Shareholder by Luyuan Group.
 - (ii) The amounts mainly represent the deposits placed at the request of local government. The deposits will be refunded to the Group when the land use rights are not obtained in the bidding process.
 - (iii) The amounts mainly represent deposits placed at the request of local government. The deposits will be refunded to the Group upon the completion of the relevant projects.
 - (iv) The above other receivables are unsecured and non-interest bearing, except for the loans receivables of RMB512,802,000 (2020: RMB509,971,000) which are interest-bearing at a fixed interest rate of 23% (2020: 23%) per annum.
- (c)** Prepayments mainly represent prepayments consideration for land use rights, construction cost, and business and other taxes.

22 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Cash at banks and on hand	12,260,932	11,153,957
Less: Restricted bank deposits		
– For mortgage guarantees (a)	(114,455)	(76,128)
– For acquisitions of land use rights (b)	(600,000)	(800,000)
– For property development (c)	(1,035,449)	(1,126,772)
	(1,749,904)	(2,002,900)
Cash and cash equivalents	10,511,028	9,151,057

- (a) These deposits were pledged to the banks, to secure the mortgage guarantees provided to customers, and will be released upon obtaining building ownership certificates by customers.
- (b) These deposits were pledged for business partners to acquire certain land use rights. The deposits will be released upon completion of the bidding process.
- (c) These deposits were placed in bank accounts in accordance with the applicable government regulations. These bank balances can only be applied in construction for designated property development projects, and carry prevailing interest at a rate of 0.71% (31 December 2020: 0.57%) per annum as at 30 June 2021.
- (d) Cash at banks carry prevailing market interest rates ranging from 0.01% to 2.75% (31 December 2020: 0.01% to 2.75%) per annum as at 30 June 2021.

As at 30 June 2021, the cash at banks and on hand are denominated in the following currencies:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
RMB	10,058,696	9,455,494
HKD	853,063	1,229,860
United States Dollar ("USD")	1,348,853	467,080
Others	320	1,523
	12,260,932	11,153,957

The conversion and the remittance of RMB out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC governments.

23 TRADE AND OTHER PAYABLES

	30 June 2021 RMB'000	31 December 2020 RMB'000 (Unaudited and restated)
	(Unaudited)	
Trade payables (a)	3,656,869	3,019,258
Advances from non-controlling interests	1,708,306	819,719
Business and other taxes payable	724,577	703,706
Other deposits (b)	176,198	193,655
Deposits related to sales of properties	401,392	425,465
Advances from related parties (c)	3,388,076	1,021,120
Receipts on behalf of property residents	93,546	156,594
Accrued charges	106,730	129,817
Consideration payable for acquisition of subsidiaries	255,279	689,045
Other consideration payables	226,500	226,500
Payroll payables	102,248	121,378
Dividend payables	532,010	–
	11,371,731	7,506,257

- (a) Trade payables comprise construction costs and other project-related expenses which are due for payment based on project progress measured by the Group. The average credit period of trade payables is 30 days.

The following is an ageing analysis of trade payables, presented based on the invoice date:

	30 June 2021 RMB'000	31 December 2020 RMB'000 (Unaudited and restated)
	(Unaudited)	
0-60 days	2,726,601	2,312,315
61-180 days	396,379	293,135
181-365 days	145,996	103,678
Over 1 year	387,893	310,130
	3,656,869	3,019,258

- (b) Amounts mainly represented various deposits received from contractors in relation to tendering and execution of construction contracts.
- (c) Advances from related parties mainly represent advances from joint ventures, associates and entities controlled by the Ultimate Shareholder.

24 PRE-SALE DEPOSITS RECEIVED

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Contract liabilities related to sales of properties	19,055,322	17,907,643
Contract liabilities related to property management services	117,374	87,853
Value-added tax payable	1,715,094	1,463,513
	20,887,790	19,459,009
Less: non-current portion	(227,768)	(540,412)
	20,660,022	18,918,597

25 BANK AND OTHER BORROWINGS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Bank loans		
– secured	319,563	304,338
– secured and guaranteed	9,563,800	7,938,978
	9,883,363	8,243,316
Trust loans and other loans		
– secured and guaranteed	3,268,648	5,361,350
	3,268,648	5,361,350
Total bank and other borrowings	13,152,011	13,604,666
Less: amounts due within one year or on demand shown under current liabilities	(4,375,271)	(1,380,497)
Amounts shown under non-current liabilities	8,776,740	12,224,169

25 BANK AND OTHER BORROWINGS – CONTINUED

Fixed-rate borrowings amounting to RMB8,081,185,000 (31 December 2020: RMB9,700,464,000) carry interest ranging from 1.55% to 14.00% (31 December 2020: 1.55% to 14.00%) per annum at 30 June 2021. The remaining borrowings amounting to RMB5,070,826,000 (31 December 2020: RMB3,904,202,000) are arranged at variable rates with the effective interest rates ranging from 3.65% to 12.00% (31 December 2020: 3.65% to 12.00%) per annum at 30 June 2021.

The range of effective interest rates per annum at the end of each reporting period is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Bank loans	1.55% to 11.70%	1.55% to 11.70%
Trust loans and other loans	7.10% to 14.00%	7.10% to 14.00%

26 SENIOR NOTES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
Issued in 2019 and due March 2022	(a) 942,153	1,757,054
Issued in 2019 and due May 2022	(b) 655,626	747,265
Issued in 2019 and due February 2023	2,155,008	2,139,166
Issued in 2020 and due October 2022	1,290,031	1,241,069
Issued in 2020 and due April 2023	1,921,341	1,913,733
Issued in 2020 and due June 2021	—	954,730
Issued in 2021 and due July 2023	(c) 1,964,783	—
Issued in 2021 and due February 2024	(d) 801,330	—
	9,730,272	8,753,017
Less: amounts due and demandable for repayment within one year	(3,752,787)	(5,687,872)
	5,977,485	3,065,145
Included in non-current liabilities		

26 SENIOR NOTES – CONTINUED

The movement of senior notes for the period is set out below:

	30 June 2021 RMB'000 (Unaudited)	30 June 2020 RMB'000 (Unaudited)
At 1 January	8,753,017	5,274,776
Derivatives financial instruments recognised	–	(51,434)
Proceeds from issue of new senior notes	2,648,562	1,847,927
Repayment of senior notes	(1,832,876)	–
Extinguishment upon repurchasing the senior notes	20,474	–
Exchange difference	(32,541)	85,161
Interest expenses (<i>Note 10</i>)	714,134	527,404
Interest paid	(540,498)	(476,702)
 At 30 June	 9,730,272	 7,207,132

Notes:

- (a) In July 2019, the Company issued senior notes (the “March 2022 Senior Notes”) with a principal amount of USD225,000,000 (equivalent to approximately RMB1,545,233,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in March 2022. A portion of the March 2022 Senior Notes was used to exchange for a total of USD174,671,000 in principal amount of the senior notes due October 2020.

In November 2019, the Company issued senior notes with a principal amount of USD30,000,000 (equivalent to approximately RMB210,813,000), which were consolidated with and formed a single series with the March 2022 Senior Notes.

In February 2020, the Company issued senior notes with a principal amount of USD67,500,000 (equivalent to approximately RMB472,891,500), which were consolidated with and formed a single series with the March 2022 Senior Notes.

In October 2020, the Company repurchased the March 2022 Senior Notes in an aggregate principal amount of USD60,000,000 (equivalent to approximately RMB402,168,000), representing 18.60% of the aggregate principal amount of the notes originally issued.

In February 2021, the Company repurchased senior notes in an aggregate principal amount of USD55,755,000 (equivalent to RMB360,306,000), representing 17.29% of the aggregate principal amount of the notes originally issued.

In March 2021, the Company repurchased senior notes in an aggregate principal amount of USD61,538,000 (equivalent to RMB399,812,000), representing 19.08% of the aggregate principal amount of the notes originally issued.

26 SENIOR NOTES – CONTINUED

Notes: : – *continued*

- (b) In May 2019, the Company issued senior notes (the “May 2022 Senior Notes I”) with a principal amount of USD225,000,000 (equivalent to approximately RMB1,514,588,000), bearing interest at a fixed interest rate of 11.375% per annum, will mature in May 2022. A portion of the May 2022 Senior Notes I was used to exchange for all of the outstanding USD160,000,000 senior notes due October 2019, i.e. the 2018 senior notes due October 2019.

In August 2019, the Company issued senior notes with a principal amount of USD25,000,000 (equivalent to RMB176,425,000) due in May 2022 (the “May 2022 Senior Notes II”) which were consolidated with and formed a single series with the USD225,000,000 11.375% May 2022 Senior Notes I.

In October 2020, the Company repurchased senior notes in an aggregate principal amount of USD135,000,000 (equivalent to RMB904,878,000), representing 54% of the aggregate principal amount of the notes originally issued.

In May 2021, the Company repurchased senior notes in an aggregate principal amount of USD12,000,000 (equivalent to RMB77,542,800), representing 4.8% of the aggregate principal amount of the notes originally issued.

- (c) In January 2021, the Company issued senior notes (the “July 2023 Senior Notes”) with a principal amount of USD300,000,000 (equivalent to approximately RMB1,957,470,000), bearing interest at a fixed interest rate of 12.50% per annum and will mature in July 2023.
- (d) In May 2021, the Company issued senior notes (the “February 2024 Senior Notes”) with a principal amount of USD130,000,000 (equivalent to approximately RMB840,047,000), bearing interest at a fixed interest rate of 11.00% per annum and will mature in February 2024.
- (e) Certain senior notes contain a liability component and early redemption options:

The holders of these senior notes have the right, at their options, to require the Company to repurchase for all or any portion of the principal on designated repurchase dates, at purchase prices of 102.795% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

As at 30 June 2021, these put options have been recognised at fair value as derivative financial instruments at the amount of RMB76,692,000 (31 December 2020: RMB190,913,000).

- (f) Early redemption call options:

The Company has the right, at its option, to redeem the above senior notes in whole but not in part of the respective principal amount at any time prior to the mature date, at a redemption price equal to 100% of the respective principal amount, plus accrued and unpaid interest, if any, to the date of redemption.

The Company has the right, at its option, to redeem up to 35% of certain senior notes at any time prior to the mature dates, at redemption prices ranging from 111% to 112.5% of the respective principal amount, plus accrued and unpaid interest, if any, to the date of redemption.

As at 30 June 2021, these call options were not recognised as derivative financial instruments since their fair value amounts are immaterial (31 December 2020: nil).

- (g) The fair values of the senior notes as at 30 June 2021 were approximately RMB9,961,697,000 (31 December 2020: RMB8,783,497,000). The fair value is calculated using the market prices of the senior notes on the date of condensed consolidated statement of financial position.

27 BUSINESS COMBINATION

- (a) Before June 2021, the Group held 50% equity interest of Gang Yuan (Cambodia) Development Co.,Ltd ("Gang Yuan") which was a joint venture of the Group. In June 2021, the Group acquired from the joint venture partner its 50% equity interests in Gang Yuan at a consideration of USD30,000,000 (equivalent to approximately RMB193,914,000). As a result, the equity interest of Gang Yuan held by the Group increased from 50% to 100% and Gang Yuan became a subsidiary of the Group. Details of the purchase consideration and the financial information of the Gang Yuan on the acquisition date are summarised as follows:

	RMB'000
Consideration	
Cash consideration paid	193,803
Fair value of investment in a joint venture held before business combination	278,391
	<hr/>
	472,194
Total recognised amounts of identifiable assets acquired and liabilities assumed:	
Property and equipment	6,280
Inventories of properties	773,070
Trade and other receivables	36,888
Cash and cash equivalent	5,675
Current income tax liabilities	(59)
Trade and other payables	(202,693)
Deferred tax liabilities	(62,379)
	<hr/>
Total identifiable net assets	556,782
Gains arising from bargain purchase	84,588
	<hr/>
Fair value of investments in a joint venture held before business combination	278,391
Less: carrying amount of investments in a joint venture held before business combination	(275,414)
	<hr/>
Gains on deemed disposal	2,977
	<hr/>
Cash flows on business combination, net of cash acquired:	
– Cash consideration paid	(193,803)
– Cash and cash equivalents in the subsidiary acquired	5,675
	<hr/>
Net cash outflow on acquisition	(188,128)

The acquired business contributed total revenue of nil and net profit of nil to the Group for the period from its acquisition date to 30 June 2021. Had the acquisition been completed on 1 January 2021, revenue of the Group for the year would be RMB9,363,917,000 and net profit of the Group for the year would be RMB2,173,303,000.

Gain arising from bargain purchase was mainly due to the fact that the other shareholder had the intention to exit from its investment in the acquired business due to change of operational strategy.

27 BUSINESS COMBINATION – CONTINUED

- (b) In April 2021, the Group acquired 60% equity interests in the Shenzhen Jiashengyuan Real Estate Development Co., Ltd. ("Shenzhen Jiashengyuan") at a cash consideration of RMB65,000,000 from a third party. Details of the purchase consideration and the financial information of the Shenzhen Jiashengyuan on the acquisition date are summarised as follows:

	RMB'000
Consideration	
Settled in 2021	–
Outstanding as at 30 June 2021	<u>65,000</u>
Total cash consideration	<u>65,000</u>
Total recognised amounts of identifiable assets and liabilities assumed:	
Property and equipment	523
Inventories of properties	836,000
Prepaid income tax	22,813
Trade and other receivables	46,236
Restricted bank deposits	11,377
Trade and other payables	(374,651)
Pre-sale deposits received	(313,147)
Deferred tax liabilities	<u>(58,069)</u>
Total identifiable net assets	171,082
Non-controlling interests	<u>(68,433)</u>
60% of the identifiable net assets	<u>102,649</u>
Gains arising from bargain purchase	<u>37,649</u>
Cash flows on business combination, net of cash acquired:	
– Cash consideration paid	–
– Cash and cash equivalents in the subsidiary acquired	<u>–</u>
Net cash inflow on acquisition	<u>–</u>

The acquired business contributed total revenue of RMB568,536,000 and net profit of RMB169,135,000 to the Group for the period from the acquisition date to 30 June 2021. Had the acquisition been completed on 1 January 2021, revenue of the Group for the year would be RMB9,363,917,000 and net profit of the Group for the year would be RMB2,168,985,000.

The Group has chosen to recognise the non-controlling interests at its fair value for this acquisition.

Gain arising from bargain purchase was mainly due to the fact that the vendor had the intention to exit from its investment in Shenzhen Jiashengyuan due to the operational strategy of the vendor.

27 BUSINESS COMBINATION – CONTINUED

- (c) In April 2021, the Group acquired 100% equity interest in Shanghai Baoji at a consideration of RMB139,238,000. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Considerations	
Settled in the six months ended 30 June 2021	113,559
Outstanding as at 30 June 2021	25,679
 Total cash considerations	 139,238
 Total recognized amounts of identifiable assets acquired and liabilities assumed are as follows:	
Property and equipment	4,971
Intangible assets – property management contracts	26,850
Trade and other receivables	80,274
Cash and cash equivalent	6,704
Contract liabilities	(22,839)
Trade and other payables	(29,586)
Current income tax liabilities	(4,069)
Deferred tax liabilities	(6,712)
 Total identifiable net assets	 55,593
Add: goodwill	83,645
 Net assets acquired	 139,238
 Outflow of cash to acquire business, net of cash acquired in 2021:	
– Partial settlement of cash consideration	(113,559)
– Cash and cash equivalents in the subsidiary acquired	6,704
 Net cash outflow on acquisition	 (106,855)

The goodwill arose from the acquisition was mainly attributable to the expected synergies from combining the operations of the Group and the acquired entity.

The acquired business contributed total revenue of RMB19,258,000 and net profit of RMB4,621,000 to the Group for the period from the acquisition date to 30 June 2021.

Had this business been consolidated from 1 January 2021, the condensed consolidated statement of comprehensive income of the Group would show proforma revenue and profit for the six months ended 30 June 2021 of RMB9,398,517,000 and RMB2,173,529,000 respectively.

28 SHARE CAPITAL

	Number of shares	Nominal value HKD'000	Nominal value RMB'000
Ordinary shares of HKD0.01 each			
Authorised			
At 1 January 2020, 1 January 2021 and 30 June 2021	10,000,000,000	100,000	–
Issued and fully paid			
At 1 January 2020 and 30 June 2020	3,944,252,161	39,443	33,870
At 1 January 2021	4,055,734,623	40,557	34,876
Issue of shares for Luyuan Acquisition (Note 1.2)	840,000,000	8,400	6,994
At 30 June 2021	4,895,734,623	48,957	41,870

29 CONVERTIBLE BONDS

As disclosed in Note 1.2, on 30 June 2021, as a part of the consideration for Luyuan Acquisition, the Company issued convertible bonds in an aggregate principal amount of HKD3,420,640,000 to the Ultimate Shareholder, entitling the Ultimate Shareholder to convert at the conversion price of HKD3.30 per conversion share (subject to adjustment for dilutive events) into 1,036,557,575 ordinary shares. The convertible bonds will mature in five years and bear no interest. The bond holder shall have the right, but not the obligation, to convert in whole or in part, the outstanding principal amount of the convertible bonds into such number of fully paid shares of the Company. Unless previously converted, the then outstanding principal amount of the convertible bonds shall be fully converted at 100% of their principal amount on the maturity date. The Company will not receive further consideration when the bondholders determines to convert the bonds into ordinary shares of the Company at the maturity date. The convertible bonds are non-redeemable by the Company or the bondholders.

As the Company has no contractual obligation to deliver cash or other financial assets nor to deliver a variable number of shares, these convertible bonds are recognised and included in equity upon initial recognition.

30 PLEDGE OF ASSETS

The following assets were pledged to secure mortgage guarantees provided to customers and certain banking and other facilities granted to the Group and business partners at the end of the reporting period:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Inventories of properties	19,167,978	18,196,452
Investment properties	3,423,910	3,462,100
Restricted bank deposits	714,455	876,111
Property and equipment	71,039	72,395
Financial assets at fair value through profit or loss	16,535	16,504
	23,393,917	22,623,562

31 COMMITMENTS

Commitments for capital expenditures:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Contracted but not provided for:		
Investments accounted for using the equity method	143,774	143,774
Investment properties	484,859	622,471
Acquisitions of entities	187,891	269,811

32 FINANCIAL GUARANTEES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Unaudited and restated)
Mortgage guarantees	13,932,563	11,041,907
Facility granted to related parties	200,000	300,000

The Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

In the opinion of the directors of the Company, the fair values of these financial guarantee contracts are insignificant at initial recognition and at relevant reporting dates, accordingly no value has been recognised for these contracts.

33 TRANSACTION WITH NON-CONTROLLING INTERESTS

The aggregate effects of transactions with non-controlling interests on the equity attributable to owners of the Company are as follows:

	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited and restated)
Changes in equity attributable to owners of the Company arising from:		
– Capital injection from non-controlling interests (a) – Acquisitions of non-controlling interests (b)	– (250,169)	263,063 (29,005)
	(250,169)	(234,058)

- (a) During the six months ended 30 June 2021, third parties injected RMB1,169,054,000 (for the six months ended 30 June 2020: RMB549,413,000) as capital to certain subsidiaries of the Group to obtain non-controlling equity interests.
- (b) During the six months ended 30 June 2021, the Group acquired additional equity interests in a subsidiary from the non-controlling interests for a total consideration of RMB521,900,000. The Group recognised a decrease in reserve of RMB250,169,000 and decrease in non-controlling interest of RMB271,731,000, respectively.

34 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is ultimately controlled by Mr. Shum Tin Ching, the Ultimate Shareholder.

(a) Related party transactions

Apart from those related party transactions disclosed above, the following transactions were carried out with related parties.

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000 (Unaudited and restated)
	(Unaudited)	
(i) Entities controlled by the Ultimate Shareholder		
Procurement of intelligent system equipment	17,115	20,028
Procurement of architectural design services	100	6,977
Provision of property management services	26,186	19,592
Provision of value-added services	330	–
Procurement of electrical appliances	–	6,257
Provision of financial guarantees to the Group	8,905,399	7,457,585
(ii) Joint ventures		
Provision of property management services	926	2,030
Provision of financial guarantees to the Group	8,616	–

As at 30 June 2021, 100% equity interests of a company controlled by the Ultimate Shareholder have been pledged to secure bank loans of RMB364,776,000 of the Group (31 December 2020: RMB306,661,000).

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

34 RELATED PARTY TRANSACTIONS AND BALANCES – CONTINUED

(b) Related party balances

At the end of the reporting period, the Group has the following significant balances with related parties:

	30 June 2021 RMB'000	31 December 2020 RMB'000 (Unaudited and restated)
	(Unaudited)	
(i) Entities controlled by the Ultimate Shareholder		
Trading nature and included in:		
– Trade receivables	65,129	53,075
– Other receivables	4,456	3,381
– Prepayments	1,457	2,311
– Trade payables	61,512	63,218
– Other payables	2,138	2,251
Non-trading nature and included in:		
– Other receivables	37,332	2,023,095
– Other payables	353,309	667,317
(ii) Joint ventures		
Non-trading nature and included in:		
– Other receivables	1,458,715	1,104,746
– Other payables	1,792,919	130,800
(iii) Associates		
Non-trading nature and included in:		
– Other receivables	3,166	43,432
– Other payables	1,241,848	223,003

The above balances due from related parties are interest free, unsecured and repayable on demand (2020: Nil).

35 MAJOR NON-CASH TRANSACTIONS

Major non-cash transaction during the period represented the acquisition of Lingshihuafu (Note 1.2). The consideration of RMB3,960,000,000 was offset against the amounts due from related parties.

36 EVENTS AFTER THE REPORTING PERIOD

The final dividend in respect of the year ended 31 December 2020 has been paid in cash of HKD578,040,000 (approximately RMB480,519,000) and in form of scrip shares of HKD50,599,000 (approximately RMB42,062,000) in July 2021.

In July 2021, the Company issued convertible bonds with a total principal amount of USD100,000,000 (approximately RMB648,493,000), bearing interest at a fixed interest rate of 7.0% per annum and maturing in January 2025. Each convertible bond will, at the option of the holder, be convertible at any time on and after 27 July 2022 into fully paid ordinary share of HK\$0.01 each of the Company at an initial conversion price of HK\$3.50 per conversion share.