POWERLONG
宝 龙

POWERLONG REAL ESTATE HOLDINGS LIMITED
寶龍地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1238)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

RESULTS HIGHLIGHTS

For the six months ended 30 June 2020

- Revenue amounted to approximately RMB17,170 million, representing an increase of approximately 40.1% over the corresponding period in 2019;
- Rental income and income from Property Management Services amounted to approximately RMB1,533 million, representing an increase of approximately 10.2% over the corresponding period in 2019;
- Profit for the period was approximately RMB3,495 million, representing an increase of approximately 42.8% over the corresponding period in 2019;
- Profit attributable to the owners of the Company was approximately RMB2,220 million, representing an increase of approximately 23.1% over the corresponding period in 2019;
- Core earnings was approximately RMB2,892 million, representing an increase of approximately 56.2% over the corresponding period in 2019;
- Core earnings attributable to the owners of the Company was approximately RMB1,797 million, representing an increase of approximately 44.3% over the corresponding period in 2019;
- The Board declared an interim dividend of HK$12 cents per ordinary share for the six months ended 30 June 2020, representing an increase of approximately 33.3% over the corresponding period in 2019.

The board (the "**Board**") of directors (the "**Directors**") of Powerlong Real Estate Holdings Limited (the "**Company**" or "**Powerlong**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019, as follows:

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2020 Unaudited** ***RMB'000***	31 December 2019 Audited *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**5,212,914**	5,225,130
Investment properties	*3*	**54,395,803**	51,084,641
Investments accounted for using the equity method		**5,969,519**	5,593,928
Deferred income tax assets		**626,353**	592,882
Financial assets at fair value through other comprehensive income		**352,534**	382,139
		66,557,123	62,878,720
Current assets			
Properties under development		**42,291,813**	36,446,920
Completed properties held for sale		**12,330,696**	10,617,428
Contract assets		**331,742**	279,916
Trade receivables	*4*	**2,915,684**	1,986,680
Other receivables		**17,672,248**	16,496,617
Prepayments		**3,230,147**	8,892,891
Prepaid taxes		**928,031**	1,019,461
Financial assets at fair value through profit or loss		**326,312**	207,662
Restricted cash		**4,036,799**	3,365,115
Cash and cash equivalents		**22,405,487**	20,305,545
		106,468,959	99,618,235
Total assets		**173,026,082**	162,496,955

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**30 June 2020 Unaudited** *RMB'000*	31 December 2019 Audited *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**36,795**	719,088
Other reserves		**1,328,333**	1,669,289
Retained earnings		**31,174,035**	29,451,835
		32,539,163	31,840,212
Perpetual Capital Instruments		**801,250**	820,364
Non-controlling interests		**7,704,093**	6,246,452
Total equity		**41,044,506**	38,907,028
LIABILITIES			
Non-current liabilities			
Borrowings	*5*	**36,545,783**	39,942,307
Lease liabilities		**402,943**	197,515
Other payables	*6*	**42,343**	87,617
Deferred income tax liabilities		**6,913,895**	6,516,251
		43,904,964	46,743,690
Current liabilities			
Borrowings	*5*	**22,703,934**	15,320,774
Trade and other payables	*6*	**35,977,448**	29,972,583
Contract liabilities		**19,641,149**	22,694,564
Current income tax liabilities		**9,594,736**	8,625,998
Lease liabilities		**159,345**	232,318
		88,076,612	76,846,237
Total liabilities		**131,981,576**	123,589,927
Total equity and liabilities		**173,026,082**	162,496,955

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2020	2019
		Unaudited	Unaudited
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**17,169,969**	12,251,494
Cost of sales		**(10,807,043)**	(7,498,963)
Gross profit		**6,362,926**	4,752,531
Fair value gains on investment properties – net	*3*	**1,205,186**	813,068
Selling and marketing costs		**(445,561)**	(427,237)
Administrative expenses		**(703,085)**	(631,809)
Other income and gains – net		**215,965**	165,192
Operating profit		**6,635,431**	4,671,745
Finance costs – net	*7*	**(992,159)**	(627,209)
Share of profit of investments accounted for using the equity method		**371,683**	256,250
Profit before income tax		**6,014,955**	4,300,786
Income tax expense	*8*	**(2,520,170)**	(1,852,661)
Profit for the period		**3,494,785**	2,448,125
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences		**3,937**	474
Items that will not be reclassified to profit or loss:			
Revaluation gains on property and equipment transferred to investment properties		**70,159**	–
Changes in the fair value of financial assets at fair value through other comprehensive income		**(22,204)**	(19)
Total other comprehensive income for the period, net of tax		**51,892**	455
Total comprehensive income for the period		**3,546,677**	2,448,580

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Six months ended 30 June	
		2020	2019
		Unaudited	Unaudited
	Note	***RMB'000***	*RMB'000*
Profit attributable to:			
Owners of the Company		**2,219,545**	1,803,118
Holders of Perpetual Capital Instruments		**30,323**	25,562
Non-controlling interests		**1,244,917**	619,445
		3,494,785	2,448,125
Total comprehensive income attributable to:			
Owners of the Company		**2,271,437**	1,803,573
Holders of Perpetual Capital Instruments		**30,323**	25,562
Non-controlling interests		**1,244,917**	619,445
		3,546,677	2,448,580
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)			
– Basic		**53.6**	45.1
– Diluted		**53.6**	44.9

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 Basis of preparation and accounting policies

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

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

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

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

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

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

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

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

2 Segment information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment and investment properties.

3 Investment properties

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

4 Trade receivables

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

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

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

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

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2020, a provision of RMB98,296,000 was made for trade receivables (31 December 2019: RMB46,074,000).

(c) The maximum exposure to credit risk of the trade receivables at each balance sheet date was the carrying value of each class of receivables. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.

5 Borrowings

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

6 Trade and other payables

	30 June 2020	31 December 2019
	Unaudited	*Audited*
	RMB'000	*RMB'000*
Trade payables *(Note (a))*	**14,758,376**	12,757,169
– Related parties	**79,834**	33,945
– Third parties	**14,529,721**	12,712,860
– Notes payable – third parties	**148,821**	10,364
Other payables	**14,760,664**	13,123,425
– Related parties	**8,606,000**	5,956,236
– Non-controlling interests	**3,089,420**	3,373,658
– Third parties	**3,065,244**	3,793,531
Value-added tax received in advance from customers	**1,810,755**	1,399,495
Dividend payables	**1,353,195**	148,880
Payables for retention fee	**1,173,712**	981,622
Interest payable	**1,114,332**	1,052,832
Other taxes payable	**703,046**	506,376
Payables for acquisition of equity interest in subsidiaries	**268,236**	–
Payables for acquisition of land use rights	**77,475**	90,401
	36,019,791	30,060,200
Less: non-current portion		
Other payables – third parties	**(42,343)**	(87,617)
Current portion	**35,977,448**	29,972,583

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

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

(b) The Group's trade and other payables were mainly denominated in RMB, except for the dividend payables of RMB1,204,315 (2019: nil) which was denominated in HK$.

(c) The carrying amounts of trade and other payables approximate their fair values.

7 Finance costs – net

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

8 Income tax expense

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

PRC corporate income tax

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

PRC withholding income tax

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

PRC land appreciation tax ("LAT")

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

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

Overseas income tax

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

Hong Kong profits tax

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

9 Earnings per share

(a) Basic

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

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

(b) Diluted

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

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

10 Dividends

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

BUSINESS REVIEW

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

Property Development

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

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

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

	For the six months ended 30 June 2020		
Distribution	**Sales area**	**Sales amount**	**Average selling price**
	sq.m.	*RMB million*	*RMB/sq.m.*
Commercial	359,480	5,648	15,712
Residential	1,687,847	25,881	15,334
Total	2,047,327	31,529	15,400

Property Investment and Property Management Services

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

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

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

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

Hotel Development

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

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

Land Bank Replenishment

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

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

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

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

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

* *Total GFA excludes underground and car parking spaces.*

OUTLOOK

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Revenue from Property Sales

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

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

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

Rental Income from Investment Properties and Income from Property Management Services

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

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

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

Income of Other Property Development Related Businesses

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Fair Value Gains on Investment Properties

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

Selling and Marketing Costs and Administrative Expenses

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

Share of Profit of Investments Accounted for Using the Equity Method

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

Income Tax Expense

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

Profit Attributable to Owners of the Company

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

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

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

Borrowings

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

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

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

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

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

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

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

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

Net Gearing Ratio

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

Borrowing Costs

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

Credit Policy

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

Pledge of Assets

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

Contingent Liabilities

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

Financial Guarantees

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

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

Commitments

(1) Commitments for property development expenditures

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

(2) Lease commitments

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

Foreign Currency Risk

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

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in this announcement, during the six months ended 30 June 2020, the Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures.

EMPLOYEES AND EMOLUMENT POLICY

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

INTERIM DIVIDEND

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

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

Closure of Register of Members

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the code for dealing in securities of the Company by the Directors. Specific confirmation has been obtained from all Directors to confirm compliance with the required standard as set out in the Model Code for the six months ended 30 June 2020. No incident of non-compliance was noted by the Company to date. Relevant employees who were likely to be in possession of inside information of the Group were also subject to compliance with guidelines on securities transactions on no less exacting terms than the Model Code for the six months ended 30 June 2020.

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

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

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

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

CORPORATE GOVERNANCE

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

The Directors are of the view that the Company had complied with all the applicable code provisions contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2020. Further information about the corporate governance practices of the Company will be set out in the interim report of the Company for the six months ended 30 June 2020.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**"), which comprises three independent non-executive Directors of the Company, pursuant to the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee of the Company has reviewed the unaudited interim results of the Group for the six months ended 30 June 2020 with the Company's management and it considered that such results have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

EVENTS AFTER THE REPORTING PERIOD

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

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

Issuance of Corporate Bonds by Shanghai Powerlong Industrial

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors, throughout the six months ended 30 June 2020 and up to the date of this announcement, the Company has maintained a sufficient public float of more than 25% of the total number of issued shares of the Company as required under the Listing Rules.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

The interim report of the Company for the six months ended 30 June 2020 is to be despatched to the Shareholders and made available on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.powerlong.com in due course.

By Order of the Board
Powerlong Real Estate Holdings Limited
Hoi Kin Hong
Chairman

Hong Kong, 18 August 2020

As at the date of this announcement, the executive Directors are Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni Cecilia and Mr. Zhang Hong Feng; the non-executive Director is Ms. Hoi Wa Fan; and the independent non-executive Directors are Dr. Ngai Wai Fung, Dr. Mei Jian Ping and Dr. Ding Zu Yu.

* *for identification purposes only*