



Sinochem Hong Kong (Group)  
Company Limited

Interim Condensed  
Consolidated Financial Statements  
for the six months ended 30 June 2020

# CONTENTS

	Pages
REVIEW REPORT TO THE BOARD OF DIRECTORS OF SINOCEM HONG KONG (GROUP) COMPANY LIMITED	1 – 2
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	3 – 5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6 – 8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9 – 11
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	12 – 14
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	15 – 39



# Review report to the board of directors of Sinochem Hong Kong (Group) Company Limited (Incorporated in Hong Kong with limited liability)

## Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 3 to 39, which comprise the consolidated statement of financial position of Sinochem Hong Kong (Group) Company Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2020 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The directors of the Company are responsible for the preparation and presentation of interim condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants.

Our responsibility is to form a conclusion, based on our review, on the interim condensed consolidated financial statements 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 the interim condensed consolidated financial statements consists of making enquiries, 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.



**Review report to the board of directors of  
Sinochem Hong Kong (Group) Company Limited  
(continued)**  
*(Incorporated in Hong Kong with limited liability)*

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements as at 30 June 2020 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

**KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

16 September 2020

Consolidated statement of comprehensive income  
for the six months ended 30 June 2020 - unaudited  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2020	2019
		HK\$ million	(Restated) HK\$ million
<b>Continuing operations</b>			
Revenue	4	13,500	17,114
Cost of sales		<u>(9,020)</u>	<u>(10,707)</u>
<b>Gross profit</b>		4,480	6,407
Other income, gains and losses, net	6	4,563	3,823
Selling and distribution expenses		(660)	(437)
Administrative expenses		(1,810)	(1,742)
Fair value changes of investment properties		657	674
Finance costs	7(a)	(1,754)	(1,782)
Share of profits and losses of:			
Joint ventures		254	229
Associates		<u>294</u>	<u>(61)</u>
<b>Profit before taxation from continuing operations</b>	7	6,024	7,111
Income tax expense	8	<u>(1,274)</u>	<u>(1,928)</u>
<b>Profit for the period from continuing operations</b>		4,750	5,183
<b>Discontinued operations</b>	9		
Profit for the period from discontinued operations, net of tax		<u>-</u>	<u>538</u>
<b>Profit for the period</b>		<u>4,750</u>	<u>5,721</u>
Attributable to:			
Owners of the parent		1,094	2,063
Non-controlling interests		<u>3,656</u>	<u>3,658</u>
		<u>4,750</u>	<u>5,721</u>

The notes on pages 15 to 39 from part of the interim condensed consolidated financial statements.

## Consolidated statement of comprehensive income for the six months ended 30 June 2020 – unaudited (continued)

(Expressed in Hong Kong dollars)

	<i>Six months ended 30 June</i>		
	<i>Note</i>	<i>2020</i>	<i>2019</i>
		<i>(Restated)</i>	
		HK\$ million	HK\$ million
<b>Profit for the period</b>		<u>4,750</u>	<u>5,721</u>
<b>Other comprehensive income for the period from continuing operations</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges, net of tax		(151)	(26)
Exchange differences on translation of foreign operations		<u>(2,894)</u>	<u>(765)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>(3,045)</u>	<u>(791)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation, net of tax		-	60
Net loss on equity investments at fair value through other comprehensive income		<u>(201)</u>	<u>(47)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>(201)</u>	<u>13</u>
<b>Other comprehensive income for the period from continuing operations, net of tax</b>		<b>(3,246)</b>	<b>(778)</b>

The notes on pages 15 to 39 from part of the interim condensed consolidated financial statements.

Consolidated statement of comprehensive income  
for the six months ended 30 June 2020 – unaudited  
(continued)  
(Expressed in Hong Kong dollars)

	<u>Six months ended 30 June</u>		
	Note	2020	2019 (Restated)
		HK\$ million	HK\$ million
<b>Other comprehensive income for the period from discontinued operations, net of tax</b>		<u>-</u>	<u>(37)</u>
<b>Total comprehensive income for the period</b>		<u>1,504</u>	<u>4,906</u>
Attributable to:			
Owners of the parent		(227)	1,498
Non-controlling interests		<u>1,731</u>	<u>3,408</u>
<b>Total comprehensive income for the period</b>		<u>1,504</u>	<u>4,906</u>

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.

Consolidated statement of financial position  
as at 30 June 2020 - unaudited  
(Expressed in Hong Kong dollars)

	Note	30 June 2020 HK\$ million	31 December 2019 (Restated) HK\$ million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	12,030	12,216
Land under development	11	10,400	11,950
Properties under development		84,711	77,318
Investment properties		35,957	35,955
Right-of-use assets		1,719	1,806
Goodwill		2,000	2,000
Intangible assets		74	56
Investments in joint ventures		13,456	12,850
Investments in associates		10,084	8,981
Financial assets at fair value through other comprehensive income		708	910
Amounts due from related parties		5,725	32,265
Deferred tax assets		2,957	3,084
Amounts due from non-controlling shareholders		1,049	1,194
Other assets		570	4,449
		<hr/>	<hr/>
Total non-current assets		181,440	205,034

The notes on pages 15 to 39 from part of the interim condensed consolidated financial statements.



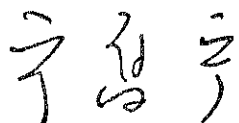
Consolidated statement of financial position  
as at 30 June 2020 – unaudited (continued)  
(Expressed in Hong Kong dollars)

	Note	30 June 2020	31 December 2019 (Restated)
		HK\$ million	HK\$ million
<b>CURRENT ASSETS</b>			
Inventories		174	194
Land under development	11	2,677	2,222
Properties under development		115,069	69,480
Properties held for sale		10,985	13,154
Trade and bills receivables	12	2,531	1,614
Contract assets		250	298
Prepayments, deposits and other receivables		38,699	33,778
Amounts due from related parties		77,222	53,339
Prepaid taxes		5,532	4,535
Restricted bank balances	13	8,503	8,384
Cash and cash equivalents	13	19,916	21,085
Other assets		3,614	52
Total current assets		<u>285,172</u>	<u>208,135</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	21,846	21,307
Other payables and accruals		125,934	92,602
Derivative financial instruments		139	121
Interest-bearing borrowings	15	50,436	41,650
Lease liabilities		66	78
Amounts due to related parties		47,117	24,799
Tax payable		2,064	2,875
Provision for land appreciation tax		2,296	3,673
Total current liabilities		<u>249,898</u>	<u>187,105</u>
NET CURRENT ASSETS		<u>35,274</u>	<u>21,030</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>216,714</u>	<u>226,064</u>

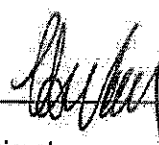
The notes on pages 15 to 39 from part of the interim condensed consolidated financial statements.

**Consolidated statement of financial position  
as at 30 June 2020 – unaudited (continued)**  
(Expressed in Hong Kong dollars)

	Note	30 June 2020 HK\$ million	31 December 2019 (Restated) HK\$ million
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing borrowings	15	79,545	87,288
Lease liabilities		130	134
Deferred tax liabilities		7,682	6,783
Derivative financial instruments		135	39
Other non-current liabilities		<u>75</u>	<u>78</u>
<b>Total non-current liabilities</b>		<u><b>87,567</b></u>	<u><b>94,322</b></u>
<b>NET ASSETS</b>		<u><b>129,147</b></u>	<u><b>131,742</b></u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	16	24,468	24,468
Reserves		<u>17,494</u>	<u>20,291</u>
<b>Equity attributable to owners of the parent</b>		<b>41,962</b>	<b>44,759</b>
<b>Non-controlling interests</b>		<u><b>87,185</b></u>	<u><b>86,983</b></u>
<b>TOTAL EQUITY</b>		<u><b>129,147</b></u>	<u><b>131,742</b></u>



Director



Director

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.

## Consolidated statement of changes in equity for the six months ended 30 June 2020 – unaudited (Expressed in Hong Kong dollars)

Note	Attributable to owners of the parent											Non-controlling interests HK\$ million	Total equity HK\$ million	
	Issued capital HK\$ million	Capital reserve HK\$ million	Asset revaluation reserve HK\$ million	Merger reserve HK\$ million	Statutory reserve HK\$ million	Fair value reserve HK\$ million	Translation reserve HK\$ million	Other contribution reserve HK\$ million	Cashflow hedge reserve HK\$ million	Share option reserve HK\$ million	Retained profits HK\$ million			Total HK\$ million
18	24,468	(1,317)	714	(4,002)	4,633	58	(2,833)	2,304	(58)	24	18,154	42,145	82,256	124,401
Effect of adopting merger accounting for common control combination	-	-	-	2,612	12	-	(58)	-	-	-	48	2,614	4,727	7,341
At 1 January 2020, as restated	24,468	(1,317)	714	(1,390)	4,645	58	(2,891)	2,304	(58)	24	18,202	44,759	86,983	131,742
Profit for the period	-	-	-	-	-	-	-	-	-	1,094	1,094	1,094	3,656	4,750
Other comprehensive income for the period:														
Net loss on equity investments at fair value through other comprehensive income	-	-	-	-	-	(201)	-	-	-	-	-	(201)	-	(201)
Cash flow hedges, net of tax	-	-	-	-	-	-	(94)	-	(94)	-	-	(94)	(57)	(151)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,026)	-	-	-	-	(1,026)	(1,868)	(2,894)
Total comprehensive income for the period, net of tax	-	-	-	-	-	(201)	(1,026)	-	(94)	-	1,094	(227)	1,731	1,504
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of share option reserve upon the forfeiture or expiry of share options	-	6	-	-	-	-	-	-	-	-	-	6	6,071	6,077
Exercise of share options of subsidiaries	-	-	-	-	-	-	-	-	-	(2)	2	-	-	-
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(1)	-	8	10	18
Transfer from retained profits	-	-	-	-	-	-	-	-	-	-	-	-	(971)	(971)
Acquisition of subsidiaries	-	-	-	-	56	-	-	-	-	-	(56)	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	694	694
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,130)	(1,130)
Distribution paid on perpetual capital securities	-	47	-	-	-	-	-	-	-	-	-	47	(654)	(607)
Equity-settled share-based payment of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(670)	(670)
Considerations paid for acquisition of subsidiaries under common control combination	-	-	-	-	-	-	-	-	-	18	-	18	32	50
At 30 June 2020	24,468	(1,255)	714	(4,039)	4,701	(143)	(3,917)	2,304	(152)	39	19,242	(2,649)	41,962	129,147

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.

## Consolidated statement of changes in equity for the six months ended 30 June 2020 – unaudited (continued) (Expressed in Hong Kong dollars)

Note	Attributable to owners of the parent											Non-controlling interests HK\$ million	Total equity HK\$ million
	Issued capital HK\$ million	Capital reserve HK\$ million	Asset revaluation reserve HK\$ million	Merger reserve HK\$ million	Statutory reserve HK\$ million	Fair value reserve HK\$ million	Transition reserve HK\$ million	Other contribution reserve HK\$ million	Cash flow hedge reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million		
At 1 January 2019 as originally stated	24,468	(2,346)	604	(3,837)	4,572	103	(1,345)	2,433	23	20,374	45,049	73,889	118,938
Effect of adopting merger accounting for common control combination	-	-	-	3,699	12	-	(1,345)	-	-	37	3,748	3,791	7,539
At 1 January 2019 as restated	24,468	(2,346)	604	(138)	4,584	103	(1,345)	2,433	23	20,411	48,797	77,680	126,477
Profit for the period	-	-	-	-	-	-	-	-	-	2,063	2,063	3,658	5,721
Other comprehensive income for the period:													
Net loss on equity investments at fair value through other comprehensive income	-	-	-	-	-	(53)	-	-	-	-	(53)	(6)	(59)
Cash flow hedges, net of tax	-	-	-	-	-	-	-	-	(13)	-	(13)	(13)	(26)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(529)	-	-	-	(529)	(261)	(790)
Gains on property revaluation, net of tax	-	-	30	-	-	-	-	-	-	-	30	30	60
Total comprehensive income for the period, net of tax	-	-	30	-	-	(53)	(529)	-	(13)	2,063	1,498	3,408	4,906
Capital contribution from non-controlling shareholders	-	2	-	-	-	-	-	-	-	-	2	1,478	1,480
Reduction in non-controlling interests through capital injection	-	(15)	-	-	-	-	-	-	-	-	(15)	15	-
Exercise of share options of subsidiaries	-	62	-	-	-	-	-	-	-	-	62	10	72
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,231)	(1,231)
Transfer from retained profits	-	-	-	-	286	-	-	-	-	(286)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	810	810
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(732)	(732)
Acquisition of non-controlling interests	-	(217)	-	-	-	-	-	-	-	(217)	(217)	(2,056)	(2,273)
Redemption of perpetual securities	-	-	-	-	-	-	-	-	-	-	-	(2,299)	(2,299)
Equity-settled share-based payment of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	43	43
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	(553)	(553)
Maintenance and production fund	-	-	-	-	-	-	3	-	-	(3)	-	-	-
At 30 June 2019	24,468	(2,514)	634	(138)	4,870	50	(1,874)	2,436	10	22,185	50,127	76,573	126,700

\* These reserve accounts comprise the consolidated reserves of HK\$17,494 million in the interim condensed consolidated statement of financial position.

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.

## Consolidated statement of changes in equity for the six months ended 30 June 2020 – unaudited (continued) (Expressed in Hong Kong dollars)

Notes:

- (a) The capital reserve of the Group mainly comprises (i) contributions from owners in respect of settlement of doubtful receivables; (ii) contributions made by owners for the transfer of equity interest in a joint venture to the Group in previous years; and (iii) contributions made by owners to the Company's subsidiaries.
- (b) The asset revaluation reserve of the Group arose from the change in use from owner-occupied properties to investment properties carried at fair value
- (c) The merger reserve of the Group comprises the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the holding companies of the acquirees as consideration for the group restructuring transactions.
- (d) The statutory reserve comprises the statutory reserve fund, reserve fund and enterprise expansion fund. In accordance with the relevant rules and regulations in the People's Republic of China ("PRC"), each of the Group's PRC subsidiaries is required to transfer an amount of its profit after income tax to the statutory reserve fund, until the accumulated total of the fund reaches 50% of its registered capital. The appropriations to the reserve fund and enterprise expansion fund are determined by the articles of association of the Company's subsidiaries and are subject to the approval by the board of directors of the respective subsidiaries.
- (e) Fair value reserve comprises the cumulative net change in the fair value, of equity investments designated at fair value through other comprehensive income under HKFRS 9 that are held at the end of reporting period.
- (f) Translation reserve comprises all foreign currency differences arising from the translation of the financial statements presented in any currencies other than Hong Kong dollars.
- (g) The other contribution reserve mainly comprises capital contributions, maintenance and production fund, capital contribution for energy saving and emission reduction projects, and deemed contributions from equity owners net of deemed distributions to equity owners. The maintenance and production fund is appropriated/utilised in accordance with relevant PRC regulations on certain enterprises.
- (h) The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow.

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.

Condensed consolidated statement of cash flows  
for the six months ended 30 June 2020 – unaudited  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2020	2019
		HK\$ million	(Restated) HK\$ million
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations		6,655	8,783
Income tax paid		(3,309)	(3,075)
		<u>3,346</u>	<u>5,708</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in loans to joint ventures and associates		(2,909)	(6,767)
Decrease in amounts due from other related parties		3,014	6,150
Increase in restricted bank balances		(282)	(1,113)
Disposal of subsidiaries	19	(729)	(1,442)
Proceeds from disposal of joint ventures and associates		1,390	506
Acquisition of subsidiaries not under common control	17	(1,242)	(365)
Decrease/(increase) in entrusted loans to non-controlling shareholders		(678)	(57)
Additions to investments in associates		(831)	(969)
Additions to investments in joint ventures		(1,212)	(3,054)
Advances of investment to third parties		(5,879)	(1,687)
Decrease in other financial assets		-	1,191
Increase in long-term time deposit		-	(3,903)
Increase in entrustment loans to a subsidiary's substantial shareholders		(349)	-
Other investing activities		68	(133)
		<u>(9,639)</u>	<u>(11,643)</u>
Net cash used in investing activities			

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.

Condensed consolidated statement of cash flows  
for the six months ended 30 June 2020 – unaudited  
(continued)  
(Expressed in Hong Kong dollars)

Note	Six months ended 30 June	
	2020	2019
	HK\$ million	(Restated) HK\$ million
NET CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans and other loans	53,281	46,714
Repayment of bank loans and other loans	(62,983)	(40,657)
Interest paid	(5,146)	(4,048)
Loans from non-controlling shareholders	1,891	2,775
Dividends paid	(532)	(852)
Acquisition of non-controlling interests	(607)	(2,273)
Increase in amounts due to related parties	21,501	9,894
Redemption of perpetual securities	-	(2,299)
Perpetual securities' distribution paid	(670)	(553)
Advanced investment received from third parties	1,173	1,833
Repayment of loans from non-controlling shareholders	(958)	(3,735)
Capital contribution from non-controlling shareholders	6,077	1,480
Payments for business combinations under common control	(7,560)	-
Other financing activities	(31)	21
	<u>5,436</u>	<u>8,300</u>
Net cash generated from financing activities		
	<u>5,436</u>	<u>8,300</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(857)	2,365

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.

Condensed consolidated statement of cash flows  
for the six months ended 30 June 2020 – unaudited  
(continued)  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2020	2019 (Restated)
		HK\$ million	HK\$ million
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		21,085	29,432
Effect of foreign exchange rate changes, net		<u>(312)</u>	<u>(146)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>19,916</u>	<u>31,651</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	13	<u>19,916</u>	<u>31,651</u>

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.



# Notes to interim condensed consolidated financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1. Corporate information

Sinochem Hong Kong (Group) Company Limited (the "Company") is a limited company incorporated in Hong Kong. Its registered office is located at 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

In the opinion of the directors, the Company's ultimate holding company is Sinochem Group Co., Ltd. (the "Sinochem Group"), and the immediate parent is Sinochem Corporation Co., Ltd. ("Sinochem Corporation"), both of which were established in the PRC.

## 2. Basis of preparation

These interim condensed consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group") has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on [10] [September] 2020.

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim condensed consolidated financial statements are unaudited, but have been reviewed by KPMG 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 HKICPA. KPMG's independent review report to the Board of Directors is included on pages 1 and 2.

## 2. Basis of preparation (continued)

The financial information relating to the financial year ended 31 December 2019 that is included in the interim condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

As the Company is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

## 3. Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendment to HKAS 1 and HKAS 8, *Definition of Material*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment to HKFRS 16, *Covid-19-Related Rent Concessions* and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. The amendment did not have significant impact on the financial position and performance of the Group.

### 3. Changes in accounting policies (continued)

#### Adoption of merger accounting and restatement

As disclosed in note 18 to the interim condensed consolidated financial statements, a business combination under common control was effected during the current interim period, where the business acquired in the business combination and the Company are both ultimately controlled by Sinochem Group. The Group has applied merger accounting to account for the business combination under common control.

Under merger accounting, the interim financial information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the earliest date presented or since the date when the combining entities or businesses first came under the control of the controlling party, where this is a shorter period, regardless of the date of the business combination under common control.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the business combination under common control and no amount is recognised in respect of goodwill.

The comparative amounts in the interim condensed consolidated financial statements are restated as if the combining entities or businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is later. The impact on the Group arising from the common control combination is disclosed in note 18 to this interim condensed consolidated financial statements.

### 4. Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	<i>Six months ended 30 June</i>	
	2020	2019
		<i>(Restated)</i>
	HK\$ million	HK\$ million
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products of service lines		
- Sale of properties	6,662	11,741
- Land development	4,292	2,257
- Hotel operations	416	1,121
- Others	1,363	1,160
	12,733	16,279
<b>Revenue from other sources</b>		
Gross rental income	767	835
<b>Total revenue</b>	<b>13,500</b>	<b>17,114</b>

## 5. Segment reporting

The Group organises its business activities into two operating segments: real estate and others (mainly securities investments). The following is an analysis of the Group's revenue and results by operating segment:

	<i>Real estate</i> HK\$ million	<i>Others</i> HK\$ million	<i>Elimination</i> HK\$ million	<i>Consolidated</i> HK\$ million
Six months ended 30 June 2020				
REVENUE FROM CONTINUING OPERATIONS				
External sales	13,351	149	-	13,500
Inter-segment sales	-	121	(121)	-
<b>Total</b>	<b>13,351</b>	<b>270</b>	<b>(121)</b>	<b>13,500</b>
Segment profit	3,207	147	(117)	3,237
Interest income				1,832
Finance costs				(1,754)
Gain on disposal of subsidiaries				581
Gain on bargain purchase				153
Gain on equity interest previously held as investments in associates				1,427
Share of profits and losses of:				
Joint ventures				254
Associates				294
Profit before taxation from continuing operations				<b>6,024</b>
	<i>Real estate</i> HK\$ million	<i>Others</i> HK\$ million	<i>Elimination</i> HK\$ million	<i>Consolidated (Restated)</i> HK\$ million
Six months ended 30 June 2019				
REVENUE FROM CONTINUING OPERATIONS				
External sales	16,926	188	-	17,114
Inter-segment sales	15	741	(756)	-
<b>Total</b>	<b>16,941</b>	<b>929</b>	<b>(756)</b>	<b>17,114</b>
Segment profit	5,566	903	(822)	5,647
Interest income				1,425
Finance costs				(1,782)
Gain on disposal of subsidiaries				889
Gain on bargain purchase				462
Gain on equity interest previously held as investments in associates				302
Share of profits and losses of:				
Joint ventures				229
Associates				(61)
Profit before taxation from continuing operations				<b>7,111</b>

Segment profit represents the results earned by each segment without allocation of interest income, finance costs, gain on disposal of subsidiaries, gain on bargain purchase, gain on equity interest previously held as investments in associates and share of results of joint ventures and associates.

## 6. Other income, gains and losses, net

	<i>Six months ended 30 June</i>	
	2020	2019 <i>(Restated)</i>
	HK\$ million	HK\$ million
Bank interest income	323	273
Interest on other advances	1,311	1,057
Interest on other financial assets	198	95
Government grants (Note i)	38	33
Penalty income	21	7
Sundry income, net	25	21
	<u>1,916</u>	<u>1,486</u>
Gain on disposal of subsidiaries (Note 19)	581	889
Gain on bargain purchase (Note 17)	153	462
Gain on equity interest previously held as investments in joint ventures and associates (Note 17)	1,427	302
Gain on disposal of equity investments designated at fair value through profit or loss	46	(31)
Foreign exchange difference, net	34	17
Gain on disposal of joint ventures	408	-
Fair value gains/(losses), net:		
Derivative financial instruments	(11)	(9)
Transfers from properties held for sale to investment properties	-	305
Gain on disposal of property, plant and equipment	-	1
Other income	9	401
	<u>2,647</u>	<u>2,337</u>
Other income, gains and losses, net	<u>4,563</u>	<u>3,823</u>

Note:

- (i) Government grants mainly comprised proceeds received or receivable from the PRC government to support the development of the businesses of group entities in accordance with applicable regulations in the PRC.

## 7. Profit before taxation from continuing operations

The Group's profit before taxation from continuing operations is arrived at after charging:

### (a) Finance costs

	<i>Six months ended 30 June</i>	
	<u>2020</u>	<u>2019</u>
	HK\$ million	(Restated) HK\$ million
Interest on interest bearing borrowings	4,925	4,267
Less: interest expense capitalised	<u>(3,172)</u>	<u>(2,506)</u>
Total interest expenses	1,753	1,761
Transaction costs	<u>1</u>	<u>21</u>
	<u>1,754</u>	<u>1,782</u>

### (b) Other items

	<i>Six months ended 30 June</i>	
	<u>2020</u>	<u>2019</u>
	HK\$ million	(Restated) HK\$ million
Amortisation of intangible assets	8	14
Depreciation of owned property, plant and equipment	230	247
Depreciation of right-of-use assets	<u>84</u>	<u>62</u>

## 8. Income tax expense

	<i>Six months ended 30 June</i>	
	2020	2019 <i>(Restated)</i>
	HK\$ million	HK\$ million
Hong Kong profits tax:		
Current tax	-	-
PRC tax:		
PRC corporate income tax	986	1,277
Land appreciation tax ("LAT")	15	645
	1,001	1,922
Tax in other jurisdictions:		
Current tax	-	-
Deferred taxation	273	6
	1,274	1,928

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for both periods.

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries for both periods.

Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

According to the requirements of the *Provisional Regulations of the PRC on LAT* (中华人民共和国土地增值税暂行条例) effective from 1 January 1994, and the *Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT* (中华人民共和国土地增值税暂行条例实施细则) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including borrowing costs and all property development expenditure.

## 9. Discontinued operations

On 30 December 2019, the Company disposed of all of its equity interests in Sinofert Holdings Limited to China Chemical (Shanghai) Agriculture Technology Corporation Ltd., a subsidiary of China National Chemical Corporation Ltd. ("ChemChina").

On 30 December 2019, the Company disposed of all of its equity interests in Sinochem (United Kingdom) Limited to CNAC (HK) Holdings Company Limited., a subsidiary of ChemChina.

On 30 December 2019, the Group disposed of all of its equity interests in Sinochem Trading (Singapore) Pte Ltd. to Sinochem Lantian Co., Ltd., a fellow subsidiary of the Company, for a cash consideration of US\$8,542,382.57 (equivalent to HK\$66,548,000).

The above disposal subsidiaries are principally engaged in sale of fertilisers and chemical products. The consolidated results of the disposal subsidiaries for the period from 1 January 2019 to 30 June 2019 have been presented as discontinued operations in the consolidated financial statements in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operation* and the comparative figures of the consolidated statement of comprehensive income and corresponding notes have been restated to show the discontinued operation separately from continuing operations.

### (a) Results of discontinued operations:

	<i>Six months ended 30 June 2019 HK\$ million</i>
Revenue	16,271
Cost of sales	<u>(14,971)</u>
<b>Gross profit</b>	<b>1,300</b>
Other income, gains and losses, net	164
Selling and distribution expenses	(493)
Administrative expenses	(350)
Finance costs	(111)
Share of profits and losses of:	
Joint ventures	20
Associates	<u>17</u>
<b>Profit before taxation from discontinued operations</b>	<b>547</b>
Income tax expense	<u>(9)</u>
<b>Profit for the period from discontinued operations</b>	<b><u>538</u></b>



**9 Discontinued operations (continued)**

Six months ended  
30 June 2019  
HK\$ million

<b>Profit for the period from discontinued operations</b>	<u>538</u>
<b>Other comprehensive income</b>	
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:	
Exchange differences on translation of financial statements of foreign operations	(25)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:	
Changes in fair value of equity investments designated at fair value through other comprehensive income ("FVOCI"), net of tax	<u>(12)</u>
<b>Other comprehensive income for the period from discontinued operations, net of tax</b>	<u>(37)</u>
Total comprehensive income for the period from discontinued operations, net of tax	<u>501</u>

**(b) Cash flows generated from discontinued operations:**

Six months ended  
30 June 2019  
HK\$ million

Net cash generated from operating activities	215
Net cash used in investing activities	(304)
Net cash generated from financing activities	1,092
Effect of foreign exchange rate changes, net	<u>(17)</u>
Net cash inflow	<u>986</u>

## 10. Property, plant and equipment

### *Acquisitions and disposals of owned assets*

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with total costs of HK\$ 221 million (2019: HK\$ 262 million). Items of property, plant and equipment with net book value of HK\$ 3 million were disposed (2019: HK\$ 25 million), resulting in a gain on disposal of HK\$ Nil (2019: a gain on disposal of HK\$ 1 million).

## 11. Land under development

Land under development represents the project costs, land requisition costs, compensation costs and other preliminary infrastructure costs incurred by China Jinmao Holdings Group Limited ("Jinmao"), in relation to the land development projects in Mainland China (the "Projects"). Though Jinmao does not have the ownership title or land use rights to such land, it is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, Jinmao is entitled to receive from the local authorities the land development fee.

## 12. Trade and bills receivables

	<i>30 June 2020</i>	<i>31 December 2019 (Restated)</i>
	HK\$ million	HK\$ million
Trade and bills receivables	2,549	1,632
Impairment allowance	<u>(18)</u>	<u>(18)</u>
Trade and bills receivables, net of impairment allowance	<u>2,531</u>	<u>1,614</u>

As of the end of the reporting period, the ageing analysis of trade and bills receivables, net of impairment allowance, presented based on the invoice date is as follows:

	<i>30 June 2020</i>	<i>31 December 2019 (Restated)</i>
	HK\$ million	HK\$ million
Within 3 months	2,301	1,406
3 to 12 months	192	135
Over 12 months	<u>38</u>	<u>73</u>
Trade and bills receivables, net of impairment allowance	<u>2,531</u>	<u>1,614</u>

### 13. Cash and cash equivalents

	30 June 2020	31 December 2019 (Restated)
	HK\$ million	HK\$ million
Cash and bank balances	19,724	20,931
Time deposits	<u>12,308</u>	<u>12,222</u>
	32,032	33,153
Less: Restricted bank balances	8,503	8,384
Less: Long-term time deposit	<u>3,613</u>	<u>3,684</u>
Cash and cash equivalents	<u>19,916</u>	<u>21,085</u>

### 14. Trade and bills payables

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

	30 June 2020	31 December 2019 (Restated)
	HK\$ million	HK\$ million
Within one year	20,670	20,569
Over one year	<u>1,176</u>	<u>738</u>
	<u>21,846</u>	<u>21,307</u>

## 15. Interest-bearing borrowings

	30 June 2020	31 December 2019 (Restated)
	HK\$ million	HK\$ million
Current:		
Bank loans, secured	4,592	2,743
Bank loans, unsecured	13,721	12,831
Guaranteed senior notes, unsecured	15,954	11,520
Notes issued under the medium-term note programme, unsecured	1,094	-
Bonds, unsecured	6,038	5,555
Domestic corporate bonds, unsecured	497	507
Notes, unsecured	876	-
Other loans, unsecured	7,664	8,494
	<u>50,436</u>	<u>41,650</u>
Non-current:		
Bank loans, secured	12,813	12,940
Bank loans, unsecured	20,895	16,364
Guaranteed senior notes, unsecured	14,910	19,494
Notes issued under the medium term note programme, unsecured	4,682	5,787
Domestic corporate bonds, unsecured	6,897	4,242
Bonds, unsecured	547	3,368
Other loans, unsecured	18,801	25,093
	<u>79,545</u>	<u>87,288</u>
Total	<u>129,981</u>	<u>128,938</u>
	30 June 2020	31 December 2019 (Restated)
	HK\$ million	HK\$ million
Carrying amounts repayable:		
Within one year	50,436	41,650
In the second year	17,938	23,742
In the third to fifth years, inclusive	40,639	43,296
More than five years	20,968	20,250
	<u>129,981</u>	<u>128,938</u>

**16. Share capital**

	30 June 2020	31 December 2019 <i>(Restated)</i>
	HK\$ million	HK\$ million
Issued and fully paid:		
24,468,400,000 (2019: 24,468,400,000) ordinary shares	24,468	24,468

**17. Business combinations not under common control**

Business combinations during the period mainly included Jinmao's acquisitions of several property development companies and acquisition of additional investments in joint ventures (collectively referred to as the "Acquirees"). The directors of the Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

The Group remeasured the fair values of the equity interests previously accounted for as investments in joint ventures at the date of acquisition, and fair value gains of HK\$ 1,427 million were recognised in other income, gains and losses, net in the consolidated statement of comprehensive income during the six months ended 30 June 2020 (note 6).

The Group has elected to measure the non-controlling interests in the Acquirees at the non-controlling interests' proportionate share of the Acquirees' identifiable net assets.

The fair values of the identifiable assets and liabilities of the Acquirees as at the date of acquisition were as follows:

## 17. Business combinations not under common control (continued)

	Note	Six months ended 30 June 2020 HK\$ million
Property, plant and equipment		3
Properties under development		27,391
Right-of-use assets		5
Intangible assets		2
Deferred tax assets		8
Prepayments, other receivables, and other assets		617
Prepaid taxes		943
Cash and cash equivalents		448
Trade and bills payables		(317)
Other payables and accruals		(8,174)
Interest-bearing borrowings		(13,442)
Lease liabilities		(3)
Deferred tax liabilities		<u>(797)</u>
Total identifiable net assets at fair value		6,684
Non-controlling interests		<u>(694)</u>
		5,990
Gain on bargain purchase recognised in other income, gains and losses, net in the consolidated statement of comprehensive income	6	<u>(153)</u>
		5,837
Fair value of equity interest previously held as investments in joint ventures		<u>(1,605)</u>
Total consideration paid in cash (note)		<u>4,232</u>

Note: Cash consideration of HK\$ 2,542 million had been prepaid by Jinmao as at 31 December 2019, and the remaining cash consideration of HK\$ 1,690 million was paid during the six months ended 30 June 2020.

## 17. Business combinations not under common control (continued)

The fair values of its other receivables as at the date of acquisition amounted to HK\$ 617 million, which are equal to its gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

The Group incurred transaction costs of HK\$ 0.17 million for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of comprehensive income.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

The Group recognised a gain on bargain purchase of approximately HK\$ 153 million in the consolidated statement of comprehensive income for the six months ended 30 June 2020, which was, in the opinion of the directors, primarily attributable to Jinmao's ability in negotiating the agreed terms of the transactions with the independent third parties, as Jinmao has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the projects.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	<i>Six months ended 30 June 2020 HK\$ million</i>
Cash consideration	(4,232)
Cash consideration prepaid in prior year	2,542
Cash and cash equivalents acquired	448
 Net outflow of cash and cash equivalents included in net cash flows from investing activities	 (1,242)

Since the acquisition, the Acquirees had no contribution to the Group's revenue and caused a loss of HK\$ 77 million to the consolidated results for the six months ended 30 June 2020 in aggregate.

Had the combination taken place at the beginning of the period, the revenue and the profit for the period from continuing operations of the Group would have been HK\$ 13,500 million and HK\$ 4,704 million, respectively.

## **18. Business combination under common control and restatements**

On 12 June 2020, Jinmao acquired 100% equity interests of Wuhan Huazi Enterprise Management Consulting Co., Ltd. ("Wuhan Huazi") from Sinochem Asset Management Co., Ltd. ("Sinochem Asset Management") at a cash consideration of HK\$ 7,560 million). Wuhan Huazi and its subsidiaries are principally engaged in property development, construction and operation of real estate projects in Qingdao and Tianjin, the PRC. Sinochem Asset Management is a wholly-owned subsidiary of Sinochem Group. Since the Group and the above acquired subsidiaries are all under the common control of Sinochem Group and that control is not transitory, the above acquisition was regarded as a business combination under common control and the Group adopted merger accounting in respect of the transaction.

The effects of the application of merger accounting for the business combination under common control occurred during the six months ended 30 June 2020 on the Group's financial position as at 31 December 2019 and the results for the six months ended 30 June 2019 are summarised as follows:



**18. Business combination under common control and restatements (continued)**

	<i>Six months ended 30 June 2019</i>		
	<i>As originally stated HK\$ million</i>	<i>Acquired subsidiaries under common control HK\$ million</i>	<i>As restated HK\$ million</i>
Revenue from continuing operations	17,114	-	17,114
Profit before taxation from continuing operations	7,096	15	7,111
Income tax expense	(1,923)	(5)	(1,928)
Profit for the period from continuing operations	5,173	10	5,183
Profit for the period from discontinued operations, net of tax	538	-	538
Profit for the period	5,711	10	5,721
Profit attributable to:			
Owners of the parent	2,058	5	2,063
Non-controlling interests	3,653	5	3,658
Profit for the period	5,711	10	5,721
Other comprehensive income for the period from continuing operations, net of tax	(778)	-	(778)
Other comprehensive income for the period from discontinued operations, net of tax	(37)	-	(37)
Total comprehensive income for the period	4,896	10	4,906
Total comprehensive income for the period attributable to:			
Owners of the parent	1,493	5	1,498
Non-controlling interests	3,403	5	3,408
Total comprehensive income for the period	4,896	10	4,906

**18. Business combination under common control and restatements (continued)**

	<i>As at 31 December 2019</i>			
	<i>As originally stated</i>	<i>Acquired subsidiaries under common control</i>	<i>Elimination</i>	<i>As restated</i>
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Non-current assets	200,094	4,940	-	205,034
Current assets	203,327	4,808	-	208,135
<b>Total assets</b>	<b>403,421</b>	<b>9,748</b>	-	<b>413,169</b>
Current liabilities	184,930	2,175	-	187,105
Non-current liabilities	94,090	232	-	94,322
<b>Total liabilities</b>	<b>279,020</b>	<b>2,407</b>	-	<b>281,427</b>
<b>Net assets</b>	<b>124,401</b>	<b>7,341</b>	-	<b>131,742</b>
Share capital	24,468	7,441	(7,441)	24,468
Reserves	17,677	(100)	2,714	20,291
	42,145	7,341	(4,727)	44,759
Non-controlling interests	82,256	-	4,727	86,983
<b>Total equity</b>	<b>124,401</b>	<b>7,341</b>	-	<b>131,742</b>

## 19. Disposal of subsidiaries

For the six months ended 30 June 2020 and 30 June 2019, the Group lost control over certain subsidiaries.

Details of the financial impacts are summarised below:

	Note	<i>Six months ended 30 June</i>	
		2020	2019
		HK\$ million	HK\$ million
Net assets disposed of:			
Property, plant and equipment		-	1
Properties under development		8,092	7,859
Deferred tax assets		43	26
Prepayments, deposits and other receivables		48	3,574
Prepaid taxes		75	497
Cash and cash equivalents		1,028	1,442
Trade and bills payables		(81)	(520)
Other payables and accruals		(6,374)	(7,254)
Interest-bearing borrowings		<u>(1,299)</u>	<u>(4,416)</u>
		1,532	1,209
Non-controlling interests		<u>(1,130)</u>	<u>(732)</u>
		402	477
Fair value of interests retained by the Group		(684)	(1,366)
Gain on disposal of subsidiaries	6	<u>581</u>	<u>889</u>
Cash consideration		<u>299</u>	<u>-</u>
Satisfied by:			
Cash		<u>299</u>	<u>-</u>

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

	<i>Six months ended 30 June</i>	
	2020	2019
	HK\$ million	HK\$ million
Cash consideration	299	-
Cash and cash equivalents disposed of	<u>(1,028)</u>	<u>(1,442)</u>
Net cash outflow in respect of the disposal of subsidiaries	<u>(729)</u>	<u>(1,442)</u>

## 20. Commitments

	30 June 2020	31 December 2019 (Restated)
	HK\$ million	HK\$ million
Contracted, but not provided for:		
Property, plant and equipment	8	5
Properties under development	46,798	39,489
Land under development	3,014	2,583
Capital contributions to joint ventures and associates	7,413	5,953
	<u>57,233</u>	<u>48,030</u>

## 21. Related party transactions

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

	<u>Six months ended 30 June</u>	
	2020	2019 (Restated)
	HK\$ million	HK\$ million
The ultimate parent:		
Purchase of fertilisers	-	56
Interest expense	1	-
Rental income	4	5
The immediate parent:		
Rental income	49	48
Property management fee income	6	6
Interest income	15	91
Interest expense	219	56
Fellow subsidiaries:		
Sales of fertilisers	-	358
Interest expense	143	63
Rental income	137	149
Property management fee income	26	27
Building decoration services income	-	2
Interest income	25	56
Interests income for financial assets from related parties	-	8
Purchase of financial assets from related parties	-	92

## 21. Related party transactions (continued)

	Six months ended 30 June	
	2020	2019
	HK\$ million	(Restated) HK\$ million
Associates:		
Purchase of fertilisers	-	29
Property management fee income	33	19
Interest income	376	227
Consulting fee income	49	13
Interest expense	9	-
Building decoration services income	157	16
Joint ventures:		
Sale of fertilisers	-	193
Interest income	876	603
Purchase of fertilisers	-	926
Consulting fee income	15	9
Rental income	2	2
Property management fee income	40	32
Building decoration services income	146	92
Interest expense	166	19
Consulting fee expense	181	80
An associate of the Group's ultimate holding company:		
Rental income	5	5
Sales of fertilisers	-	99
Purchase of fertilisers	-	694
Substantial shareholders of Jinmao		
Interest income	45	-
Interest expense	348	-

## 22. Contingent liabilities

At the end of the reporting period, Jinmao had provided guarantees in respect of mortgage facilities for certain purchasers of Jinmao's properties amounting to approximately HK\$ 33,992 million (31 December 2019: HK\$ 25,527 million).

## **23. Fair value and fair value hierarchy**

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2019 and 30 June 2020.

The Group's corporate finance is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

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

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at FVOCI have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with counterparties, principally financial institutions with good credit ratings. Derivative financial instruments are measured using present value calculations or similar calculations. The models incorporate market observable inputs including the foreign exchange spot and forward rates.

## 23. Fair value and fair value hierarchy (continued)

### *Fair value hierarchy*

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

Assets measured at fair value:

As at 30 June 2020

	<i>Fair value measurement using</i>			<i>Total</i> HK\$ million
	<i>Quoted prices in active markets (Level 1)</i> HK\$ million	<i>Significant observable inputs (Level 2)</i> HK\$ million	<i>Significant unobservable inputs (Level 3)</i> HK\$ million	
Equity investments designated at FVOCI	690	-	18	708
Other financial assets	-	173	-	173
	<u>690</u>	<u>173</u>	<u>18</u>	<u>881</u>

As at 31 December 2019

	<i>Fair value measurement using</i>			<i>Total</i> HK\$ million
	<i>Quoted prices in active markets (Level 1)</i> HK\$ million	<i>Significant observable inputs (Level 2)</i> HK\$ million	<i>Significant unobservable inputs (Level 3)</i> HK\$ million	
Equity investments designated at FVOCI	892	-	18	910
Other financial assets	51	364	-	415
	<u>943</u>	<u>364</u>	<u>18</u>	<u>1,325</u>

## 23. Fair value and fair value hierarchy (continued)

Liabilities measured at fair value:

As at 30 June 2020

	<i>Fair value measurement using</i>			<i>Total</i> HK\$ million
	<i>Quoted prices in active markets (Level 1)</i> HK\$ million	<i>Significant observable inputs (Level 2)</i> HK\$ million	<i>Significant unobservable inputs (Level 3)</i> HK\$ million	
Derivative financial instruments	-	274	-	274

As at 31 December 2019

	<i>Fair value measurement using</i>			<i>Total</i> HK\$ million
	<i>Quoted prices in active markets (Level 1)</i> HK\$ million	<i>Significant observable inputs (Level 2)</i> HK\$ million	<i>Significant unobservable inputs (Level 3)</i> HK\$ million	
Derivative financial instruments	-	160	-	160

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

## 24. Events after the reporting period

- (a) On 3 July 2020, Jinmao and a placing agent entered into a placing agreement, pursuant to which Jinmao agreed to appoint the placing agent, and the placing agent agreed to act as agent for Jinmao, to procure placees to subscribe for, or failing which to subscribe as principal, 602,340,000 ordinary shares of Jinmao at HK\$5.70 per share (the "Placing Agreement"). On 13 July 2020, Jinmao completed the placing of 602,340,000 ordinary shares to independent third parties at HK\$5.70 per share with net proceeds amounted to approximately HK\$3,416 million.



## **24. Events after the reporting period (continued)**

On 3 July 2020, Jinmao also entered into a subscription agreement with the Company, pursuant to which the Company conditionally agreed to subscribe for and Jinmao conditionally agreed to allot and issue 349,450,000 ordinary shares at HK\$5.70 per share (the "Subscription Agreement"). The completion of the subscription is conditional upon the satisfaction of the following conditions on or before 31 December 2020 (or such later date as may be agreed between Jinmao and the Company in writing): (1) the completion of the placing having occurred pursuant to the Placing Agreement; (2) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal with in, all the subscription shares (and such listing and permission not subsequently being revoked); and (3) the passing of resolution by the independent shareholders to approve the Subscription Agreement and the transactions contemplated thereunder at the extraordinary general meeting of Jinmao. The above subscription has been completed on 31 August 2020.

- (b) On 10 July 2020, Jinmao completed the issuance of the medium-term notes in a principal amount of RMB2,500,000,000. The medium-term notes are unsecured and have a term of 3 years with a fixed rate of 3.8% per annum.

## **25. Impact of COVID-19**

Due to the outbreak of coronavirus ("COVID-19"), the tourism and hospitality industry have been devastated, and the COVID-19 has produced a negative impact on the hotel operations of the Group in the first half of 2020. It is expected that the performance of the Group's hotel operations and the commercial leasing and retail operations in the second half of 2020 will also be negatively affected.

Management of the Group will actively take measures to control the operating and labor costs of its hotels, pay attention to cash flow management, integrate external resources and adjust business plans to make full preparation for business recovery after the pandemic. Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 annual financial statements.

## **26. Comparative figures**

As further explained in notes 3 and 18 to the unaudited interim condensed consolidated financial statements, due to the business combination under common control during the period, the comparative amounts in the interim condensed consolidated financial statements have been restated.

The comparative amount in the consolidated statement of comprehensive income has been re-presented as the businesses of the companies mentioned in note 9 were disposed of during 2019.