



**Sinochem Hong Kong (Group)  
Company Limited**

**Interim Condensed  
Consolidated Financial Statements  
for the six months ended 30 June 2021**

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# 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 33, 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 2021 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 2021 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

A handwritten signature in black ink, appearing to be 'KPMG' or similar, written in a cursive style.

Certified Public Accountants

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

15 October 2021

## Consolidated statement of comprehensive income for the six months ended 30 June 2021 - unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2021 HK\$ million	2020 HK\$ million
Revenue	4	34,213	13,500
Cost of sales		(27,182)	(9,020)
<b>Gross profit</b>		7,031	4,480
Other income, gains and losses, net	6	4,827	4,563
Selling and distribution expenses		(776)	(660)
Administrative expenses		(2,512)	(1,810)
Fair value changes of investment properties		1,351	657
Finance costs	7(a)	(2,085)	(1,754)
Share of profits and losses of:			
Joint ventures		299	254
Associates		1,091	294
<b>Profit before taxation</b>	7	9,226	6,024
Income tax expense	8	(2,317)	(1,274)
<b>Profit for the period</b>		6,909	4,750
Attributable to:			
Owners of the parent		1,764	1,094
Non-controlling interests		5,145	3,656
		6,909	4,750

The notes on pages 15 to 33 from part of the interim condensed consolidated financial statements.

## Consolidated statement of comprehensive income for the six months ended 30 June 2021 - unaudited (continued)

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2021 HK\$ million	2020 HK\$ million
<b>Profit for the period</b>		6,909	4,750
<b>Other comprehensive income for the period</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges, net of tax		20	(151)
Exchange differences on translation of foreign operations		2,050	(2,894)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		2,070	(3,045)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation, net of tax		11	-
Net gain/(loss) on equity investments at fair value through other comprehensive income (the "FVOCI")		48	(201)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		59	(201)
<b>Other comprehensive income for the period, net of tax</b>		2,129	(3,246)

The notes on pages 15 to 33 from part of the interim condensed consolidated financial statements.

**Consolidated statement of comprehensive income  
for the six months ended 30 June 2021 - unaudited  
(continued)**

*(Expressed in Hong Kong dollars)*

	Note	<i>Six months ended 30 June</i>	
		2021 HK\$ million	2020 HK\$ million
<b>Total comprehensive income for the period</b>		<u>9,038</u>	<u>1,504</u>
Attributable to:			
Owners of the parent		2,552	(227)
Non-controlling interests		<u>6,486</u>	<u>1,731</u>
<b>Total comprehensive income for the period</b>		<u>9,038</u>	<u>1,504</u>

The notes on pages 15 to 33 form part of the interim condensed consolidated financial statements.

## Consolidated statement of financial position as at 30 June 2021 - unaudited (Expressed in Hong Kong dollars)

	Note	30 June 2021 HK\$ million	31 December 2020 HK\$ million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	13,908	13,470
Land under development	10	12,239	12,470
Properties under development		80,736	70,517
Investment properties		42,407	40,586
Right-of-use assets		1,905	1,953
Goodwill		2,000	2,000
Intangible assets		162	128
Investments in joint ventures		22,950	19,391
Investments in associates	11	21,455	13,195
Financial assets at fair value through other comprehensive income		705	675
Amounts due from related parties		59,982	37,974
Deferred tax assets		3,608	3,688
Amounts due from non-controlling shareholders		4,177	1,030
Other assets		1,052	662
<b>Total non-current assets</b>		<b>267,286</b>	<b>217,739</b>

The notes on pages 15 to 33 from part of the interim condensed consolidated financial statements.



**Consolidated statement of financial position**  
**as at 30 June 2021 - unaudited (continued)**  
(Expressed in Hong Kong dollars)

	Note	30 June 2021 HK\$ million	31 December 2020 HK\$ million
<b>CURRENT ASSETS</b>			
Inventories		237	209
Land under development	10	2,087	1,698
Properties under development		114,221	94,430
Properties held for sale		20,895	23,051
Trade and bills receivables	12	2,686	531
Contract assets		1,242	938
Prepayments, deposits and other receivables		64,183	45,247
Amounts due from related parties		51,909	45,687
Prepaid taxes		7,071	5,598
Derivative financial instruments		135	89
Restricted bank balances	13	10,538	10,245
Cash and cash equivalents	13	47,011	48,537
Other assets		6	4,516
Total current assets		<u>322,221</u>	<u>280,776</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	29,602	26,030
Other payables and accruals		169,865	124,671
Derivative financial instruments		2	12
Interest-bearing borrowings	15	52,081	38,912
Lease liabilities		113	115
Amounts due to related parties		27,543	36,833
Tax payable		1,961	2,713
Provision for land appreciation tax		1,985	2,464
Total current liabilities		<u>283,152</u>	<u>231,750</u>
<b>NET CURRENT ASSETS</b>		<u>39,069</u>	<u>49,026</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>306,355</u>	<u>266,765</u>

The notes on pages 15 to 33 from part of the interim condensed consolidated financial statements.

**Consolidated statement of financial position**  
**as at 30 June 2021 - unaudited (continued)**  
(Expressed in Hong Kong dollars)

	Note	30 June 2021 HK\$ million	31 December 2020 HK\$ million
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing borrowings	15	88,472	95,122
Lease liabilities		1,159	1,192
Deferred tax liabilities		9,183	8,298
Amounts due to related parties		50,608	13,134
Derivative financial instruments		78	101
Other non-current liabilities		64	86
<b>Total non-current liabilities</b>		<u>149,564</u>	<u>117,933</u>
<b>NET ASSETS</b>		<u>156,791</u>	<u>148,832</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	16	24,468	24,468
Reserves		<u>23,054</u>	<u>20,700</u>
Equity attributable to owners of the parent		47,522	45,168
Non-controlling interests		<u>109,269</u>	<u>103,664</u>
<b>TOTAL EQUITY</b>		<u>156,791</u>	<u>148,832</u>

Director

Director

The notes on pages 15 to 33 form part of the interim condensed consolidated financial statements.

## Consolidated statement of changes in equity for the six months ended 30 June 2021 - unaudited (Expressed in Hong Kong dollars)

		Attributable to owners of the parent										Non-controlling Interests HK\$ million	Total equity HK\$ million	
Note	Issued capital HK\$ million	Capital reserve HK\$ million (Note (a))	Asset revaluation reserve HK\$ million (Note (b))	Merger reserve HK\$ million (Note (c))	Statutory reserve HK\$ million (Note (d))	Fair value reserve HK\$ million (Note (e))	Translation reserve HK\$ million (Note (f))	Other contribution reserve HK\$ million (Note (g))	Cashflow hedge reserve HK\$ million (Note (h))	Share option reserve HK\$ million	perpetual securities reserve HK\$ million	Retained profits HK\$ million	Total	Total equity HK\$ million
At 1 January 2021	24,468	(3,514)	714	(4,097)	4,891	(177)	584	2,304	(108)	54	3,856	16,193	45,168	148,832
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,764	1,764	5,145
Other comprehensive income for the period: Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	48	-	-	-	-	-	-	48	48
Cash flow hedges, net of tax	-	-	-	-	-	(3)	-	-	(3)	-	-	-	(3)	20
Gain on property revaluation, net of tax	-	-	4	-	-	-	-	-	-	-	-	-	4	7
Exchange differences on translation of foreign operations	-	-	-	-	-	-	739	-	-	-	-	-	739	2,050
Total comprehensive income for the period, net of tax	-	-	4	-	-	48	739	-	(3)	-	-	1,764	2,552	9,038
Repurchase of shares by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(57)	(57)	(162)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	2,563
Capital repayment of non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,613)
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	-	-	-	-	-	(6)	-	8	2	5
Exercise of share options of subsidiaries	-	2	-	-	-	-	-	-	-	-	-	-	-	(2,423)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(22)	-	(2,423)
Transfer from retained profits	-	-	-	-	22	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	17	(93)	-	-	-	-	-	-	-	-	-	-	(93)	604
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(611)
Equity-settled share-based payment of subsidiaries	-	-	-	-	-	-	-	-	-	8	-	-	8	26
Issue of perpetual securities by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	5,063
Redemption of perpetual securities	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,908)
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(58)	-	(58)	(58)
Distribution paid on perpetual capital securities by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(472)
At 30 June 2021	24,468	(3,605)	718	(4,097)	4,913	(129)	1,323	2,304	(111)	54	3,798	17,886	47,522	156,791

\* These reserve accounts comprise the consolidated reserves of HK\$23,054 million in the interim condensed consolidated statement of financial position.

The notes on pages 15 to 33 form part of the interim condensed consolidated financial statements.

## Consolidated statement of changes in equity for the six months ended 30 June 2021 - 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 (Note (a))	Asset revaluation reserve HK\$ million (Note (b))	Merger reserve HK\$ million (Note (c))	Statutory reserve HK\$ million (Note (d))	Fair value reserve HK\$ million (Note (e))	Translation reserve HK\$ million (Note (f))	Other contribution reserve HK\$ million (Note (g))	Cashflow hedge reserve HK\$ million (Note (h))	Share option reserve HK\$ million	Retained profits HK\$ million			Total HK\$ million
At 1 January 2020, as originally stated Effect of adopting merger accounting for common control combination	24,468	(1,317)	714	(4,002)	4,633	58	(2,833)	2,304	(58)	24	18,154	42,145	82,256	124,401
At 1 January 2020, as restated	24,468	(1,317)	714	(1,390)	4,645	-	(58)	2,304	(58)	24	18,202	44,759	86,983	131,742
Profit for the period	-	-	-	-	-	-	-	-	-	-	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)	-	(94)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,026)	-	-	-	-	(1,026)	-	(1,026)
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	-	6	-	-	-	-	-	-	-	-	-	6	6,071	6,077
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	-	-	-	-	-	(2)	2	-	-	-
Exercise of share options of subsidiaries	-	9	-	-	-	-	-	-	-	(1)	-	8	10	18
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(971)	(971)
Transfer from retained profits	-	-	-	-	56	-	-	-	-	-	(56)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	694	694
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(1,130)	(1,130)
Acquisition of non-controlling interests	-	47	-	-	-	-	-	-	-	-	-	47	(654)	(607)
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	-	(670)	(670)
Equity-settled share-based payment of subsidiaries	-	-	-	-	-	-	-	-	-	18	-	18	32	50
Considerations paid for acquisition of subsidiaries under common control combination	-	-	-	(2,649)	-	-	-	-	-	-	-	(2,649)	(4,911)	(7,560)
At 30 June 2020	24,468	(1,255)	714	(4,039)	4,701	(143)	(3,917)	2,304	(152)	39	19,242	41,952	87,185	129,147

\* 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 33 form part of the interim condensed consolidated financial statements.

## Consolidated statement of changes in equity for the six months ended 30 June 2021 - 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) the differences between the cost of acquisitions and the non-controlling interests acquired upon the acquisitions made by the Company of additional equity interests in non-wholly-owned subsidiaries and (iv) 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 cashflow 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 33 form part of the interim condensed consolidated financial statements.

## Condensed consolidated statement of cash flows for the six months ended 30 June 2021 - unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
Note	2021	2020
	HK\$ million	HK\$ million
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	12,735	6,655
Income tax paid	(3,786)	(3,309)
	8,949	3,346
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in loans to joint ventures and associates	(4,794)	(2,909)
(Increase)/decrease in amounts due from related parties	(19,401)	3,014
Increase in restricted bank balances	(175)	(282)
Disposal of subsidiaries	18 (3)	(729)
Proceeds from disposal of joint ventures and associates	980	1,390
Acquisition of subsidiaries not under common control	17 2,199	(1,242)
Increase in entrusted loans to non-controlling shareholders	(3,105)	(678)
Additions to investments in associates	(5,300)	(831)
Additions to investments in joint ventures	(3,914)	(1,212)
Advances of investment to third parties	(6,534)	(5,879)
Decrease/(increase) in entrustment loans to a subsidiary's substantial shareholders	208	(349)
Increase in entrustment loans to third parties	(1,167)	-
Decreased in long-term time deposits	3,921	-
Other investing activities	240	68
	(36,845)	(9,639)
Net cash used in investing activities	(36,845)	(9,639)

The notes on pages 15 to 33 form part of the interim condensed consolidated financial statements.

## Condensed consolidated statement of cash flows for the six months ended 30 June 2021 - unaudited (continued)

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2021 HK\$ million	2020 HK\$ million
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans and other loans		79,342	53,281
Issue of perpetual securities, net of issue expenses		5,063	-
Repayment of bank loans and other loans		(72,591)	(62,983)
Interest paid		(3,936)	(5,146)
Loans from non-controlling shareholders		959	1,891
Dividends paid		(1,274)	(532)
Acquisition of non-controlling interests		(704)	(607)
Increase in amounts due to related parties		16,997	21,501
Redemption of perpetual securities		(3,908)	-
Perpetual securities' distribution paid		(530)	(670)
Advanced investment received from third parties		6,690	1,173
Repayment of loans from non-controlling shareholders		(959)	(958)
Capital contribution from non-controlling shareholders		2,563	6,077
Capital repayment of non-controlling shareholders		(1,613)	-
Other financing activities		(68)	(31)
Payments for business combinations under common control		-	(7,560)
		<u>26,031</u>	<u>5,436</u>
Net cash generated from financing activities		<u>26,031</u>	<u>5,436</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,865)</b>	<b>(857)</b>

The notes on pages 15 to 33 form part of the interim condensed consolidated financial statements.

## Condensed consolidated statement of cash flows for the six months ended 30 June 2021 - unaudited (continued)

(Expressed in Hong Kong dollars)

	Note	<i>Six months ended 30 June</i>	
		2021 HK\$ million	2020 HK\$ million
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		48,537	21,085
Effect of foreign exchange rate changes, net		339	(312)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		47,011	19,916
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the consolidated statement of financial position	13	47,011	19,916

The notes on pages 15 to 33 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 Holdings Corporation Ltd. (the "Sinochem Holdings"), and the immediate parent is Sinochem Corporation Co., Ltd. ("Sinochem Corporation"), both of which were established in the PRC.

In March 2021, the Company received a Notice Regarding Restructuring of Sinochem Group Co., Ltd. ("Sinochem Group") and China National Chemical Corporation Ltd. ("ChemChina") (the "Restructuring Notice") from the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"). Pursuant to the Restructuring Notice, the State Council approved the joint restructuring of Sinochem Group and ChemChina. On 8 May 2021, SASAC set up a new holding company, Sinochem Holdings. SASAC owns 100% of the shares of Sinochem Holdings on behalf of the State Council, and transferred the ownership of Sinochem Group and ChemChina to Sinochem Holdings. Upon completion of this strategic restructuring, Sinochem Group remains as the intermediate holding company of the Company.

## 2. Basis of preparation

These interim condensed consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group") have 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"). They were authorised for issue on 15 October 2021.

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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").

## 2. Basis of preparation (continued)

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.

The financial information relating to the financial year ended 31 December 2020 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 or available for early adoption for the current accounting period of the Group:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform - phase 2*

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 these interim condensed consolidated financial statements. Apart from the amendment to HKFRS16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has elected to early adopt the amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021* 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.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate ("LIBOR") as at 30 June 2021. Since the interest rates of these borrowings were not replaced by Risk Free Rates ("RFRs") during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

#### 4. Revenue

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

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</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	25,705	6,662
- Land development	4,136	4,292
- Hotel operations	1,032	416
- Others	2,431	1,363
	33,304	12,733
<b>Revenue from other sources</b>		
Gross rental income	909	767
<b>Total revenue</b>	<b>34,213</b>	<b>13,500</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 2021				
REVENUE				
External sales	34,098	115	-	34,213
Inter-segment sales	-	101	(101)	-
<b>Total</b>	<b>34,098</b>	<b>216</b>	<b>(101)</b>	<b>34,213</b>
Segment profit / (loss)	5,546	289	(100)	5,735
Interest income				1,723
Finance costs				(2,085)
Gain on disposal of subsidiaries				76
Gain on bargain purchase				2,101
Gain on equity interest previously held as investments in associates				286
Share of profits and losses of:				
Joint ventures				299
Associates				1,091
Profit before taxation				<b>9,226</b>
Six months ended 30 June 2020				
REVENUE				
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				<b>6,024</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>	
	2021 HK\$ million	2020 HK\$ million
Bank interest income	276	323
Interest on other advances	971	1,311
Interest on other financial assets	476	198
Government grants (Note i)	107	38
Penalty income	21	21
Sundry (loss)/income, net	<u>(24)</u>	<u>25</u>
	1,827	1,916
Gain on disposal of subsidiaries (Note 18)	76	581
Gain on bargain purchase		
-for business combination not under common control (Note 17)	111	153
-for acquisition of an associate (Note 11)	1,990	-
Gain on equity interest previously held as investments in joint ventures and associates (Note 17)	286	1,427
(Loss)/gain on disposal of equity investments designated at fair value through profit or loss	(18)	46
Foreign exchange difference, net	39	34
Gain on disposal of joint ventures	473	408
Changes in fair value of derivative financial instruments	61	(11)
Loss on disposal of property, plant and equipment	(20)	-
Others	<u>2</u>	<u>9</u>
	3,000	2,647
Other income, gains and losses, net	4,827	4,563

Note:

- (i) Government grants mainly comprised proceeds received 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

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

### (a) Finance costs

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	HK\$ million	HK\$ million
Interest on interest bearing borrowings	4,019	4,925
Less: interest expense capitalised	<u>(1,934)</u>	<u>(3,172)</u>
Total interest expenses	2,085	1,753
Transaction costs	<u>-</u>	<u>1</u>
	<u>2,085</u>	<u>1,754</u>

### (b) Other items

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	HK\$ million	HK\$ million
Amortisation of intangible assets	13	8
Depreciation of owned property, plant and equipment	266	230
Depreciation of right-of-use assets	<u>117</u>	<u>84</u>

## 8. Income tax expense

	<i>Six months ended 30 June</i>	
	2021 HK\$ million	2020 HK\$ million
PRC tax:		
PRC corporate income tax	1,072	986
Land appreciation tax ("LAT")	686	15
	1,758	1,001
Deferred taxation	559	273
	2,317	1,274

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 People's Republic of China on Land Appreciation Tax* (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 People's Republic of China on Land Appreciation Tax* (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. Property, plant and equipment

### *Acquisitions and disposals of owned assets*

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with total costs of HK\$293 million (2020: HK\$221 million). Items of property, plant and equipment with net book value of HK\$40 million were disposed (2020: HK\$3 million), resulting in a loss on disposal of HK\$20 million (2020: HK\$ Nil).

## 10. 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.

## 11. Investments in associates

On 30 June 2021, Jinmao acquired 29.9% equity interest in China VAST Industrial Urban Development Company Limited ("China VAST"), a company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange. China VAST is engaged in the business of (i) planning, development and operation of large-scale industrial towns, (ii) property development, and (iii) property leasing, in the PRC. The acquisition was made in line with the strategic development of the Group's real estate business. The purchase consideration for the acquisition was in the form of cash of HK\$1,481,160,000 paid at the acquisition date. The investment in China VAST is accounted as an associate and be measured using the equity method. The excess of Jinmao's share of net fair value of China VAST's identifiable assets and liabilities over the cost of the investment is included in other income and gains (note 6). The gain on bargain purchase was determined on a provisional basis as at 30 June 2021 as the Group is in the process of completing valuation to assess the fair value of the identifiable assets and liabilities of China VAST. The provisional gain on bargain purchase may be adjusted retrospectively upon the completion of the initial accounting for the equity accounting during the measurement period, which shall not exceed one year from the acquisition date.

## 12. Trade and bills receivables

	<i>30 June 2021</i>	<i>31 December 2020</i>
	HK\$ million	HK\$ million
Trade and bills receivables	2,712	557
Impairment allowance	(26)	(26)
Trade and bills receivables, net of impairment allowance	<u>2,686</u>	<u>531</u>



## 12. Trade and bills receivables (continued)

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 2021</i> HK\$ million	<i>31 December 2020</i> HK\$ million
Within 3 months	2,183	280
3 to 6 months	223	81
6 to 12 months	150	57
Over 12 months	130	113
	<u>2,686</u>	<u>531</u>

## 13. Cash and cash equivalents

	<i>30 June 2021</i> HK\$ million	<i>31 December 2020</i> HK\$ million
Cash and bank balances	41,080	48,414
Time deposits	16,469	14,289
	57,549	62,703
Less: Restricted bank balances	(10,538)	(10,245)
Less: Long-term time deposit	-	(3,921)
Cash and cash equivalents	<u>47,011</u>	<u>48,537</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:

	<i>30 June 2021</i> HK\$ million	<i>31 December 2020</i> HK\$ million
Within one year	26,937	24,424
Over one year	2,665	1,606
	<u>29,602</u>	<u>26,030</u>

## 15. Interest-bearing borrowings

	<i>30 June 2021 HK\$ million</i>	<i>31 December 2020 HK\$ million</i>
Current:		
Bank loans, secured	13,147	6,805
Bank loans, unsecured	17,029	17,333
Guaranteed senior notes, unsecured	5,429	4,602
Notes issued under the medium-term note programme, unsecured	4,823	1,544
Bonds	361	3,563
Other loans, unsecured	11,292	5,065
	<u>52,081</u>	<u>38,912</u>
Non-current:		
Bank loans, secured	7,717	7,865
Bank loans, unsecured	17,583	19,029
Guaranteed senior notes, unsecured	14,129	14,919
Notes issued under the medium term note programme, unsecured	3,893	8,367
Domestic corporate bonds, unsecured	14,181	10,456
Bonds, unsecured	601	594
Other loans, unsecured	30,368	33,892
	<u>88,472</u>	<u>95,122</u>
Total	<u>140,553</u>	<u>134,034</u>
	<i>30 June 2021 HK\$ million</i>	<i>31 December 2020 HK\$ million</i>
Carrying amounts repayable:		
Within one year	52,081	38,912
In the second year	34,320	33,624
In the third to fifth years, inclusive	27,681	38,951
More than five years	26,471	22,547
	<u>140,553</u>	<u>134,034</u>

## 16. Share capital

	<i>30 June 2021</i>	<i>31 December 2020</i>
	HK\$ million	HK\$ million
Issued and fully paid:		
24,468,400,000 (2020: 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\$286 million were recognised in other income, gains and losses, net in the consolidated statement of comprehensive income during the six months ended 30 June 2021 (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 2021  HK\$ million
Property, plant and equipment		182
Right-of-use assets		22
Properties under development		11,079
Properties held for sale		1,209
Prepayments, deposits and other receivables, and other assets		734
Deferred tax assets		55
Prepaid taxes		678
Restricted bank balances		870
Cash and cash equivalents		2,941
Trade and bills payables		(429)
Other payables and accruals		(13,514)
Interest-bearing borrowings		(1,432)
Tax payable		(1)
Lease liabilities		(1)
Deferred tax liabilities		<u>(408)</u>
 Total identifiable net assets at fair value		 1,985
Non-controlling interests		<u>(604)</u>
		1,381
 Gain on bargain purchase recognised in other income, gains and losses, net in the consolidated statement of comprehensive income	6	 <u>(111)</u>
		1,270
 Fair value of equity interest previously held as investments in joint ventures		 <u>(528)</u>
 Total consideration paid in cash (note)		 <u><u>742</u></u>

The Group incurred transaction costs of HK\$0.3 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.

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

The Group recognised a gain on bargain purchase of approximately HK\$111 million in the consolidated statement of comprehensive income for the six months ended 30 June 2021, 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</i> 30 June 2021 HK\$ million
Cash consideration	(742)
Cash and bank balances acquired	<u>2,941</u>
Net inflow of cash and cash equivalents included in net cash flows from investing activities	<u>2,199</u>

Since the acquisition, the Acquirees contributed HK\$1,214 million to the Group's revenue and incurred a loss of HK\$31 million to the consolidated profit for the six months ended 30 June 2021 in aggregate.

Had the combination taken place at the beginning of the period, the revenue and the profit for the period of the Group would have been HK\$34,213 million and HK\$6,906 million, respectively.

## 18. Disposal of subsidiaries

For the six months ended 30 June 2021, the Group lost control over certain subsidiaries.

Details of the financial impacts are summarised below:

	Note	<i>Six months ended 30 June 2021 HK\$ million</i>
Net assets disposed of:		
Property, plant and equipment		1
Properties under development		3,232
Deferred tax assets		1
Prepayments, deposits and other receivables		3
Prepaid taxes		12
Cash and cash equivalents		59
Trade and bills payables		(108)
Other payables and accruals		(1,930)
Interest-bearing borrowings		<u>(1,219)</u>
		51
Fair value of interests retained by the Group		(71)
Gain on disposal of subsidiaries	6	<u>76</u>
Cash consideration		<u>56</u>
Satisfied by:		
Cash		<u>56</u>

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

		<i>Six months ended 30 June 2021 HK\$ million</i>
Cash consideration		56
Cash and cash equivalents disposed of		<u>(59)</u>
Net cash outflow in respect of the disposal of subsidiaries		<u>(3)</u>

## 19. Commitments

	<i>30 June 2021</i>	<i>31 December 2020</i>
	HK\$ million	HK\$ million
Contracted, but not provided for:		
Property, plant and equipment	7	345
Properties under development	60,210	51,651
Land under development	9,938	5,992
Capital contributions to joint ventures and associates	<u>11,272</u>	<u>6,601</u>
	<u>81,427</u>	<u>64,589</u>

## 20. 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:

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	HK\$ million	HK\$ million
The ultimate parent:		
Interest expense	-	1
Rental income	5	4
The immediate parent:		
Rental income	61	49
Property management fee income	5	6
Interest income	22	15
Interest expense	378	219
Fellow subsidiaries:		
Interest expense	98	143
Rental income	127	137
Property management fee income	24	26
Interest income	132	25

## 20. Related party transactions (continued)

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	HK\$ million	HK\$ million
<b>Associates:</b>		
Property management fee income	50	33
Interest income	148	376
Consulting fee income	27	49
Interest expense	148	9
Building decoration services income	187	157
Rental income	1	-
<b>Joint ventures:</b>		
Interest income	819	876
Consulting fee income	9	15
Rental income	1	2
Property management fee income	62	40
Building decoration services income	424	146
Interest expense	170	166
Consulting fee expense	81	181
<b>An associate of the Group's ultimate holding company:</b>		
Rental income	5	5
<b>Minority shareholders of Jinmao</b>		
Interest income	29	45
Interest expense	4	348
	<u>4</u>	<u>348</u>

## 21. 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\$ 43,327 million (31 December 2020: HK\$ 36,047 million).



## **22. 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 2020 and 30 June 2021.

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.

## 22. 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 2021

	<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	705	-	-	705
Other financial assets	-	547	-	547
Derivative financial instruments	-	135	-	135
	<u>705</u>	<u>682</u>	<u>-</u>	<u>1,387</u>

As at 31 December 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	657	-	18	675
Other financial assets	-	769	-	769
Derivative financial instruments	-	89	-	89
	<u>657</u>	<u>858</u>	<u>18</u>	<u>1,533</u>

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

Liabilities measured at fair value:

As at 30 June 2021

	<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	-	80	-	80

As at 31 December 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	-	113	-	113

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 (2020: Nil).

## 23. Events after the reporting period

- (a) On 16 July 2021, a subsidiary of the Group has completed the purchase of the convertible bond issued by China VAST Industrial Urban Development Company Limited in a principal amount of US\$123 million. The convertible notes have a term of 3 years with interest rate of 6% per annum payable semi-annually in arrears. The convertible price is HK\$3.05 per share and a total of 313,735,125 shares will be issued upon full conversion of the convertible bonds.
- (b) On 23 September 2021, the Group completed the issuance of the U.S.\$400 million 1.000% Guaranteed Notes due 2024, the US\$600 million 1.500% Guaranteed Notes due 2026 and the US\$500 million 2.375% Guaranteed Notes due 2031 under the US\$10 billion Medium Term Note and Perpetual Securities Programme.