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FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1777)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- The Group's contracted sales for the period was approximately RMB17,506 million, representing a year-on-year increase of 32.9%.
- The Group's revenue for the period was approximately RMB9,241 million, representing a year-on-year increase of 7.7%.
- The Group's gross profit for the period was approximately RMB3,109 million, representing a year-on-year increase of 22.5%.
- The Group's gross profit margin for the period was approximately 33.6%, representing a year-on-year increase of 4.0 percentage points and maintaining relatively high level in the industry.
- The Group's net profit for the period was approximately RMB277 million, representing a year-on-year increase of 13.4%. Excluding the impact of net exchange loss, the net profit for the period was approximately RMB558 million, representing a year-on-year increase of 97.6%.
- Basic earnings per share was RMB1.67 cents (the corresponding period of 2019: RMB1.77 cents).

The board (the “**Board**”) of directors (the “**Directors**”) of Fantasia Holdings Group Co., Limited (hereinafter referred to as “**Fantasia**” or the “**Company**”) announces the unaudited financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”) as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
	<i>NOTES</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue			
Contracts with customers		9,044,252	8,373,206
Leases		197,243	203,650
		<hr/>	<hr/>
Total revenue	3	9,241,495	8,576,856
Cost of sales and services		(6,132,801)	(6,040,180)
		<hr/>	<hr/>
Gross profit		3,108,694	2,536,676
Other income		106,778	93,720
Other gains and losses		(245,804)	100,292
Impairment losses under expected credit loss model, net of reversal		(32,392)	(38,311)
Change in fair value of investment properties		103,413	161,525
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		–	64,266
Selling and distribution expenses		(155,501)	(154,934)
Administrative expenses		(696,795)	(644,194)
Finance costs		(927,120)	(810,694)
Share of results of associates		6,406	(13,893)
Share of results of joint ventures		(12,276)	(40,079)
Gain on disposal of subsidiaries		162,595	7,245
		<hr/>	<hr/>
Profit before tax		1,417,998	1,261,619
Income tax expense	4	(1,141,398)	(1,017,629)
		<hr/>	<hr/>
Profit for the period	5	276,600	243,990
		<hr/>	<hr/>

		Six months ended 30 June	
		2020	2019
<i>NOTE</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
	Fair value change on hedging instruments designated as cash flow hedges	<u>(5,839)</u>	<u>–</u>
Items that will not be reclassified subsequently to profit or loss:			
	Change in fair value of equity instruments designated at fair value through other comprehensive income (“FVTOCI”)	<u>3,090</u>	<u>(1,892)</u>
	Deferred taxation effect	<u>(773)</u>	<u>473</u>
		<u>2,317</u>	<u>(1,419)</u>
	Other comprehensive expense for the period, net of income tax	<u>(3,522)</u>	<u>(1,419)</u>
	Total comprehensive income for the period	<u>273,078</u>	<u>242,571</u>
Profit for the period attributable to:			
	Owners of the Company	<u>96,238</u>	<u>102,093</u>
	Other non-controlling interests	<u>180,362</u>	<u>141,897</u>
		<u>276,600</u>	<u>243,990</u>
Total comprehensive income for the period attributable to:			
	Owners of the Company	<u>91,596</u>	<u>100,674</u>
	Other non-controlling interests	<u>181,482</u>	<u>141,897</u>
		<u>273,078</u>	<u>242,571</u>
Earnings per share (RMB cents) – Basic	7	<u>1.67</u>	<u>1.77</u>
Earnings per share (RMB cents) – Diluted	7	<u>1.66</u>	<u>1.76</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	2,180,615	2,172,059
Right-of-use assets	1,021,636	1,049,134
Investment properties	11,170,063	11,924,404
Interests in associates	954,465	757,497
Interests in joint ventures	2,725,525	2,686,998
Equity instruments designated at FVTOCI	58,176	60,086
Goodwill	2,329,732	2,398,921
Intangible assets	1,022,348	1,129,725
Contract assets	18,208	22,229
Other receivables	666,566	610,511
Amount due from related parties	3,579,795	958,190
Restricted/pledged bank deposits	560,000	547,500
Deposits paid for potential acquisitions of subsidiaries and investments in associates and joint ventures	506,221	852,027
Deferred tax assets	777,846	710,650
	<u>27,571,196</u>	<u>25,879,931</u>

		30 June	31 December
		2020	2019
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
CURRENT ASSETS			
Properties for sale		34,630,386	35,473,562
Inventories		76,379	117,177
Contract assets		940,026	736,724
Contract costs		534,236	410,502
Trade and other receivables	8	8,518,309	7,864,902
Tax recoverable		605,141	337,503
Amounts due from related parties		903,864	832,459
Financial assets at fair value through profit or loss (“FVTPL”)		1,443,000	1,449,051
Derivative financial instruments		30,093	1,241
Restricted/pledged bank deposits		2,215,833	2,117,174
Bank balances and cash		22,414,794	20,379,733
		<u>72,312,061</u>	<u>69,720,028</u>
CURRENT LIABILITIES			
Trade and other payables	9	8,812,972	8,398,790
Contract liabilities		19,609,154	19,160,338
Derivative financial instruments		2,357	13,759
Amounts due to related parties		832,257	843,853
Tax liabilities		7,111,054	6,347,498
Borrowings due within one year		5,991,276	6,430,202
Lease liabilities		125,417	95,181
Senior notes and bonds		8,845,092	4,963,714
Asset-backed securities issued		29,431	87,483
Provisions		37,956	37,440
		<u>51,396,966</u>	<u>46,378,258</u>
NET CURRENT ASSETS		<u>20,915,095</u>	<u>23,341,770</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>48,486,291</u>	<u>49,221,701</u>

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Derivative financial instruments	497	18,945
Deferred tax liabilities	1,534,822	1,569,772
Borrowings due after one year	5,813,929	7,555,160
Lease liabilities	288,553	349,215
Senior notes and bonds	20,466,019	19,119,556
Asset-backed securities issued	5,125	17,065
	28,108,945	28,629,713
NET ASSETS	20,377,346	20,591,988
CAPITAL AND RESERVES		
Share capital	498,427	498,359
Reserves	13,047,330	13,237,883
Equity attributable to owners of the Company	13,545,757	13,736,242
Non-controlling interests	6,831,589	6,855,746
	20,377,346	20,591,988

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for the investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

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

In addition to the above amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, are effective for annual periods beginning on or after 1 January 2020.

Except as described below, the application of the above amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impact and accounting policy on application of Amendments to HKFRS 3 “Definition of a Business”

Accounting policy

Business combinations

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group’s revenue and results by reportable and operating segments:

Six months ended 30 June 2020

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property agency services <i>RMB'000</i>	Property operation services <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (Unaudited)							
External sales	6,630,791	197,243	7,423	2,124,282	23,507	258,249	9,241,495
Inter-segment sales	3,949	–	–	54,702	–	–	58,651
Total	<u>6,634,740</u>	<u>197,243</u>	<u>7,423</u>	<u>2,178,984</u>	<u>23,507</u>	<u>258,249</u>	<u>9,300,146</u>
Segment profit (loss)	<u>1,737,628</u>	<u>295,674</u>	<u>(7,667)</u>	<u>407,873</u>	<u>(15,013)</u>	<u>(15,083)</u>	<u>2,403,412</u>

Six months ended 30 June 2019

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property agency services <i>RMB'000</i>	Property operation services <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (Unaudited)							
External sales	5,731,008	203,650	15,173	2,142,292	67,408	417,325	8,576,856
Inter-segment sales	2,590	–	–	19,587	–	–	22,177
Total	<u>5,733,598</u>	<u>203,650</u>	<u>15,173</u>	<u>2,161,879</u>	<u>67,408</u>	<u>417,325</u>	<u>8,599,033</u>
Segment profit (loss)	<u>1,317,616</u>	<u>353,198</u>	<u>898</u>	<u>374,570</u>	<u>(6,402)</u>	<u>(1,848)</u>	<u>2,038,032</u>

Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of exchange loss, interest income, change in fair value of financial assets at FVTPL, finance costs, share of results of associates and joint ventures, gain on disposal of subsidiaries and an associate, net gain on repurchase/early redemption of senior notes and asset-backed securities issued, certain other income, gains and losses, central administration costs, directors' salaries and share-based payment expenses. This is the measure reported to the directors of the Company, the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Reconciliation:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Total segment profit	2,403,412	2,038,032
Unallocated amounts:		
Net exchange loss	(281,161)	(38,351)
Interest income	85,003	46,847
Change in fair value of financial assets at FVTPL	27,516	7,160
Finance costs	(927,120)	(810,694)
Share results of associates	6,406	(13,893)
Share results of joint ventures	(12,276)	(40,079)
Gain on disposal of subsidiaries	162,595	7,245
Gain on disposal of an associate	–	111,575
Net gain on repurchase/early redemption of senior notes and assets-backed securities issued	4,817	582
Other unallocated other income, gains and losses	2,079	4,938
Other unallocated expenses	(53,273)	(51,743)
Profit before tax	<u>1,417,998</u>	<u>1,261,619</u>

The following is an analysis of the Group's assets by reportable and operating segments:

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Property development	44,540,844	42,397,923
Property investment	11,003,427	11,014,172
Property agency services	20,444	26,898
Property operation services	7,783,762	7,693,802
Hotel operations	1,037,748	1,128,260
Others	2,559,870	3,014,457
	<hr/>	<hr/>
Total segment assets	66,946,095	65,275,512
Total unallocated assets	32,937,162	30,324,447
	<hr/>	<hr/>
Group's total assets	99,883,257	95,599,959
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For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint ventures, equity instruments designated at FVTOCI, financial assets at FVTPL, amounts due from related parties, restricted/pledged bank deposits, bank balances and cash and other corporate assets.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax in the PRC		
PRC enterprise income tax	604,093	617,450
LAT	608,067	358,874
	<hr/>	<hr/>
	1,212,160	976,324
Deferred tax		
(Credit) charge to profit and loss	(70,762)	41,305
	<hr/>	<hr/>
	1,141,398	1,017,629
	<hr/> <hr/>	<hr/> <hr/>

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Net exchange loss	281,161	38,351
Government grant	(20,692)	(28,650)
Interest income	(85,003)	(46,847)
Net gain on repurchase/early redemption of senior notes and asset-backed securities issued	(4,817)	(582)
Gain on disposal of an associate	–	(111,575)
Depreciation of property, plant and equipment	156,951	101,188
Depreciation of right-of-use assets	41,989	32,304
Amortisation of intangible assets	69,798	72,526
Staff costs	1,287,126	1,053,929

6. DIVIDENDS

During the six months ended 30 June 2020, a final dividend in respect of the year ended 31 December 2019 of RMB5.0 cents (2019: final dividend in respect of the year ended 31 December 2018 of HK4.00 cents, equivalent to RMB3.4 cents) per share was declared. Subsequent to 30 June 2020, RMB288,384,000 (2019: RMB195,940,000) was paid to the owners of the Company.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2020	2019
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>96,238</u>	<u>102,093</u>
Number of shares ('000):		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,767,840	5,764,516
Effect of dilutive potential ordinary shares:		
Share options	<u>33,173</u>	<u>28,342</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>5,801,013</u></u>	<u><u>5,792,858</u></u>

8. TRADE RECEIVABLES

The following is an aged analysis of trade receivables of the Group net of allowance for impairment losses presented based on the date of delivery of the properties to the customers for property sale or the invoice date or date of demand note for rendering of services at the end of the Period:

	30 June	31 December
	2020	2019
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Audited)
0 to 30 days	1,155,117	914,566
31 to 90 days	392,898	292,224
91 to 180 days	346,523	336,208
181 to 365 days	265,998	869,912
Over 1 year	<u>498,706</u>	<u>90,643</u>
	<u><u>2,659,242</u></u>	<u><u>2,503,553</u></u>

9. TRADE PAYABLES

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the Period:

	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0 to 60 days	3,093,713	2,181,693
61 to 180 days	891,275	1,119,353
181 to 365 days	730,771	637,509
1 to 2 years	420,931	544,625
2 to 3 years	42,027	64,535
Over 3 years	12,091	16,541
	<u>5,190,808</u>	<u>4,564,256</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Property Development

Contracted Sales

In the first half of 2020, faced with the negative impact of COVID-19 on the macro economy and the real estate industry, the Group returned satisfactory results by making prompt adjustments to its strategies, expanding customer base through online marketing platforms, facilitating work resumption and sales at the offline sales offices, seizing the opportunities arising from the recovery of the property market since March and accelerating destocking.

During the Period, the Group achieved total contracted sales of approximately RMB17.506 billion and contracted sales area of 1,354,430 sq.m., of which, approximately RMB15.064 billion was derived from the contracted sales of residences with contracted sales area of 1,228,698 sq.m., accounting for approximately 86.0% and 90.7% of the total contracted sales and total contracted sales area of properties of the Group in the first half of 2020, respectively; and approximately RMB2.442 billion was derived from contracted sales of urban complexes with contracted sales area of 125,732 sq.m., representing approximately 14.0% and 9.3% of total contracted sales and total contracted sales area of properties of the Group in the first half of 2020, respectively.

Contracted sales amount and area attributable to different product categories in the first half of 2020

Categories	Amount		Area	
	(RMB million)	%	(sq.m.)	%
Residences	15,064	86.0	1,228,698	90.7
Urban Complexes	2,442	14.0	125,732	9.3
Total	17,506	100.0	1,354,430	100.0

During the Period, the contracted sales contribution to the Group was mainly derived from sales in 16 cities, including Chengdu, Ningbo, Suzhou, Shenzhen, Wuhan, Nanjing, Tianjin, Huizhou and Guilin, and also from approximately 41 projects, including Ningbo Chaoyue Nantang, Huayang Jinjiang at Chengdu, Shenzhen Jiatianxia, Ningbo Fenglinfu, Chengdu Kanjinzhao, Nanjing Xinian Center and Guilin Lakeside Eden. The Group continued to extend its presence across the Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing Metropolitan Area, Central China Metropolitan Area, Yangtze River Delta Metropolitan Area and Bohai Rim Metropolitan Area in order to continuously expand its vertical strategic move in each metropolitan area and focus on key cities to achieve sustainable development.

Contracted sales amount and area in each region in the first half of 2020

Categories	Amount		Area	
	(RMB million)	%	(sq.m.)	%
Guangdong-Hong Kong-Macao Greater Bay Area	1,792	10.2	95,454	7.0
Chengdu-Chongqing Metropolitan Area	6,306	36.0	668,693	49.4
Central China Metropolitan Area	1,004	5.7	60,948	4.5
Yangtze River Delta Metropolitan Area	5,743	32.8	317,271	23.4
Bohai Rim Metropolitan Area	2,424	13.8	205,583	15.2
Overseas	237	1.5	6,481	0.5
Total	17,506	100.0	1,354,430	100.0

Guangdong-Hong Kong-Macao Greater Bay Area

As one of the most open and economically dynamic regions in China, Guangdong-Hong Kong-Macao Greater Bay Area has an important strategic position in China's overall development. In the first half of 2020, the Group proactively seized the historic significant opportunity to build an internationally first-class bay area and a world-class urban agglomeration, sparing no effort to promote the project development in the Guangdong-Hong Kong-Macao Greater Bay Area. Seizing on the opportunity of urban renewal, the Group will extensively participate in the construction and development of the cities within the Guangdong-Hong Kong-Macao Greater Bay Area.

During the Period, the Group recorded total contracted sales of RMB1.792 billion and total contracted sales area of 95,454 sq.m. in Shenzhen, Huizhou and other cities in the Guangdong-Hong Kong-Macao Greater Bay Area, contributing to approximately 10.2% and 7.0% of the total contracted sales and total contracted sales area of properties of the Group respectively in the first half of 2020.

Chengdu-Chongqing Metropolitan Area

As an important economic hub in South-western China, the Chengdu-Chongqing Metropolitan Area shows its robust market demand for real estate and is one of the earliest important strategic markets of the Group. The Group has become one of the most influential brand developers in the region. In the first half of 2020, the Group continued to achieve good sales for its prominent projects in Chengdu such as Huayang Jinjiang and Chengdu Kanjinzhao, and acquired a number of parcels of quality land in Chengdu during the Period, further strengthening its leading edge in the region.

During the Period, the Group recorded total contracted sales of RMB6.306 billion and total contracted sales area of 668,693 sq.m. in Chengdu, Ziyang, Kunming, Guilin and other cities in the Chengdu-Chongqing Metropolitan Area, contributing to approximately 36.0% and 49.4% of the total contracted sales and total contracted sales area of properties of the Group respectively in the first half of 2020.

Central China Metropolitan Area

As the geographical center of the country, Central China Metropolitan Area is increasingly becoming an important force for the rise of Central China with its advantages of convenient transportation and developed economy. In the first half of 2020, the outbreak of the COVID-19 epidemic delivered a serious blow to Wuhan City, and the property market was also hit hard. The Group proactively implemented responsive measures to fight against the epidemic, and reopened its sales offices in the city in April 2020. In addition, the Group launched products that cater to the rigid and improvement-oriented demands of Wuhan residents, further improving its name recognition and brand reputation among the customers in the regional market.

During the Period, the Group recorded total contracted sales of RMB1.004 billion and total contracted sales area of 60,948 sq.m. in cities such as Wuhan in the Central China Metropolitan Area, contributing to approximately 5.7% and 4.5% of the total contracted sales and total contracted sales area of properties of the Group respectively in the first half of 2020.

Yangtze River Delta Metropolitan Area

The Yangtze River Delta Metropolitan Area is one of the most economically dynamic hubs in China. The Group has paid close attention to the core cities with high growing potential in the region for a long time. During the fourth quarter of 2019 to the first half of 2020, the Group acquired a number of parcels of land in Ningbo, Nanjing, Hangzhou, Shaoxing and other cities. In particular, the Group launched Ningbo Chaoyue Nantang and Fenglinfu in June 2020, which received warm response from the local residents, driving the excellent sales performance of the Group in the Yangtze River Delta Metropolitan Area in the first half of 2020.

During the Period, the Group recorded total contracted sales of RMB5.743 billion and total contracted sales area of 317,271 sq.m. in Ningbo, Suzhou, Nanjing and other cities in the Yangtze River Delta Metropolitan Area, contributing to approximately 32.8% and 23.4% of the total contracted sales and total contracted sales area of properties of the Group respectively in the first half of 2020.

Bohai Rim Metropolitan Area

Bohai Rim Metropolitan Area is the most important economic hub in Northern China, playing an agglomeration, radiation, service and mobilization role in the national and regional economy and possessing great development potential. In the first half of 2020, the Group rapidly promoted the construction and sales of projects in the region, and also acquired a number of parcels of land in Tianjin, Beijing, Qingdao and other cities, further expanding its influence in the region.

During the Period, the Group recorded total contracted sales of RMB2.424 billion and total contracted sales area of 205,583 sq.m. in Tianjin, Zhangjiakou and other cities in the Bohai Rim Metropolitan Area, contributing to approximately 13.8% and 15.2% of the total contracted sales and total contracted sales area of properties of the Group respectively in the first half of 2020.

Newly Commenced Projects

During the Period, the Group commenced development of 14 projects or phases of projects with a total planned GFA of approximately 1,581,957 sq.m..

Breakdown of newly commenced projects in the first half of 2020

Project serial number	Project name	Project location	Nature of land	Company's interest	Expected completion date	GFA of newly commenced projects (sq.m.)
Guangdong-Hong Kong-Macao Greater Bay Area						
1	Huizhou Kangcheng Siji	Zhongkai District, Huizhou	Residential and commercial land use	100%	2022	76,685
Chengdu-Chongqing Metropolitan Area						
2	Chengdu Grande Valley	Pujiang County, Chengdu	Residential and commercial land use	70%	Completion by phases between 2020 and 2022	122,135
3	Chengdu Jiangshan	Qingbaijiang District, Chengdu	Residential and commercial land use	100%	Completion by phases between 2021 and 2023	213,152
4	Chengdu Yinweilai	Pidu District, Chengdu	Residential and commercial land use	50%	2022	67,459
5	Chengdu Biyun Tianxi	Tianfu New District, Chengdu	Residential and commercial land use	50%	2022	131,347
6	Ziyang Love Forever	Yanjiang District, Ziyang	Residential and commercial land use	91%	2023	283,468

Project serial number	Project name	Project location	Nature of land	Company's interest	Expected completion date	GFA of newly commenced projects (sq.m.)
Central China Metropolitan Area						
7	Wuhan Jinshanghua	Jiang'an District, Wuhan	Residential and commercial land use	100%	2021	60,368
Yangtze River Delta Metropolitan Area						
8	Ningbo Chaoyue Nantang	Haishu District, Ningbo	Residential use	33%	2022	205,151
9	Ningbo Fenglinfu	Fenghua District, Ningbo	Residential use	34%	2022	157,318
10	Nanjing Huahaoyuan	Jiangbei New District, Nanjing	Residential use	65%	2022	79,806
11	Hangzhou Duiyuetian	Jiangan District, Hangzhou	Residential use	51%	2022	101,606
Bohai Rim Metropolitan Area						
12	Tianjin Love Forever	Wuqing District, Tianjin	Residential land use	60%	2021	13,207
13	Tianjin Jinshanghua	Wuqing District, Tianjin	Residential land use	100%	2021	7,031
14	Zhangjiakou Xingfu Wanxiang	Huailai County, Zhangjiakou	Commercial service land use	55%	2021	63,224

Completed Projects

During the Period, the Group completed a total of 6 projects or phases of projects with a total GFA of approximately 958,634 sq.m..

Breakdown of completed projects in the first half of 2020

Region	Completed GFA (sq.m.)
Guangdong-Hong Kong-Macao Greater Bay Area	80,386
Chengdu-Chongqing Metropolitan Area	878,238

Projects Under Construction

As at 30 June 2020, the Group had 39 projects or phases of projects under construction with a total GFA of 7,805,647 sq.m..

Breakdown of projects under construction as at 30 June 2020

Project serial number	Project name	Project location	Nature of land	Company's interest	Expected completion date	GFA under construction (sq.m.)
Guangdong-Hong Kong-Macao Greater Bay Area						
1	Shenzhen Jiatianxia	Dapeng New District, Shenzhen	Residential and commercial land use	10%	2023	262,940
2	Huizhou Jiatianxia	Huiyang District, Huizhou	Residential and commercial land use	100%	2020	241,091
3	Huizhou Kangcheng Siji	Zhongkai District, Huizhou	Residential and commercial land use	100%	2022	76,685
Chengdu-Chongqing Metropolitan Area						
4	Chengdu Grande Valley	Pujiang County, Chengdu	Residential land use	70%	Completion by phases between 2020 and 2022	467,721
5	Chengdu Dragon Era International Center	Pidu District, Chengdu	Commercial land use	100%	2020	63,449
6	Chengdu Xiangmendi (western zone)	Pidu District, Chengdu	Residential and commercial land use	50%	2021	112,011
7	Chengdu Zhihui City	Chongzhou, Chengdu	Residential and commercial land use	80%	Completion by phases between 2020 and 2021	419,547
8	Chengdu Kanjinzhao	Xinjin County, Chengdu	Residential and commercial land use	100%	2021	136,151
9	Chengdu Jiatianxia	Shuangliu District, Chengdu	Residential and commercial land use	55%	Completion by phases between 2020 and 2021	548,091
10	Chengdu Jiangshan	Qingbaijiang District, Chengdu	Residential and commercial land use	100%	2021	464,638
11	Chengdu Yinweilai	Pidu District, Chengdu	Residential and commercial land use	50%	2022	67,459
12	Chengdu Biyun Tianxi	Tianfu New District, Chengdu	Residential and commercial land use	50%	Completion by phases between 2022 and 2023	131,347
13	Ziyang Love Forever	Yanjiang District, Ziyang	Residential and commercial land use	91%	2020	524,695
14	Kunming Lakeside Eden	Taiping New Town, Kunming	Residential land use	63%	Completion by phases between 2021 and 2022	285,771

Project serial number	Project name	Project location	Nature of land	Company's interest	Expected completion date	GFA under construction (sq.m.)
Central China Metropolitan Area						
15	Land I of Guilin Lakeside Eden	Lingui District, Guilin	Residential and commercial land use	70%	Completion by phases between 2020 and 2022	344,095
16	Land H of Guilin Lakeside Eden	Lingui District, Guilin	Residential and commercial land use	100%	Completion by phases between 2021 and 2022	248,680
17	Land D2 of Guilin Lakeside Eden	Lingui District, Guilin	Residential and commercial land use	70%	2022	135,493
18	Land F of Guilin Lakeside Eden	Lingui District, Guilin	Residential and commercial land use	70%	2020	143,417
Central China Metropolitan Area						
19	Wuhan Huahaoyuan	Jiang'an District, Wuhan	Residential and commercial land use	100%	2022	190,902
20	Wuhan Jinshanghua	Jiang'an District, Wuhan	Residential and commercial land use	100%	2021	60,368
21	Wuhan Gedian Jianshan	Gedian Hi-tech District, Wuhan	Residential and commercial land use	100%	2022	268,668
22	Wuhan Hankou Xingfu Wanxiang	Jiang'an District, Wuhan	Commercial land use	30.6%	2021	52,152
23	Wuhan Blue Sky	Dongxihu District, Wuhan	Residential and commercial land use	55%	2021	184,809
Yangtze River Delta Metropolitan Area						
24	Nanjing Lishui Jitianxia	Lishui Economic Development District, Nanjing	Residential and commercial land use	100%	2020	316,507
25	Nanjing Gaochun Love Forever	Gaochun District, Nanjing	Residential and commercial land use	100%	2020	165,801
26	Nanjing Huahaoyuan	Jiangbei New District, Nanjing	Residential land use	65%	2022	79,806
27	Suzhou Oriental Bay	Taihu National Tourism Vacation Zone, Suzhou	Residential land use	43%	2020	137,381
28	Shanghai Wunan 396 (originally known as Guobang Garden)	Xuhui District, Shanghai	Commercial land use	100%	2020	6,627
29	Hangzhou 360 Project	Gongshu District, Hangzhou	Industrial land use	44%	2021	233,911
30	Hangzhou Duiyuetian	Jiangan District, Hangzhou	Residential land use	51%	2022	101,606
31	Ningbo Cixi Seasonal Mansion Project	Cixi, Ningbo	Residential land use	11%	2020	253,594
32	Ningbo Chaoyue Nantang	Haishu District, Ningbo	Residential land use	33%	2022	205,151
33	Ningbo Fenglinfu	Fenghua District, Ningbo	Residential land use	34%	2022	157,318

Project serial number	Project name	Project location	Nature of land	Company's interest	Expected completion date	GFA under construction (sq.m.)
Bohai Rim Metropolitan Area						
34	Tianjin Jiatianxia	Wuqing District, Tianjin	Residential land use	60%	Completion by phases between 2020 and 2021	328,927
35	Tianjin Love Forever	Wuqing District, Tianjin	Residential land use	60%	2021	62,872
36	Tianjin Jinshanghua	Wuqing District, Tianjin	Residential land use	100%	2021	137,418
37	Baoding Mancheng	Mancheng District, Baoding	Residential land use	51%	2022	64,525
38	Zhangjiakou Xingfu Wanxiang	Huailai County, Zhangjiakou	Commercial service land use	55%	2021	101,264
Overseas						
39	Parkwood Collection	Singapore	Residential land use	40%	2021	22,759

Projects Held for Development

As at 30 June 2020, the Group had a total of 21 projects or phases of projects held for development with a total GFA of approximately 4,566,226 sq.m..

Breakdown of projects held for development as at 30 June 2020

Project serial number	Project name	Project location	Nature of land	Company's interest	GFA of projects held for development (sq.m.)
Guangdong-Hong Kong-Macao Greater Bay Area					
1	Shenzhen Good Time	Pingshan District, Shenzhen	Residential and commercial land use	50%	320,647
2	Huizhou Jiatianxia	Huiyang District, Huizhou	Residential and commercial land use	100%	35,293
3	Foshan Nanhai Guicheng Project	Nanhai District, Foshan	Residential land use	49%	251,290

Project serial number	Project name	Project location	Nature of land	Company's interest	GFA of projects held for development (sq.m.)
Chengdu-Chongqing Metropolitan Area					
4	Chengdu Grande Valley	Pujiang County, Chengdu	Residential land use	70%	472,642
5	Chengdu Xinjin 84 mu Project	Xinjin County, Chengdu	Residential and commercial land use	100%	197,458
6	Chengdu Xifu Hongyun	Pujiang County, Chengdu	Residential and commercial land use	30%	309,110
7	Chengdu Biyun Tianxi	Tianfu New Distict, Chengdu	Residential and commercial land use	50%	163,924
8	Chengdu Chunyu Xi'an	Pidu Distric, Chengdu	Residential and commercial land use	40%	79,334
9	Chengdu Yin Future	Pidu District, Chengdu	Residential and commercial land use	50%	13,248
10	Chengdu Pidu District 30 mu Project	Pidu Distric, Chengdu	Residential and commercial land use	50%	59,244
11	Kunming Lakeside Eden	Taiping New Town, Kunming	Residential land use	63%	686,465
12	Land G and A2 of Guilin Lakeside Eden	Lingui District, Guilin	Residential and commercial land use	100%	186,674
Central China Metropolitan Area					
13	Wuhan Hanzheng Street	Qiaokou District, Wuhan	Residential and commercial land use	34.50%	321,290
14	Phase II of Jin Xiu Town	Hongshan District, Wuhan	Residential and commercial land use	50.10%	111,883
Yangtze River Delta Metropolitan Area					
15	Suzhou Taihu Tiancheng	Taihu National Tourism Vacation Zone, Suzhou	Hotel land use	100%	73,691
16	Ningbo Hangzhou Bay Jingcheng Mingshi	Hangzhou Bay New District, Ningbo	Residential land use	90%	76,769
17	Shaoxing Jinghu Project	Jinghu Distict, Shaoxing	Residential land use	49%	373,867
Bohai Rim Metropolitan Area					
18	Tianjin Yingcheng Lake Project	Hangu District, Tianjin	Residential, commercial service and tourism	100%	168,339
19	Shijiazhuang Linghang Guoji	Yuhua District, Shijiazhuang	Commercial land use	51%	63,740
20	Zhangjiakou Xingfu Wanxiang	Huailai County, Zhangjiakou	Commercial service land use	55%	426,358
21	Beijing Miyun Tanying Project	Miyun District, Beijing	Residential land use	22.5%	174,960

Land Bank

On 30 June 2020, the GFA of land bank for the Group's projects under construction and projects held for development amounted to approximately 12,371,873 sq.m..

Details of Land Bank

Region	Projects under construction	Projects held for development	Aggregate GFA of land bank
	(sq.m.)	(sq.m.)	(sq.m.)
Guangdong-Hong Kong-Macao Greater Bay Area	580,716	607,230	1,187,946
Shenzhen	262,940	320,647	583,587
Huizhou	317,776	35,293	353,069
Foshan	–	251,290	251,290
Chengdu-Chongqing Metropolitan Area	4,092,565	2,168,099	6,260,664
Chengdu	2,410,414	1,294,960	3,705,374
Ziyang	524,695	–	524,695
Kunming	285,771	686,465	972,236
Guilin	871,685	186,674	1,058,359
Central China Metropolitan Area	756,899	433,173	1,190,072
Wuhan	756,899	433,173	1,190,072
Yangtze River Delta Metropolitan Area	1,657,702	524,327	2,182,029
Nanjing	562,114	–	562,114
Suzhou	137,381	73,691	211,072
Shanghai	6,627	–	6,627
Hangzhou	335,517	–	335,517
Ningbo	616,063	76,769	692,832
Shaoxing	–	373,867	373,867
Bohai Rim Metropolitan Area	695,006	833,397	1,528,403
Tianjin	529,217	168,339	697,556
Baoding	64,525	–	64,525
Shijiazhuang	–	63,740	63,740
Zhangjiakou	101,264	426,358	527,622
Beijing	–	174,960	174,960
Overseas	22,759	–	22,759
Singapore	22,759	–	22,759
Total	7,805,647	4,566,226	12,371,873

Community services

Leveraging on its core competitiveness based on professional and market-oriented services, Colour Life, a community services provider of the Group, has established a unique development pattern of third-party expansion, under which the Group strives to increase its market shares by enhancing its brand reputation and offering quality services at a competitive price. As of 30 June 2020, the Total Contracted GFA of Colour Life reached 563.7 million sq.m. in 279 cities across the country.

In the fight against the COVID-19 epidemic, Colour Life made prompt response by carrying out unified deployment and quickly developing a standardised epidemic prevention and control plan which has been simultaneously implemented in all projects of the Group nationwide. Thanks to the commitment and professional work of all staff of Colour Life, no case of mass infection was reported in any community managed by Colour Life, and the infection rate of residents in the communities managed by Colour Life in Wuhan City was far below the average infection rate of the city. Moreover, our efforts were well recognized, with over 75% of the projects managed by Colour Life receiving commendation from the government or compliments and regards from the owners.

Colour Life continued to adhere to the strategy of “promoting community care” during the Period. For example, in response to the “street-stall economy” initiative of the government and in order to promote neighbourhood relationship, Colour Life organised “public welfare fairs” in the communities, which not only offered an opportunity to promote communication among the adults and also provided vending stalls for the children for fun and broadening their horizon.

In order to optimise the overall management system, Colour Life carried out restructuring of its original structure and reorganized its business into five regional segments by geographical location, so as to promote further integration between its original businesses such as “Colour Life community” and the acquired businesses such as “WXM community”, which is conducive to the unified management of Colour Life to enhance resource utilisation and achieve scale economy, and also helps to export the management and service experiences of some outstanding communities across the Group to promote synergetic effects and cost advantage.

In terms of value-added business, Color Life continued to build a more open online ecosystem. JD.com and 360.com, two Internet giants, have joined Colour Life as strategic investors to jointly explore community value-added business. In the first half of 2020, the Group joined hands with JD.com to promote the implementation of a pilot business of smart parcel lockers. Based on this business, Colour Life will continue to explore other types of community services, making property management services a much more important part of the owner’s life.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly consists of revenue derived from (i) the sales of developed properties and construction of properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation services, (v) the provision of hotel accommodation services and (vi) manufacturing and sales of fuel pumps. For the Period, revenue of the Group amounted to approximately RMB9,241 million, representing an increase of 7.7% from approximately RMB8,577 million for the corresponding period in 2019. The profit attributable to owners of the Company for the Period amounted to approximately RMB96 million, representing a decrease of 5.7% from approximately RMB102 million for the corresponding period in 2019.

The table below sets forth the total revenue derived from each of the projects and the aggregate gross floor area (“GFA”) of properties sold in the first half of 2020 and 2019.

	For the six months ended 30 June 2020			For the six months ended 30 June 2019		
	Total Revenue	GFA Sold	Average Selling Price	Total Revenue	GFA Sold	Average Selling Price
	RMB'000	sq. m.	RMB/sq. m.	RMB'000	sq. m.	RMB/sq. m.
Chengdu Xiangmendi (成都香門第)	2,751,220	299,226	9,194	3,394	290	11,703
Sichuan Jiatianxia (四川家天下)	2,215,338	177,844	12,457	322,579	44,152	7,306
Guilin Lakeside Eden (桂林麓湖)	926,254	148,583	6,234	701,608	148,305	4,731
Huizhou Zijin Huafu (惠州紫金華府)	210,620	25,071	8,401	–	–	–
Sichuan Meinian Plaza (四川美年廣場)	101,593	5,918	17,167	3,246,887	142,752	22,745
Kunming Lakeside Eden (昆明麓湖)	91,050	29,677	3,068	–	–	–
Ci Xi Joy City (慈溪悅城)	50,479	9,046	5,580	705,149	49,551	14,231
Chengdu Longnian Building (成都龍年中心)	27,361	5,744	4,763	34,289	8,616	3,980
Chengdu Zhihui City (成都智薈城)	27,740	9,495	2,922	–	–	–
Chengdu Longwu (成都龍吾)	15,489	5,896	2,627	297,227	42,541	6,987
Huizhou TCL Kangchengsiji (惠州TCL康城四季)	–	–	–	117,385	6,415	18,299
Suzhou Hailun Plaza (蘇州喜年廣場)	–	–	–	38,016	1,936	19,636
Huizhou Fantasia Special Town (惠州別樣城)	–	–	–	26,460	2,161	12,244
Suzhou Taihu Tiancheng (蘇州太湖天城)	–	–	–	11,109	1,122	9,901
Guilin Fantasia Town (桂林花樣城)	–	–	–	10,600	2,167	4,892
Shenzhen Lenian (深圳樂年)	–	–	–	10,421	478	21,801

	For the six months ended 30 June 2020			For the six months ended 30 June 2019		
	Total Revenue	GFA Sold	Average Selling Price	Total Revenue	GFA Sold	Average Selling Price
	RMB'000	sq. m.	RMB/sq. m.	RMB'000	sq. m.	RMB/sq. m.
Wuhan Love Forever (武漢花郡)	–	–	–	7,526	1,060	7,100
Huizhou Love Forever (惠州花郡)	–	–	–	7,452	1,225	6,083
Chengdu Grande Valley (成都大溪谷)	–	–	–	5,436	924	5,883
Wuhan Fantasia Town (武漢花樣城)	–	–	–	2,636	1,046	2,520
Dongguan Wonderland (東莞江山)	–	–	–	1,358	100	13,580
Subtotal	6,417,144	716,500		5,549,532	454,841	
Others	213,647			181,476		
Total	6,630,791			5,731,008		

Property Development

The Group recognises revenue from the sale of properties at a point in time when the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable. Revenue from property development represents the proceeds from sales of properties held for sales by the Group. Revenue derived from property development increased by 15.7% to approximately RMB6,631 million for the six months ended 30 June 2020 from approximately RMB5,731 million for the corresponding period in 2019, which was primarily due to the increase in recognised income as a result of the additional properties of the Group brought forward to this year as compared to the corresponding period last year.

Property Investment

Revenue generated from property investment decreased by 3.1% to approximately RMB197 million for the six months ended 30 June 2020 from approximately RMB204 million for the corresponding period in 2019. The decrease was primarily due to a decrease in rented area.

Property Agency Services

Revenue derived from property agency services decreased by 51.1% to approximately RMB7 million for the six months ended 30 June 2020 from approximately RMB15 million for the corresponding period in 2019. The decrease was due to the slowdown of second-hand house transactions.

Property Operation Services

Revenue derived from property operation services decreased by 0.8% to approximately RMB2,124 million for the six months ended 30 June 2020 from approximately RMB2,142 million for the corresponding period in 2019.

Hotel Operation and Related Services

Revenue derived from hotel operation and related services amounted to approximately RMB24 million for the six months ended 30 June 2020, representing a decrease of 65.1% as compared to the corresponding period 2019, which was mainly due to the impact of the COVID-19 epidemic (the corresponding period in 2019: RMB67 million).

Others

This mainly represent revenue from manufacturing and sales of fuel pumps.

Gross Profit and Gross Profit Margin

Gross profit of the Group increase by 22.5% to approximately RMB3,109 million for the six months ended 30 June 2020 from approximately RMB2,537 million for the corresponding period in 2019, while the Group's gross profit margin was approximately 33.6% for the six months ended 30 June 2020 as compared to a gross profit margin of approximately 29.6% for the corresponding period in 2019. The increase in gross profit margin was mainly due to the higher gross profit of the projects derived from the Group's revenue that brought forward to current period.

Other Gains and Losses

The Group recorded net other losses for the six months ended 30 June 2020 of RMB246 million (the corresponding period in 2019: net other gains of RMB100 million), which was due to net exchange loss of RMB281 million (the corresponding period in 2019: net exchange loss of RMB38 million) as a result of the appreciation of USD.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2020 amounted to approximately RMB156 million, almost the same as those for the corresponding period in 2019 amounting to RMB155 million.

Administrative Expenses

The Group's administrative expenses increased by 8.2% to approximately RMB697 million for the six months ended 30 June 2020 from approximately RMB644 million for the corresponding period in 2019. The increase was primarily due to the increase in the daily administrative expense of the Group.

Finance Costs

The Group's finance costs increased by 14.4% to approximately RMB927 million for the six months ended 30 June 2020 from approximately RMB811 million for the corresponding period in 2019. The increase was primarily due to the increase in average balance of interest-bearing liabilities of the Group.

Income Tax Expense

The Group's income tax expense increased by 12.2% to approximately RMB1,141 million for the six months ended 30 June 2020 from approximately RMB1,018 million for the corresponding period in 2019. The increase was mainly due to an increase in land appreciation tax as a result of the higher gross profit margin of property sales during the current interim period as compared to the corresponding period of 2019.

Liquidity, Financial and Capital Resources

Bank balances and Cash Position

As at 30 June 2020, the Group's total bank balances and cash was approximately RMB25,191 million (31 December 2019: approximately RMB23,044 million), representing an increase of 9.3% as compared to that as at 31 December 2019. A part of our bank balances is restricted bank deposits and is for property development purposes only. Such restricted bank deposits will be discharged upon the completion of the respective property development relevant to such deposits.

Net Gearing Ratio

The net gearing ratio was 78.3% as at 30 June 2020 (31 December 2019: 73.5%). The net gearing ratio was calculated based on net debt (the total of its borrowings, senior notes and bonds and issued assets-backed securities (“ABS”), net of bank balances and cash (including restricted/pledged bank deposits)) over total equity. Through optimizing its equity structure and the stringent implementation measure for cash flow budget, the Group was able to maintain a reasonable proportion of long-term and short-term debt and the net gearing ratio only slightly increased as compared to that as at the end of last year.

Borrowings and Charges on the Group’s Assets

As at 30 June 2020, the Group had borrowings, senior notes and bonds and ABS of approximately RMB11,805 million (31 December 2019: approximately RMB13,985 million) in total, approximately RMB29,311 million (31 December 2019: approximately RMB24,083 million) in total and approximately RMB35 million (31 December 2019: approximately RMB105 million) in total, respectively. Amongst the borrowings, approximately RMB5,991 million (31 December 2019: approximately RMB6,430 million) will be repayable within one year and approximately RMB5,814 million (31 December 2019: approximately RMB7,555 million) will be repayable after one year. Amongst the senior notes and bonds, approximately RMB8,845 million (31 December 2019: approximately RMB4,964 million) will be repayable within one year and approximately RMB20,466 million (31 December 2019: approximately RMB19,120 million) will be repayable after one year.

As at 30 June 2020, a substantial part of the Group’s borrowings was secured by properties of the Group. The senior notes were jointly and severally guaranteed by the pledge of shares of certain subsidiaries of the Group.

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank balances and cash, borrowings, lease liabilities and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. During the current interim period, the Group has adopted foreign currency hedging instruments to achieve better management over foreign exchange effect to its operation.

Contingent Liabilities

(i) As at 30 June 2020, the Group had provided guarantees amounting to approximately RMB10,291 million (31 December 2019: approximately RMB12,167 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the purchaser obtained the individual property ownership certificate. (ii) The Group provided guarantees on several basis covering its respective equity shares of outstanding obligations under the bank borrowings incurred by the joint and ventures and associates for developing their projects. As at 30 June 2020, the Group's shares of such guarantees provided in respect of loans borrowed respectively by these joint ventures and associates amounted to approximately RMB1,317 million and approximately RMB330 million. As the directors is of the opinion that the possibility of the default of the parties is remote and the fair value of guarantee contracts is insignificant, no provision for such guarantee contracts was recognised in the financial statements for the six months ended 30 June 2020.

Employees and Remuneration Policies

As at 30 June 2020, excluding the employees of communities managed on a commission basis under property operation service segment, the Group had approximately 34,118 employees (31 December 2019: approximately 33,431 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice. Apart from salary payments, other staff benefits include contribution to the mandatory provident fund (for employees of Hong Kong Special Administrative Region of the PRC) and state-managed retirement pension scheme (for employees of Mainland China), a discretionary bonus program and a share option scheme.

The Company adopted a share option scheme on 27 October 2009. As at 30 June 2020, a total of 142,660,000 share options were granted. During the current interim period, none of the share options had lapsed and 747,000 share options had been exercised. As at 30 June 2020, the number of outstanding share options was 74,351,000.

INTERIM DIVIDEND

The Board had resolved that no interim dividend be paid for the current interim period (the corresponding period in 2019: nil).

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognized the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance.

The Board comprises five Executive Directors and four Independent Non-executive Directors. The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances, and has full and timely access to all relevant information in relation to the Group's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess respectively professional qualifications and related management experience in the areas of financial accounting, law, global economy and real estate and have contributed to the Board with their professional opinions.

During the Period, the Board is of the view that the Company has complied with all the code provisions under the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code ("Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry with all the Directors on whether the Directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2020 and all the Directors confirmed that they have complied with the Model Code throughout the Period.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises four independent non-executive Directors, including Mr. Ho Man, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu, while Mr. Ho Man is the chairman of the audit committee. The Audit Committee together with the management of the Company have reviewed the accounting policies and practices adopted by the Group and discussed, among other things, the internal controls and financial reporting matters including a review of the unaudited interim results for the Period. The external auditors of the Company have also reviewed the unaudited interim results for the Period.

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

Senior Notes

On 9 January 2020, the Company issued senior notes in an aggregate principal amount of USD450,000,000 for the purpose of refinancing its indebtedness. The senior notes are guaranteed by certain equity interests of the subsidiaries of the Company and carry interest of 10.875% per annum and will mature in 2023, unless redeemed earlier.

On 1 June 2020, the Company issued senior notes in an aggregate principal amount of USD300,000,000 for the purpose of refinancing its indebtedness. The senior notes are guaranteed by certain equity interests of the subsidiaries of the Company, carry interest at 11.875% per annum and will mature in 2023, unless redeemed earlier.

On 17 June 2020, the Company has repaid the USD100,000,000 12% senior notes due 2020 upon maturity.

During the six months ended 30 June 2020, the Group repurchased USD79,999,000 of the USD600 million 8.375% senior notes due 2021, USD250,000 of the USD250 million 7.95% senior notes due 2022 and USD450,000 of the USD450 million 10.875% senior notes due 2023 in the open market.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnfantasia.com). The 2020 interim report containing all the information required by the Listing Rules will be available at the aforementioned websites and will be dispatched to the Company's shareholders thereafter in due course.

ACKNOWLEDGEMENT

In times of vigorous ups and downs in the real estate market, the Company is persistently pursuing greater business objectives for a win-win ecosystems. The Group hereby wishes to express its sincere gratitude to all its stakeholders for their support to create greater value for the Group. Last but not least, the Group would also like to extend our gratitude to all the customers, employees, partners and shareholders for their efforts and support to the Group along the road.

By order of the Board
Fantasia Holdings Group Co., Limited
Pan Jun
Chairman and Executive Director

Hong Kong, 18 August 2020

As at the date of this announcement, the executive Directors are Mr. Pan Jun, Ms. Zeng Jie, Baby, Mr. Ke Kasheng, Mr. Zhang Huiming and Mr. Chen Xinyu; and the independent non-executive Directors are Mr. Ho Man, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu.