港龍中國地產
GANGLONG CHINA PROPERTY

Ganglong China Property Group Limited
港龍中國地產集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6968)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Contracted sales (including the overall contracted sales of subsidiaries, joint ventures and associates) amounted to approximately RMB17,853 million for the six months ended 30 June 2021 with a total sales area of approximately 1,488,418 square meters, representing a period-on-period increase of 58% and 65%, respectively.

- Revenue for the six months ended 30 June 2021 amounted to approximately RMB4,859 million, representing an increase of 184% as compared to the corresponding period in 2020.

- Net profit for the six months ended 30 June 2021 amounted to approximately RMB453 million, representing an increase of 41% as compared to the corresponding period in 2020.

- As of 30 June 2021, the Group's liabilities to assets ratio after excluding contract liabilities was approximately 68% (as at 31 December 2020: 82%).

- As of 30 June 2021, the Group's net gearing ratio (calculated as the total borrowings net of restricted cash, pledged time deposits and cash and cash equivalents divided by total equity) was 25% (as at 31 December 2020: 41%).

- As of 30 June 2021, cash to short term debt ratio (calculated as cash and bank balances divided by short term bank and other borrowings) was 1.7 times (as at 31 December 2020: 1.1 times).

- As of 30 June 2021, the Group had contract liabilities of approximately RMB24,874 million, as compared to approximately RMB20,980 million as of 31 December 2020, representing an increase of approximately 19%.

The board (the "**Board**") of directors (the "**Directors**") of Ganglong China Property Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2021 with the comparative figures for the corresponding period in the previous year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Six months ended 30 June** **2021** *RMB'000* **(Unaudited)**	2020 *RMB'000* (Unaudited)
Revenue from contracts with customers	*4*	**4,858,839**	1,713,089
Cost of sales		**(3,719,851)**	(1,056,671)
Gross profit		**1,138,988**	656,418
Other income and other gains, net		**75,467**	11,107
Selling and marketing expenses		**(296,441)**	(160,838)
General and administrative expenses		**(284,878)**	(177,866)
Operating profit		**633,136**	328,821
Finance income	*5*	**21,614**	8,856
Finance costs	*5*	**(148,738)**	(44,043)
Finance costs – net	*5*	**(127,124)**	(35,187)
Share of results of joint ventures and associates		**192,121**	211,744
Profit before income tax		**698,133**	505,378
Income tax expenses	*6*	**(245,045)**	(184,318)
Profit and total comprehensive income for the period		**453,088**	321,060
Attributable to:			
Owners of the Company		**156,937**	472,309
Non-controlling interests		**296,151**	(151,249)
		453,088	321,060
Earnings per share for profit attributable to owners of the Company *(expressed in RMB per share)*			
– Basic and diluted	*7*	**0.10**	0.39

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2021** *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**208,395**	67,975
Investment properties		**180,900**	180,900
Investments accounted for using the equity method		**1,558,515**	1,468,834
Deferred income tax assets		**379,323**	347,836
Total non-current assets		**2,327,133**	2,065,545
Current assets			
Properties under development		**36,185,250**	32,108,351
Completed properties held for sale		**843,243**	295,960
Trade and other receivables and prepayments	*8*	**1,870,686**	1,128,141
Amounts due from associates		**206,516**	175,789
Amounts due from joint ventures		**227,321**	426,390
Amounts due from non-controlling interests		**3,702,361**	2,578,961
Financial assets at fair value through profit or loss		**82,585**	–
Tax recoverable		**603,293**	670,214
Cash and bank balances		**6,488,805**	6,796,845
Total current assets		**50,210,060**	44,180,651
Total assets		**52,537,193**	46,246,196
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*10*	**14,919**	14,919
Reserves		**3,544,553**	3,679,095
		3,559,472	3,694,014
Non-controlling interests		**5,368,571**	792,679
Total equity		**8,928,043**	4,486,693

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**4,828,721**	2,590,967
Lease liabilities		**150,459**	18,049
Deferred income tax liabilities		**119,069**	110,402
Total non-current liabilities		**5,098,249**	2,719,418
Current liabilities			
Trade payables, bills payables and other payables	*9*	**5,805,209**	5,836,270
Lease liabilities		**21,521**	12,151
Contract liabilities		**24,873,557**	20,979,809
Amounts due to associates		**673,660**	1,159,616
Amounts due to joint ventures		**795,276**	914,191
Amounts due to non-controlling interests		**1,782,237**	3,761,926
Tax payable		**369,198**	325,482
Dividends payable		**293,511**	–
Borrowings		**3,896,732**	6,050,640
Total current liabilities		**38,510,901**	39,040,085
Total liabilities		**43,609,150**	41,759,503
Total equity and liabilities		**52,537,193**	46,246,196

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 October 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the development of real estate projects in the People's Republic of China (the "**PRC**").

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 July 2020.

This interim condensed consolidated financial information is presented in Renminbi ("**RMB**"), unless otherwise stated. This interim condensed consolidated financial information has been approved for issue by the Board on 25 August 2021.

This interim condensed consolidated financial information for the six months ended 30 June 2021 has not been audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by the Company during the interim reporting period.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below.

(a) New and amended standard adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	COVID-19 Related Rent Concessions	1 June 2020
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021

(b) Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKAS 1 and HKAS 8 (Amendments)	Presentation of financial statements, accounting policies, changes in accounting estimates and errors	1 January 2023
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

4. REVENUE AND SEGMENT INFORMATION

The Executive Directors has been identified as the chief operating decision-maker. Management determines the operating segments based on the Group's internal reports, which are then submitted to the Executive Directors for performance assessment and resources allocation.

The Executive Directors assess the performance of the operating segment based on a measure of profit before income tax and regard these to be only one operating segment – property development. Accordingly, segment disclosures are not presented. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in China, which is considered as one geographical location in an economic environment with similar risk and returns.

For the six months ended 30 June 2021 and 2020, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

The revenue from external parties is derived from numerous external customers and the revenue reported to the Executive Directors is measured in a manner consistent with that in the interim condensed consolidated financial information.

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of properties	**4,858,839**	1,713,089

The revenue from contracts with customers recognised during six months ended 30 June 2021 and 2020 are sales of properties in the PRC, all of which recognised at a point in time.

5. FINANCE COSTS – NET

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest income from		
– Bank deposits	**21,614**	8,856
Finance costs		
Interest expenses for		
– Lease liabilities	**(3,817)**	(426)
– Bank and other borrowings	**(388,019)**	(114,406)
– Amounts due to non-controlling interests	**–**	(97,600)
	(391,836)	(212,432)
Add: capitalised interest	**243,098**	168,389
	(148,738)	(44,043)
Finance costs, net	**(127,124)**	(35,187)

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC corporate income tax	**168,900**	159,376
– PRC land appreciation tax	**98,965**	68,310
	267,865	227,686
Deferred income tax	**(22,820)**	(43,368)
	245,045	184,318

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

The corporate income tax rate applicable to the group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "**CIT Law**").

PRC land appreciation tax ("LAT")

Pursuant to the requirements in relation to LAT in the PRC, all income from the sale or transfer of state-owned land use rights, building and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2017, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfill the requirements to the tax treaty arrangements between the PRC and Hong Kong.

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the six months ended 30 June 2021 (six months ended 30 June 2020: 16.5%). Hong Kong profits tax has not been provided as the Group did not have any assessable profit for the six months ended 30 June 2021 (six months ended 30 June 2020: same).

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands (the "**BVI**") was incorporated under the Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax.

7. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company during the periods *(RMB'000)*	**156,937**	472,309
Weighted average number of ordinary shares in issue (in thousand)	**1,630,618**	1,200,000
Basic earnings per share *(RMB)*	**0.10**	0.39

(b) Diluted

The Company did not have any potential dilutive shares outstanding during the six months ended 30 June 2021 and 2020. Accordingly, diluted earnings per share is the same as the basic earnings per share.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables from third parties *(Note (a))*	**49,212**	8,071
Other receivables	**1,126,268**	657,699
Prepayments	**695,206**	462,371
Trade and other receivables and prepayments	**1,870,686**	1,128,141

Notes:

(a) Trade receivables

Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are generally received in accordance with the terms stipulated in the sale and purchase agreements. These is generally no credit period granted to the property purchasers.

The aging analysis of trade receivables at the interim condensed consolidated statement of financial position dates based on invoice date is as follows:

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
0-30 days	**43,868**	8,071
31-60 days	**–**	–
61-90 days	**–**	–
Over 90 days	**5,344**	–
	49,212	8,071

For these past due trade receivables, the Group has assessed the expected credit losses by considering historical loss experiences, existing market conditions and forward-looking information. Based on the assessment, expected credit loss rate of trade receivables is close to zero. Therefore, the loss allowance provision for these trade receivables balances was not material.

9. TRADE PAYABLES, BILLS PAYABLES AND OTHER PAYABLES

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Trade payable *(Note a)*	**4,197,124**	4,665,565
Bills payables *(Note b)*	**48,214**	65,659
Other payables	**1,559,871**	1,105,046
	5,805,209	5,836,270

(a) The aging analysis of the trade payables of the Group based on invoice dates is as follows:

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
0–30 days	**4,071,294**	4,279,766
31–60 days	**30,607**	120,017
61–90 days	**35,613**	22,810
Over 90 days	**59,610**	242,972
	4,197,124	4,665,565

(b) An aging analysis of the bills payables of the Group is as follows:

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
0–30 days	**15,795**	18,124
31–60 days	**13,309**	16,176
61 –90 days	**11,878**	9,849
Over 90 days	**7,232**	21,510
	48,214	65,659

10. SHARE CAPITAL

	Number of shares	**Share capital** *HK$*
Authorised:		
At 1 January 2021 and 30 June 2021	10,000,000,000	100,000,000

	Number of shares	**Share capital** *RMB'000*
Issued:		
At 1 January 2021 and 30 June 2021	1,630,618,000	14,919

11. DIVIDEND

Pursuant to the resolution of the Company's Annual General Meeting held on 20 May 2021, the Company has declared 2020 final dividend of RMB0.18 per ordinary shares totaling approximately RMB293,511,000. This dividend has been fully settled in July 2021.

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW

Review of the first half of 2021

Headquartered in Shanghai, Ganglong China Property Group Limited ("**Ganglong China Property**" or the "**Company**", together with its subsidiaries, collectively the "**Group**") is a national property developer and has successively expanded into provinces and cities in Jiangsu, Zhejiang, Shanghai, Henan, Guizhou, Anhui, Guangdong and Chengdu.

The Group adheres to the strategic direction of "deepening presence in the Yangtze River Delta region", closely follows the market cycle, and seized the investment window period in the first half of the year to replenish our high-quality land bank in the Yangtze River Delta region continuously for the purpose of making full preparation for the development in the second half of the year and 2022.

Upholding the Group's core value of "striving for innovation, building with integrity", it is determined to forge ahead with ingenuity and a customer-oriented approach. The Group has gradually formed its own distinctive features in the field of residential properties. The Group has established six major product lines, namely, Xu (序), Jun (君), Ying (映), Jing (境), Fu (府) and Ting (庭) revolving around the Morepro product value system. The Group's pursuit of quality is demonstrated in every step of the process no matter from product design to construction, or material selection to craftsmanship. We have built a solid reputation and excellent brand image in the market.

The Group leveraged on our development and operation capabilities accumulated over the years, and has established an efficient and modern management model characterized by "investment, financing, operation and sales". The Group has also established an overall operation indicator system to safeguard the soundness and stability of cash flow, product quality, operation efficiency, and ultimately, enhance shareholders' returns.

In the first half of 2021, the market continued to thrive since the second half of 2020. Most of the major indicators of the industry continued their rapid growth, and sales data exceeded expectations. The land market continued unabated, and the industry showed strong resilience. The Group precisely planned types of properties and business layout in response to the needs of different customers in different regions, and strived to seize opportunities in the market. As of 30 June 2021, the Group (together with its joint ventures and associates) had a land bank amounting to approximately 10,757,099 sq.m.. At present, the progress of all these projects and sales progress are normal. For the six months ended 30 June 2021, the amount of contracted sales of the Group was approximately RMB17,853 million, representing an increase of 58% as compared to the corresponding period in the previous year.

Future Outlook for the second half of 2021

In terms of policy, the state upholds its major policy of "Housing is for Living in, and Not for Speculation", to maintain "stability" as its primary objective. From "Three Red Lines", "Housing Loan Concentration Management (房貸集中度管理)" to "Two Concentrations of Land Supply (供地兩集中)", policies have become more specific and quantitative from the micro perspective of market participants. However, the land market remains exuberant, especially in the Yangtze River Delta region with a long-term stable population inflow and strong economic foundation. There is further room for growth of the real estate market. In addition, the new Three-Child Population Policy further drives demands for owner-occupied property and housing improvement, laying a long-term foundation for the stable development of the industry.

The Group will continue to consolidate its presence in the Yangtze River Delta. Meanwhile, the Group will further expand into the Guangdong-Hong Kong-Macao Greater Bay Area and Chengdu-Chongqing Metropolitan Area, and cities with tremendous development potential and profitability when opportunities arise.

In light of the profit pressure suffered by the industry, the Group will strive to develop a "streamlined and efficient" organization, it will continuously improve the organization capacity and turn it into a core competitive advantage of the enterprise: the Group will continue to promote digital operations and management to better connect with the market, demand side and production side; the Group will build a training platform, empower the growth of employees, improve the incentive mechanism, introduce talents and improve efficiency per capita through optimizing the organizational structure; the Group will utilise the advantages of centralized purchase alliances to reasonably and effectively reduce operation costs; the Group will adhere to prudent financial policies, explore healthy financing channels, adopt flexible and practical financing strategies and optimize the financing structure. The Group will comprehensively develop both soft and hard power to tackle market fluctuations, which in turn contributes to the rapid and stable development of the Group's business and bring better returns to shareholders.

BUSINESS REVIEW

The Group derives its revenue primarily from sales of properties. For the six months ended 30 June 2021, the Group recorded a total revenue of approximately RMB4,859 million, representing a period-on-period increase of approximately 184%.

Contracted sales

For the six months ended 30 June 2021, including those of joint ventures and associates, the Group recorded an unaudited contracted sales of approximately RMB17,853 million, representing a period-on-period increase of 58%, and approximately 1,488,418 sq.m. of contracted gross floor area ("**GFA**") was sold, representing a period-on-period increase of 65%.

As of 30 June 2021, the Group had contract liabilities of approximately RMB24,874 million, as compared to that of approximately RMB20,980 million as of 31 December 2020, representing an increase of approximately 19%.

Sales of properties

For the six months ended 30 June 2021, the revenue from sales of properties increased by approximately 184% period-on-period to approximately RMB4,859 million. For the six months ended 30 June 2021, the Group recognised a total GFA of approximately 412,397 sq.m., representing an increase of approximately 171% as compared to the corresponding period in 2020. The ASP of the properties recognised as property sales was approximately RMB11,782 per sq.m., representing a period-on-period increase of approximately 5%.

The following table sets out the recognised sales and GFA sold by types of properties and cities for the six months ended 30 June 2021:

	Recognised GFA	**Recognised ASP**	**Recognised revenue**
	sq.m.	*RMB/sq.m.*	*RMB'000*
			(unaudited)
Residential, retail and commercial			
Changzhou	49,196	10,672	525,009
Hangzhou	52,543	19,246	1,011,209
Huzhou	177,310	8,582	1,521,732
Lianyungang	3,468	5,926	20,554
Shanghai	40,945	31,893	1,305,844
Taizhou	34,433	8,682	298,932
Yancheng	4,649	6,917	32,156
Car parks and garage/storage	49,853	2,877	143,403
Total	412,397	11,782	4,858,839

Land reserves

The Group continued to strategically select and acquire parcels of land at strategic and advantageous locations in those regions and cities in order to further develop the Group's presence in those markets.

The following table sets out the GFA breakdown of the total land reserve of our Group by provinces as of 30 June 2021:

Property projects developed by provinces	**Total land reserve of the Group**[1] *(sq.m.)*	**Percentage of total land bank** *(%)*
Jiangsu	6,150,380	58%
Guangdong	1,584,299	15%
Anhui	1,392,017	13%
Zhejiang	790,225	7%
Guizhou	470,634	4%
Henan	192,223	2%
Sichuan	144,519	1%
Shanghai	32,802	0%
Total	10,757,099	100%

Notes:

(1) Total land reserve equals to the sum of (i) the total GFA available for sale and total leasable GFA for completed properties; (ii) total GFA for properties under development; and (iii) total GFA for properties held for future development.

(2) For projects developed by our wholly-owned and non-wholly owned subsidiaries and our joint ventures or our associated companies, 100% of total GFA are accounted for the respective project.

For the six months ended 30 June 2021, the Group (together with its joint ventures and associates) acquired 7 new parcels of quality land in Hai'an, Nantong, Jingjiang, Taizhou, Yizheng, Changzhou and Funing, providing new land reserves of 918,548 sq.m., in terms of total saleable GFA, at a weighted average attributable land cost of approximately RMB4,504 per sq.m..

Particulars of the land parcels are set out in the following table:

Name of Project	City	The Group's Equity Interest	Total GFA	Total Consideration	Average land cost
			(sq.m.)	*(RMB'000)*	*(RMB/sq.m.)*
Tian Cui Ge	Hai'an	22%	62,747	322,502	5,140
Long Xi Huang Yuang	Nantong	39%	81,919	383,665	4,683
Jun Yuan	Jingjiang	34%	183,015	878,320	4,799
Taizhou Chengzhong	Taizhou	34%	149,307	1,363,000	9,129
Yangzhou Yizheng	Yizheng	60%	147,588	495,000	3,354
Changzhou Wujin	Changzhou	50%	86,718	482,000	5,558
Wen Lan Fu	Funing	40%	207,254	404,770	1,953
Total			918,548	4,329,257	

FINANCIAL REVIEW

Overall performance

During the six months ended 30 June 2021, total revenue of the Group was approximately RMB4,859 million, representing a period-on-period increase of approximately 184%. Gross profit was approximately RMB1,139 million, representing a period-on-period increase of approximately 74%. Net profit of the Group increased by 41% period-on-period to approximately RMB453 million for the six months ended 30 June 2021.

Revenue

For the six months ended 30 June 2021, the Group recorded a total revenue of approximately RMB4,859 million, representing a period-on-period increase of approximately 184%. The increase was primarily attributable to the significant growth in recognised sales of properties, driven by an increase in the Group's property projects delivered during the period.

Cost of sales

The cost of sales of the Group represents the costs incurred directly for sale of properties, which comprised construction costs, land costs and capitalised interest.

For the six months ended 30 June 2021, the cost of sales of the Group was approximately RMB3,720 million, representing a period-on-period increase of approximately 252%.

Gross profit

For the six months ended 30 June 2021, the gross profit of the Group was approximately RMB1,139 million, representing a significant period-on-period increase of approximately 74%. The changes in gross profit margin was primarily affected by the selling prices, the construction costs and land costs of our properties delivered. The decrease in gross profit margin was contributed by relatively higher land costs of properties delivered during the current period.

Other income and other gains, net

The Group had other income and other gains, net, of approximately RMB75 million for the six months ended 30 June 2021, as compared to approximately RMB11 million for the six months ended 30 June 2020. During the six months ended 30 June 2021, it primarily consisted of management and consulting service income of approximately RMB14 million and fair value gains on listed securities investment of approximately RMB33 million, respectively. The management and consulting services mainly comprise of the assignment of staff and personnel to support the operation of the relevant project companies including but not limited to services with respect to managerial, operational, financial and marketing aspects and are provided exclusively to the Group's joint ventures and associates in relation to the property development projects.

Selling and marketing expenses

The Group's selling and marketing expenses increased by approximately 84% period-on-period from approximately RMB161 million for the six months ended 30 June 2020 to approximately RMB296 million for the six months ended 30 June 2021. The increase was primarily attributable to the increase in marketing and advertising costs and staff costs, driven by the rapid growth in the Group's contracted sales during the period.

General and administrative expenses

The Group's general and administrative expenses increased by approximately 60% period-on-period from approximately RMB178 million for the six months ended 30 June 2020 to approximately RMB285 million for the six months ended 30 June 2021. The increase in our general and administrative expenses was primarily due to increase in number of projects on hand and scale of operation.

Finance costs – net

Net finance costs of the Group increased by approximately 263% period-on-period from approximately RMB35 million for the six months ended 30 June 2020 to approximately RMB127 million for the six months ended 30 June 2021. The increase was primarily attributable to the increase in interest-bearing debts (including the issue of senior notes in December 2020) for the purposes of properties development business.

Share of results of joint ventures and associates

The Group accounts for the results of joint ventures and associates using the equity method, which mainly represent the share of profits related to the projects delivered during the relevant period that have been offset by losses incurred by other joint ventures and associates.

Share of results of joint ventures and associates decreased from a profit of approximately RMB212 million for the six months ended 30 June 2020 to a profit of approximately RMB192 million for the six months ended 30 June 2021 representing a period-on-period decrease of 9%. The decrease was primarily attributable to the decrease in attributable revenue from sales of properties of the joint ventures and associates as less projects were completed and delivered during the period by the joint ventures and associates of the Group. This was in line with the Group's increasing number of consolidating projects throughout the periods.

Income tax expenses

Our income tax expenses increased by 33% from RMB184 million for the six months ended 30 June 2020 to RMB245 million for the six months ended 30 June 2021, primarily due to increase in profit before income tax. Our effective tax rates, excluding the share of results of joint ventures and associates, were 48% and 63% for six months ended 30 June 2021 and 2020, respectively.

Profit and total comprehensive income for the period

As a result of the foregoing reasons, the Group's profit and total comprehensive income significantly increased by approximately 41% from approximately RMB321 million for the six months ended 30 June 2020 to approximately RMB453 million for the six months ended 30 June 2021.

Liquidity and financial resources

The Group has always pursued a prudent treasury management policy and actively managed its liquidity position with sufficient unused banking facilities to cope with daily operation and any demands for capital for future development.

During the six months ended 30 June 2021, the Group had financed its working capital, capital expenditure and other capital requirements primarily through (i) cash generated from operations including proceeds from the pre-sale and sales of our properties and (ii) bank loans, senior notes financing, trust financing and other financings.

As of 30 June 2021, the Group had a total cash (including restricted cash, pledged time deposits and cash and cash equivalents) of approximately RMB6,489 million as compared to approximately RMB6,797 million as of 31 December 2020. The Group maintained a relatively sufficient cash level.

During the six months ended 30 June 2021, the aggregate new borrowings from bank and other trust financing arrangement obtained by the Group amounted to approximately RMB4,572 million and repayment of borrowings to bank and trust financing arrangement was approximately RMB3,488 million. As of 30 June 2021, the Group's total bank and other borrowings amounted to approximately RMB8,725 million, representing an increase of approximately 1% compared to approximately RMB8,642 million as of 31 December 2020. Amongst the bank and other borrowings, approximately RMB3,897 million (as at 31 December 2020: approximately RMB6,051 million) will be repayable within one year and approximately RMB4,828 million (as at 31 December 2020: approximately RMB2,591 million) will be repayable after one year. As of 30 June 2021, cash to short term debt ratio (calculated as cash and bank balances divided by short term bank and other borrowings) was 1.7 times (as at 31 December 2020: 1.1 times).

Key financial ratios

As of 30 June 2021, the Group's net gearing ratio (calculated as the total borrowings net of restricted cash, pledged time deposits and cash and cash equivalents divided by total equity) was 25%, a decrease of 16 percentage points as compared with 41% as of 31 December 2020. As of 30 June 2021, the Group's liabilities to assets ratio after excluding contract liabilities was approximately 68% (as at 31 December 2020: 82%). The decrease in both net gearing ratio and liabilities to assets ratio was primarily attributable to the increase in total equity by delivery of more projects and capital contribution by non-controlling interest. The Group actively monitors and manages its cash to short term debt ratio, net gearing ratio and liabilities to asset ratio. As of 30 June 2021, these indicators has improved as compared to the ratios as of 31 December 2020. The Group will continue to manage working capital efficiently through working capital management policies and continue to utilise the Group's available financial resources including proceeds from sales and pre-sales of property project's and draw down of banking facilities and other borrowings and optimised the payment schedule to contractors through negotiation based on the latest construction progress.

The Group's current ratio was calculated based on its total current assets divided by its total current liabilities as of the respective dates. The Group's current ratio had increased from approximately 1.13 times as of 31 December 2020 to approximately 1.30 times as of 30 June 2021. The improvement of current ratio was mainly due to the decrease in the proportion of short-term borrowings over total borrowings from bank and other trust financing arrangements from approximately 70% as at 31 December 2020 to approximately 45% as at 30 June 2021.

Foreign exchange risk

Substantially all of the Group's revenues and expenditures are denominated in RMB. Other than the senior notes with a principal amount of US$150 million due in December 2021 (the "**2021 Senior Notes**"), the Group did not have other material direct exposure to foreign exchange fluctuations for the six months ended 30 June 2021. As of 30 June 2021, the Group has not entered into any hedging transactions. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's interest rate risk arises from its borrowings. Except for the 2021 Senior Notes which the interest rate is fixed, most of the Group's borrowings are denominated in RMB, and their interest rates on the Group's borrowings are primarily affected by the benchmark interest rates set by the People's Bank of China. The Group manages its interest rate risk by closely monitoring the trend of interest rate fluctuation and its impact on the Group's interest rate risk exposure, as well as regulating the debt portfolio of the Group.

Pledge of assets

As of 30 June 2021, certain of the Group's bank and other borrowings were secured by its pledged time deposit, equity interests of group companies, properties under development, completed properties held for sales and investment properties with total carrying values of RMB15,227 million (31 December 2020: RMB14,880 million).

Financial guarantees and contingent liabilities

As of 30 June 2021, the Group's total financial guarantees are as follows:

	30 June 2021 *(RMB'000)* **(unaudited)**	31 December 2020 *(RMB'000)* (audited)
Guarantee in respect of mortgage facilities for certain purchasers	**9,453,009**	7,913,296
Guarantee provided for the borrowings of joint ventures and associates	**995,000**	615,000
Total	**10,448,009**	8,528,296

During the six months ended 30 June 2021, the Group had arranged for bank financing for certain purchasers of our properties and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees periods start from the date of grant of mortgage, and terminate upon the earlier of (i) the issuance of the property ownership certificate to the purchaser; or (ii) the satisfaction of mortgage loans by the purchasers of our properties. Pursuant to the terms of these guarantees, upon default of mortgage payments by these purchasers, the bank may demand us to repay the outstanding mortgage principal of the loan together with accrued interest owed by the defaulting purchasers to the banks. Under such circumstances, the Group are entitled to forfeit the relevant purchaser's deposit and resell the property to recover any amounts paid by the Group to the bank. The Directors consider that the likelihood of default of payments by the purchasers is minimal and the Group's credit risk is significantly mitigated.

The Group also provided guarantee for borrowings of the Group's joint ventures and associates from time to time. The relevant borrowings were primarily from banks to finance property development projects of these joint ventures and associates, whereby the land use rights of the joint ventures and associates were pledged to the banks and our guarantee was provided in addition to the pledges. The Directors consider that the likelihood of default in payments by the joint ventures and associates is minimal. As at 30 June 2021, the joint ventures and associates held attributable borrowings and cash and bank balance of RMB773,500,000 and RMB822,107,000, respectively (31 December 2020: RMB516,220,000 and RMB870,329,000). Therefore the financial guarantee measured at fair value is immaterial and no liabilities was recognised.

As of 30 June 2021, the Group had no other material contingent liabilities.

Future plans for material investments

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

Significant subsequent events

Except as disclosed in this announcement, there was no significant event taken place subsequent to 30 June 2021 and up to the date of this announcement.

Employee and remuneration policy

As of 30 June 2021, the Group had a total of 1,827 employees (31 December 2020: 1,465 employees). The employee benefit expenses for the six months ended 30 June 2021 amounted to approximately RMB228 million (for the six months ended 30 June 2020: RMB132 million). The Group has adopted a system of determining the remuneration of employees based on the performance of employees. In general, the Group provides competitive remuneration packages to employees, which include basic salaries, performance-based rewards and year-end bonus. The Group also pays social security insurance for the Group's domestic employees, including medical insurance, work-related injury insurance, endowment insurance, maternity insurance, unemployment insurance and housing funds.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The shares of the Company were first listed on the Main Board of the Stock Exchange on 15 July 2020 (the "**Listing Date**") (the "**Listing**"). Neither the Company nor its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2021.

INTERIM DIVIDEND

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

USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING AND THE ISSUE OF THE OVER-ALLOTMENT SHARES

The net proceeds from the Listing amounted to HK$1,611.7 million after deducting the underwriting fees and commissions and other listing expenses borne by the Company. The Company had fully used the proceeds raised from the Global Offering in accordance with its development strategies, market conditions and intended use of such proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 June 2020 (the "**Prospectus**").

An analysis of the planned usage of the net proceeds as stated in the Prospectus and the actual utilization of the net proceeds for the period from the Listing Date up to the date of this announcement and the intended use of the proceeds are set out as below:

Business objective as stated in the Prospectus	**Percentage of total net proceeds**	**Intended use of net proceeds**(Note) *HK$'000*	**Actual use of net proceeds as at the date of this announcement** *HK$'000*	**Proceeds unused** *HK$'000*
To fund land costs of potential development projects	60%	967,020	967,020	–
To finance the construction costs for the development of our existing projects	30%	483,510	483,510	–
General working capital	10%	161,170	161,170	–

Note: As disclosed in the Prospectus, the estimated net proceeds from the Listing, after deduction of the underwriting fees and commissions and expenses paid by the Company in connection therewith, were approximately HK$1,432.2 million, which was revised to HK$1,469.0 million as disclosed in the Company's allotment results announcement dated 14 July 2020. The actual net proceeds received by the Company were approximately HK$1,611.7 million after the exercise of the over-allotment option. The Company applied the difference of approximately HK$142.7 million to the business strategies in the same proportion as the original funds applied as shown in the Prospectus.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its Shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**"), as its own code to govern its corporate governance practices since the Listing.

For the six months ended 30 June 2021, save for the deviation in relation to the Chairman of the Board and the chief executive officer being the same individual, the Board believes that the Company has complied with the code provision of the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry, all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2021.

REVIEW OF FINANCIAL INFORMATION

Audit committee

The audit committee of the Company, comprising Mr. Wan Ho Yin, Mr. Lui Wing Nam, Mr. Guo Shaomu and Ms. Tang Lo Nar, has discussed with the management and reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2021.

In addition, the Company's external auditor, PricewaterhouseCoopers, has performed an independent review of the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". An unqualified review opinion was issued by PricewaterhouseCoopers.

PUBLICATION OF UNAUDITED INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim result announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.glchina.group). The interim report of the Company for the six months ended 30 June 2021 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

By order of the Board
Ganglong China Property Group Limited
Lui Ming
Chairman and Executive Director

Hong Kong, 25 August 2021

As of the date of this announcement, the executive directors of the Company are Mr. Lui Ming (Chairman), Mr. Lui Jin Ling, and Mr. Lui Chi Chung Jimmy. The non-executive directors of the Company are Mr. Lui Wing Mau and Mr. Lui Wing Nam. The independent non-executive directors of the Company are Mr. Wan Ho Yin, Mr. Guo Shaomu, and Ms. Tang Lo Nar.