



GUANGZHOU R&F PROPERTIES CO., LTD.

Stock code: 2777



INTERIM REPORT

2022

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CORPORATE INFORMATION

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|--|--|
| Executive Directors | Li Sze Lim Zhang Li Zhang Hui Xiang Lijun |
| Non-executive Directors | Zhang Lin Li Helen |
| Independent Non-executive Directors | Zheng Ercheng Ng Yau Wah Daniel Wong Chun Bong |
| Supervisors | Chen Liangnuan Zhao Xianglin Zhang Yucong |
| Authorized Representatives | Li Sze Lim Lee Michael |
| Company Secretary | Lee Michael |
| Registered Office in the PRC | 45-54/F., R&F Center, No. 10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC |
| Principal Place of Business in the PRC | 45-54/F., R&F Center, No. 10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC |
| Principal Place of Business in Hong Kong | Room 6303, The Center, No. 99 Queen's Road Central, Hong Kong |
| Auditor | BDO Limited 25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong |
| Legal Advisor as to Hong Kong Law | Sidley Austin 39/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong |
| Hong Kong H Share Registrar | Computershare Hong Kong Investor Services Limited 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong |
| Website | www.rfchina.com |

BUSINESS REVIEW

A review of first half of 2022 was unlike past interim financial year reviews. The first half of 2022 continued to be plagued by Covid lockdowns and economic uncertainty, but amidst the continued negative backdrop, the fragility of China's property sector became more and more apparent as an increasing amount of our peers were unable to pay interest, service principal repayments and inevitably undertook various forms of debt restructuring with varying outcomes. The general focus in the property sector during the first half was on managing liquidity and mitigating credit risk associated with liabilities in China and offshore US-dollar denominated debt, unable to be refinanced or repaid. The unfavourable credit environment, coupled with challenging operating conditions has meant many developers' liquidity remained tight as contracted sales also saw a significant decline. During this period, negative overhang and an increasing possibility of a slowdown in China's economy, led to an overwhelming consensus that China's Central Government would intervene to avoid a spiral downturn. As of the end of August 2022, there were numerous positive stimulus measures introduced to stimulate the economy such as a reduction in China's PBOC five-year loan prime rate by 35 points in total, as well as specific property sector targeted policies including reduction in required down payment deposits for property purchasers and/or removal of home purchase restrictions in certain cities. Whilst there were periods of optimism after introduction of these policies, we can expect more intervention in the second half of 2022 to improve operating conditions and ensure a stable economic outlook.

Unprecedented times require unprecedented measures. There were a few major successful corporate actions completed by the Group in the first half involving asset sales and debt restructuring exercises that ultimately defined the Group from its peers. Senior management formulated a highly complicated and comprehensive liability management exercise to holistically address the financial risk faced by the Group that was unprecedented. The result was a successful restructuring of multiple tranches of debt obligations that averted default and improved immediate operating cash flow for the Group as outlined further below.

Faced with uncertainty over available liquidity and impending maturity walls of debt due in 2022, management took a more proactive approach to manage risk of the Group and allow time for operating conditions to normalise after disruptions from Covid to subside. The Group underwent an asset sales plan that involved sales of offshore and onshore projects. In April, the Group completed a sale of Vauxhall Square in London for a consideration of GBP95.7 million. The sale of Vauxhall Square allowed the Group to offset maturing liabilities due in 2022 and realise some additional liquidity for working capital purposes. In addition to the sale of Vauxhall Square, the Group also sold its 50% ownership of One Thames City (OTC), a similarly located project in London, for a consideration of HKD2.66 billion. The sale proceeds of OTC project was a sizeable transaction that allowed the Group to further reduce its immediate liabilities that otherwise would have been unable to be repaid at maturity. In China, the Group sold a hotel in Fuzhou for a consideration of RMB430 million. The hotel sale was part of an active program to monetize available investment properties to generate additional liquidity that is expected to continue as interest in income generating assets become an attractive investment for long-term investors.

In addition to undertaking asset sales, the Group also proactively engaged noteholders and creditors offshore and in China to discuss amicable solutions to revolving upcoming maturities to avoid a potential default given market liquidity in the financing market is no longer available. The approach senior management underwent was analysing possible options available based on the nature of credit investors and type of debt financing. Overall, up to the date of the announcement, the Group managed to extend or refinance approximately USD4.9 billion or equivalent offshore senior notes, and RMB3.35 billion domestic bonds. The extent of refinancing was unprecedented and was reflective of the Group's proactive approach to addressing the risks and investors appreciation of the market environment.

With regards to offshore refinancing, the Group firstly successfully extended USD0.61 billion senior notes due in January 2022. The extension allowed time to formulate a holistic restructuring of all 10 outstanding USD senior notes with an aggregate notional value of approximately USD4.9 billion excluding accrued interest. In determining the appropriate restructuring proposal, the Group engaged with various investors to determine what would be considered acceptable and fair terms in the current environment. To successfully complete the holistic restructuring of all senior notes, each of the individual tranches needed to receive over 75% approval from noteholders (in terms of notional amounts) with a quorum of no less than two-thirds participation. If under any circumstance, one of the 10 tranches did not pass the required threshold, the holistic restructuring could not proceed given there are cross-default provisions or prior technical breaches that needed to be waived. Ultimately, the Group was able to receive the necessary approval to pass all 10 notes individually, enabling all outstanding USD senior notes to be successfully restructured and waive any outstanding deficiencies under the existing terms of the notes. The final proposal that was adopted by noteholders was to collapse the 10 notes into three new notes ("New Notes") maturing in 2025, 2027 and 2028 with partial amortisation of notional beginning from the 2-year anniversary of the completed restructuring. All New Notes carry the same cash interest rate of 6.5% p.a., or 7.5% p.a. paid-in-kind for the first 18-months, which is lower than the prior senior notes with an average interest rate of 8.74% p.a.. After completion of the bond restructuring, the Group's immediate cash flows and maturity profile improved significantly as near-term maturities were extended with an option to also defer interest payments on all notes due within the next 18-months till the 2-year anniversary of the restructuring.

In the first half of 2022, a similar bond extension was undertaken onshore with maturities in April and May domestic bond maturities of RMB1.95 billion and RMB1.40 billion were extended for 1-year with an amortisation schedule. Historically, extensions of domestic bonds were difficult and onerous as the investor base are generally more fragmented and uncertain, however, with investors more pragmatic about possible options on repayment and the Group's successful restructuring of USD senior notes, investors have been more supportive of the Group's efforts in agreeing to term out near-term maturities. In the second half of 2022, the Group will continue actively engage investors to further improve its liquidity profile.

With the ongoing focus on managing liquidity and improving the overall maturity profile, the Group's earnings in the first half have inevitably been negatively affected. The Group's first half earnings have been impacted by a need to undertake a sale of assets to generate liquidity, fluctuations in foreign exchange, and lower delivery of contracted sales recognised. In the first half, gross profit margins were lower because of sales of properties recognised with lower profitability in-line with the trend in the sector. Despite the impact from unforeseen market conditions experienced today, over the longer term, management expects the recovery in China and key offshore regions will offset over time and the quality of the assets owned by the Group will see a future recovery in earnings.

GOING FORWARD

Management has made some key decisions during the past 12-months to ensure the Group survives the current headwinds and be able to remain a significant. The Group has significant assets that carry substantial value, such as our high-quality hotel portfolio, offshore assets strategically located in prime locations, and sizeable land bank in China in tier-1 and tier-2 cities. The Group will continue to focus on generating contract sales by developing and completing its high-quality land bank to unlock value. Development of projects will focus on end user demands with a rapid development cycle to maximise efficiency of capital investment. With ample land bank available for development in the medium-term, land acquisitions will remain prudent. The Group will also focus on a disciplined capital expenditures plan to maintain sufficient liquidity.

ACKNOWLEDGEMENTS

During these difficult times, I cannot emphasise enough the importance and level of commitment shown by our senior management and employees to work tirelessly to deliver on milestones for the benefit of all our stakeholders. After years of operating under Covid disruptions leading to endless travel and operation restrictions, our staff and senior managers have had to find alternative ways to ensure deliverables are achieved. I would like to thank all our employees for their commitment during the period, our shareholders for their unwavering support, and our business partners for their patience to together solidify a long-term partnership going forward.

Li Sze Lim

Chairman

Hong Kong, 31 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

PROPERTY DEVELOPMENT

The Group's businesses cover over 145 cities and regions. As at 30 June 2022, the Group's total land bank for GFA was approximately 62,924,000 sq.m. and for saleable area was approximately 48,585,000 sq.m.. During the period, the Group recorded cumulative total contracted sales RMB26.50 billion. Completion saleable area was 1,012,000 sq.m.. Projects under development amounted to approximately 18,824,000 sq.m. total GFA as at 30 June 2022.

Completion of Properties

The Group's completion in the period amounted to 1,012,000 sq.m. saleable area and the expected completion in the second half of 2022 is approximately 4,821,000 sq.m. saleable area. Expected completion for 2022 is 5,833,000 sq.m. saleable area as shown in the following table.

| Location | Completed in 1st half of 2022 | | To be completed in 2nd half of 2022 | | 2022 Full Year Estimate | |
|------------------------|----------------------------------|--|--|--|-------------------------------|--|
| | Approximate GFA (sq.m.) | Approximate saleable area (sq.m.) | Approximate GFA (sq.m.) | Approximate saleable area (sq.m.) | Approximate GFA (sq.m.) | Approximate saleable area (sq.m.) |
| Northern China | 475,000 | 385,000 | 928,000 | 827,000 | 1,403,000 | 1,212,000 |
| Eastern China | 5,000 | 4,000 | 905,000 | 632,000 | 910,000 | 636,000 |
| Northwestern China | – | – | 934,000 | 867,000 | 934,000 | 867,000 |
| Southern China | 149,000 | 130,000 | 392,000 | 361,000 | 541,000 | 491,000 |
| Southwestern China | 256,000 | 216,000 | 748,000 | 703,000 | 1,004,000 | 919,000 |
| Central Southern China | 73,000 | 67,000 | 536,000 | 464,000 | 609,000 | 531,000 |
| Hainan | 15,000 | 14,000 | 442,000 | 373,000 | 457,000 | 387,000 |
| Overseas | – | – | 54,000 | 36,000 | 54,000 | 36,000 |
| JV(Attributable) | 185,000 | 144,000 | 361,000 | 297,000 | 546,000 | 441,000 |
| Sub-total | 1,158,000 | 960,000 | 5,300,000 | 4,560,000 | 6,458,000 | 5,520,000 |
| Investment Properties | 52,000 | 52,000 | 282,000 | 261,000 | 334,000 | 313,000 |
| Total | 1,210,000 | 1,012,000 | 5,582,000 | 4,821,000 | 6,792,000 | 5,833,000 |

Contracted Sales

The Group's total contracted sales in the first half of 2022 were RMB26.50 billion with 2,033,600 sq.m. sold. The average selling price was approximately RMB13,000 per sq.m.. The contracted sales were generated from 192 projects in 111 cities of 27 provinces (including municipalities and autonomous regions) and 4 overseas countries. On a province basis, contracted sales of Guangdong, Beijing, Zhejiang, Hainan, Tianjin, Shanxi, Shanghai, Shaanxi, Shandong and Jiangxi were the highest top 10, which contributed approximately RMB19.08 billion, accounting for 72% of total contracted sales of the Group. In term of city, contracted sales of tier-1 and the tier-2 cities accounted for 73% of total contracted sales of total contracted sales. Tier-3 and below cities contributed 23% of total contracted sales and overseas contributed 4%. On the type of property basis, 62% of contracted sales were generated from high-rise residential properties, 4% from villa and 34% from commercial properties and others, including office, apartment and retail, etc..

| Region | Area | Approximate total value (RMB million) | Approximate total saleable area sold (Thousand sq.m.) |
|------------------------|----------------|---------------------------------------|---|
| Northern China | Beijing | 3,077.9 | 113.5 |
| | Tianjin | 1,720.3 | 155.1 |
| | Shandong | 853.9 | 100.1 |
| | Hebei | 585.6 | 67.6 |
| | Liaoning | 476.4 | 76.8 |
| | Heilongjiang | 406.7 | 33.8 |
| | Henan | 215.2 | 33.5 |
| Eastern China | Zhejiang | 2,409.0 | 95.7 |
| | Shanghai | 1,461.4 | 36.6 |
| | Jiangsu | 717.1 | 37.9 |
| | Anhui | 435.9 | 56.5 |
| Southern China | Guangdong | 4,347.9 | 216.1 |
| | Guangxi | 609.7 | 90.7 |
| Northwestern China | Shanxi | 1,584.5 | 188.0 |
| | Shaanxi | 892.0 | 72.5 |
| | Inner Mongolia | 600.7 | 103.0 |
| | Xinjiang | 231.0 | 25.1 |
| | Gansu | 89.7 | 5.9 |
| Hainan | Hainan | 1,892.9 | 122.3 |
| Central Southern China | Jiangxi | 844.2 | 83.3 |
| | Hubei | 460.3 | 52.0 |
| | Fujian | 148.0 | 19.6 |
| | Hunan | 114.5 | 15.1 |
| Southwestern China | Chongqing | 794.6 | 81.4 |
| | Sichuan | 254.9 | 40.8 |
| | Guizhou | 221.5 | 52.2 |
| | Yunnan | 92.8 | 10.1 |
| Overseas | Australia | 500.0 | 16.7 |
| | Malaysia | 214.7 | 14.8 |
| | Cambodia | 164.0 | 16.2 |
| | United Kingdom | 82.5 | 0.7 |
| Total | | 26,499.8 | 2,033.6 |

| Region | Approximate total value (RMB million) | Approximate total saleable area sold (Thousand sq.m.) |
|------------------------|--|--|
| Northern China | 7,336.0 | 580.4 |
| Eastern China | 5,023.4 | 226.7 |
| Southern China | 4,957.6 | 306.8 |
| Northwestern China | 3,397.9 | 394.5 |
| Hainan | 1,892.9 | 122.3 |
| Central Southern China | 1,567.0 | 170.0 |
| Southwestern China | 1,363.8 | 184.5 |
| Overseas | 961.2 | 48.4 |
| Total | 26,499.8 | 2,033.6 |

Projects Under Development

Projects under development amounted to approximately 18,824,000 sq.m. total GFA as at 30 June 2022, details of which are set out below:

| Area | Approximate total GFA (sq.m.) | Approximate total saleable area (sq.m.) |
|------------------------------|----------------------------------|--|
| Northern China | 2,707,000 | 2,004,000 |
| Eastern China | 2,271,000 | 1,564,000 |
| Northwestern China | 4,991,000 | 3,726,000 |
| Southern China | 4,320,000 | 2,993,000 |
| Southwestern China | 1,470,000 | 1,038,000 |
| Central Southern China | 1,886,000 | 1,298,000 |
| Hainan | 270,000 | 205,000 |
| Overseas | 529,000 | 269,000 |
| Sub-total | 18,444,000 | 13,097,000 |
| Investment Properties | 380,000 | 335,000 |
| Total | 18,824,000 | 13,432,000 |

PROPERTY INVESTMENT

The Group's investment properties portfolio mainly located in tier-1 and tier-2 cities, including Grade-A office buildings, shopping malls, various retail properties, theme park and etc.. As of 30 June 2022, the total GFA of investment properties under operation is approximately 1,883,000 sq.m., under development or planning is approximately 1,742,000 sq.m..

HOTEL OPERATION

The Group currently has 93 hotels under operation, total GFA 4,074,700 sq.m. with 28,056 hotel rooms. The 93 hotels are managed by well-known hotel management groups such as Marriott International, Inc., InterContinental Hotels Group, Hilton Worldwide Holdings Inc., Hyatt Hotels Corporation, Accor Hotels, Wanda Hotels and Resorts Co., Ltd. and other hotel groups. Also, the Group had a total of 132 hotels of which approximately 39 hotels are under development and under planning. During the period, the Group newly opened Hyatt Centric Lakeside Ningbo. Located in the center of Zhenhai District, by Tongxin Lake in Zhenhai's vibrant Talent Park, the hotel is steps from a myriad of dining, entertainment and family activities, with total GFA of 20,300 sq.m. and 174 hotel rooms.

LAND BANK

During the period, the total saleable area of the new land was approximately 138,000 sq.m.. As at 30 June 2022, the Group's total land bank was 62,924,000 sq.m. and 48,585,000 sq.m. in GFA and saleable area, distributed across 92 cities and regions. Details as below:

| Location | Approximate Total GFA (sq.m.) | Approximate Total saleable area (sq.m.) |
|-------------------------------|--|--|
| Development Properties | | |
| Northern China | 14,718,000 | 11,453,000 |
| Eastern China | 5,536,000 | 4,139,000 |
| Northwestern China | 12,723,000 | 9,642,000 |
| Southern China | 7,209,000 | 5,875,000 |
| Southwestern China | 5,194,000 | 4,088,000 |
| Central Southern China | 6,486,000 | 5,378,000 |
| Hainan | 2,866,000 | 2,438,000 |
| Overseas | 5,867,000 | 3,594,000 |
| Sub-total | 60,599,000 | 46,607,000 |
| Investment Properties | 2,325,000 | 1,978,000 |
| Total | 62,924,000 | 48,585,000 |

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly derived from property development, rental of investment properties and hotel operation. During the period, due to the continual slump of the real estate industry in the PRC and the delay in construction progress affected by COVID-19 pandemic, the Group's revenue generated from property development decreased by 58% to RMB15.149 billion, from RMB35.946 billion for the corresponding period of last year. This revenue was based on delivery of 1,885,000 sq.m. of sale properties in the period which was approximately 54% less than the 4,098,000 sq.m. delivered in the previous period. Overall average selling price for the period was approximately RMB8,000 per sq.m. (1H2021: RMB8,800 per sq.m.).

Rental income from property investment decreased by 23% to RMB409 million, from RMB533 million in the first half of 2021. Revenue from hotel operations decreased to RMB1.781 billion from RMB2.500 billion in the previous period, primarily due to the impact of the continuous COVID-19 pandemic in the second quarter of the year, and the stringent lockdowns and travel restrictions as imposed in the PRC.

The following table is the summary of revenue from property development:

| City/Country | Amount of turnover (in RMB million) | Saleable area sold (sq.m.) | Average selling price (RMB/sq.m.) |
|--------------|--|-------------------------------|--------------------------------------|
| Hainan | 3,500 | 193,290 | 18,100 |
| Beijing | 1,172 | 46,050 | 25,500 |
| Gangzhou | 675 | 61,030 | 11,100 |
| Cangzhou | 555 | 61,870 | 9,000 |
| Chongqing | 490 | 69,550 | 7,000 |
| Yancheng | 474 | 50,540 | 9,400 |
| Zhuhai | 442 | 29,660 | 14,900 |
| Australia | 354 | 9,750 | 36,300 |
| Tianjin | 317 | 70,440 | 4,500 |
| Tangshan | 314 | 39,350 | 8,000 |
| Anshan | 309 | 79,180 | 3,900 |
| Heze | 282 | 58,610 | 4,800 |
| Changzhi | 270 | 52,480 | 5,100 |
| Leshan | 270 | 44,710 | 6,000 |
| Wuxi | 269 | 67,300 | 4,000 |
| Luzhou | 267 | 66,690 | 4,000 |
| Cambodia | 227 | 23,630 | 9,600 |
| Lijiang | 223 | 25,600 | 8,700 |
| Zhongshan | 186 | 16,780 | 11,100 |
| Malaysia | 181 | 19,020 | 9,500 |
| Taiyuan | 177 | 26,700 | 6,600 |
| Kaifeng | 154 | 24,580 | 6,300 |
| Shaoguan | 154 | 26,300 | 5,900 |
| Shenyang | 153 | 33,040 | 4,600 |
| Harbin | 151 | 21,640 | 7,000 |
| Shijiazhuang | 143 | 25,020 | 5,700 |
| Guilin | 142 | 36,420 | 3,900 |
| Meizhou | 122 | 29,950 | 4,100 |
| Datong | 116 | 23,000 | 5,000 |
| Shanghai | 111 | 9,150 | 12,100 |
| Xian | 107 | 50,590 | 2,100 |
| Ningbo | 106 | 15,960 | 6,600 |
| Yueqing | 103 | 4,700 | 21,900 |
| Other* | 2,633 | 472,420 | 5,600 |
| Total | 15,149 | 1,885,000 | 8,000 |

* Included City/Country with amount of turnover below RMB100 million.

Cost of Sales

Cost of sales of the Group primarily represents the costs incurred directly for the Group's property development activities. The components of cost of sales include land and construction costs, capitalised finance costs and levy taxes. In the first half of 2022, cost of sales of the Group was RMB14.985 billion, representing an decrease of 52% when compared with RMB30.923 billion in the previous period.

During the period, land and construction costs made up 90% of the total costs of property development. In terms of costs per sq.m., land and construction costs decreased to RMB5,850 from RMB6,190. Capitalised interest included in the cost of sales amounted to RMB1.197 billion, 7.9% as a percentage of revenue from sale of properties. The cost of sales also included RMB69.8 million (1H2021: RMB236 million) as levy taxes.

Gross Profit Margin

Overall gross profit margin of property development for the period was 18.9%, as compared to 22.3% in the corresponding period of 2021. The decrease was due to the adjustments made on average selling price to accelerate the pace of sales which subsequently affected the Group's gross profit margin. The top five cities ranked by revenue in the period, Hainan, Beijing, Ganzhou, Cangzhou and Chongqing, accounted for 42.2% of the total revenue. The gross profit margins of these cities were 27%, 53%, 24%, 11% and 43% respectively.

Other Income and Other Gains – net

Other income and other gains – net mainly consists of interest income, revaluation gains and fair value gains on investment properties, as well as gains or losses on disposals of subsidiaries and certain equity interests in a joint venture. During the period, other income and other gains – net decreased to a loss of RMB2.389 billion in the first half of 2022 from a gain of RMB2.164 billion in the first half of 2021. The decrease was mainly due to losses on disposal of subsidiaries, certain equity interests in a joint venture and lower fair value gains on investment properties.

Selling and Marketing Expenses and Administrative Expenses

During the period, selling and marketing expenses of the Group decreased by 44% to RMB832 million from RMB1.482 billion in the first half of 2021, while administrative expenses decreased to RMB1.934 billion from RMB2.727 billion in the corresponding period of 2021. The decrease was due to the stringent cost control by the Group. As a percentage of revenue, the selling and marketing expenses increased to 4.7% from 3.8% in the first half of 2021, was mainly due to the significant decrease in the revenue from property development. The main component of administrative expenses was staff costs.

Finance Costs – net

Finance costs – net being interest expenses incurred in the period after deduction of amounts capitalised to development costs, increased by 226% to RMB5.202 billion (1H2021: RMB1.595 billion) mainly due to the foreign exchange losses of RMB2.157 billion (1H2021: foreign exchange gains of RMB540 million) due to the depreciation of exchange rate of RMB to US dollars in first half of 2022. Total interest expenses incurred in the period decreased from RMB6.461 billion in the previous corresponding period to RMB6.294 billion. Together with RMB1.197 billion charged to the cost of sales related to capitalised interest, the total finance costs incurred during the period amounted to RMB6.399 billion (1H2021: RMB3.878 billion).

Share of Results of Associates and Joint Ventures

The share of results of associates were mainly derived from the Group's 50% interests in Beijing CCCc R&F No.10 Mansion. The share of results of joint ventures were mainly from the Group's 45% interests in Guangzhou R&F The Grand City project, 65% interests in Guangzhou R&F New City and 50% interests in Shanghai Jiayuwan. These four projects mentioned had a combined turnover of RMB8.286 billion.

Income Tax Expenses

Land appreciation tax (LAT) of RMB201 million (1H2021: RMB880 million) and enterprise income tax of RMB262 million (1H2021: RMB1.765 billion) brought the Group's total income tax expenses for the period to RMB463 million (excluded deferred income tax). As a percentage of turnover of property development, LAT decreased to 1.3% from 2.5% for the corresponding period of 2021.

Profitability

The Group recorded a net loss of RMB6.899 billion for the period ended 30 June 2022 as compared to a net profit of approximately RMB3.181 billion for the period ended 30 June 2021. The net loss is mainly attributable to the decrease in revenue from property development and decline in gross profit margin recorded by the Group for the period ended 30 June 2022 as a result of the challenging conditions in the real estate industry, as well as the losses on disposals of subsidiaries and certain equity interests in a joint venture was recorded in the period.

Financial resources and liquidity

As at 30 June 2022, the total cash and bank balances of the Group including restricted cash were RMB15.320 billion (31 December 2021: RMB21.104 billion). Some of the Group's subsidiaries are required to place a certain amount of the pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties.

As at 30 June 2022, the Group's total borrowings were RMB126.245 billion (31 December 2021: RMB128.839 billion), of which due within 1 year, between 2 and 5 years and over 5 years were amounted to RMB74.933 billion, RMB33.513 billion and RMB17.799 billion respectively.

During the six months ended 30 June 2022, new bank borrowings of RMB971 million have been procured at interest rate ranging from 3.7% to 7.6% while bank borrowings repaid amounted to RMB3.541 billion. The effective interest rate of the total bank borrowings portfolio at 30 June 2022 was 5.64% (31 December 2021: 5.86%).

Other than RMB11.248 billion domestic corporate bonds with interest rates from 6.48% to 7%, RMB2.673 billion domestic non-public bonds ranging from 6.30% to 7.40% and offshore USD4.944 billion senior notes ranging from 5.75% to 12.375%, most of the borrowings were in RMB and at floating interest rate bench marked to rates published by the People's Bank of China. The Group considered the RMB interest rate environment relatively stable and with the Group's borrowings substantially in RMB that matched income and assets predominantly in RMB, the Group did not consider it necessary to hedge either its interest rate or currency exposure.

Charge on assets

As at 30 June 2022, assets with total carrying values of RMB109.580 billion and the Group's shares of certain subsidiaries were pledged to secure bank loans and other borrowings amounted to RMB71.891 billion (31 December 2021: RMB75.457 billion).

Contingent liabilities

The Group provided guarantees in respect of bank mortgage loans taken out by purchasers of the Group's sale properties and joint liability counter-guarantees for certain borrowings granted to the Group's joint ventures and associates for project development purpose. For guarantees provided in respect of residential properties, the guarantees are released upon the issuance of real estate ownership certificate of the properties concerned. As at 30 June 2022, such guarantees totalled RMB97.723 billion, decreased by 5% from RMB102.935 billion as at 31 December 2021.

Employee and Remuneration Policies

As of 30 June 2022, the Group had approximately 32,362 employees. The total staff costs incurred were approximately RMB1.092 billion during the six months ended 30 June 2022. The Group provides competitive remuneration and employees are rewarded on a performance basis within the general framework of the Group's salary and bonus system. Job related training is also provided from time to time.

Sale of Hotel Properties

On 5 September 2022, Guangzhou Trillion Glory Investment Co., Ltd.* (廣州兆暉投資有限公司) (an indirect wholly-owned subsidiary of the Company) (the "Vendor"), Guangzhou Fujing Hotel Management Co., Ltd.* (廣州富京酒店管理有限公司) (the "Target Company") and Beijing Wanda Realm Hotel Management Co., Ltd.* (北京萬達嘉華酒店管理有限公司) (the "Target Subsidiary") entered into a sale and purchase agreement (the "Agreement") with Beijing Yingxie Property Investment Co., Ltd.* (北京英協置業投資有限公司) (the "Purchaser", the equity interest of which was beneficially owned by Ms. Dou Yihan and Mr. Dou Yunpang as to 99% and 1% respectively as at the date of the Agreement), in relation to the disposal of 100% equity interest in the Target Company for the consideration of RMB550 million. The Target Company, through the Target Subsidiary, owns Wanda Realm Beijing, a hotel located in Beijing. The Company intends to apply the net proceeds from the above disposal to repay the Group's indebtedness.

* For identification purpose only

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB0.10 per share).

SHARE CAPITAL

The shareholding structure of the Company as at 30 June 2022 was as follows:

| Class of shares | No. of shares | Percentage |
|-----------------|---------------|------------|
| H shares | 3,752,367,344 | 100.00% |
| Total | 3,752,367,344 | 100.00% |

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the beneficial interests and short positions of the directors, chief executive and supervisors of the Company in the shares, underlying shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), which are required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under section 352 of Part XV of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company as at 30 June 2022 were as follows:

| Director/ Supervisor | Class of shares | Number of shares | | | Total number of shares held at the end of the period | Approximate percentage of interests in the total share capital ^{Note} |
|-------------------------|-----------------|------------------|-----------------------------|-----------------------|--|--|
| | | Personal | Spouse or child under 18 | Corporate interest | | |
| Li Sze Lim | H share | 1,066,092,672 | 5,000,000 | 16,000,000 | 1,087,092,672 | 28.97% |
| Zhang Li | H share | 1,022,146,272 | 20,000,000 | | 1,042,146,272 | 27.77% |
| Zhang Hui | H share | 1,894,800 | | | 1,894,800 | 0.05% |
| Xiang Lijun | H share | 1,800,000 | | | 1,800,000 | 0.05% |
| Li Helen | H share | 1,003,600 | | | 1,003,600 | 0.03% |
| Ng Yau Wah, Daniel | H share | 588,000 | | | 588,000 | 0.02% |
| Chen Liangnuan | H share | 20,000,000 | | | 20,000,000 | 0.53% |

Note:

The Company's total number of issued shares as at 30 June 2022 was 3,752,367,344 H shares.

(b) Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO):

| Director | Name of associated corporation | Type | No. of shares | Percentage of total issued capital |
|------------|---|-----------|---------------|------------------------------------|
| Li Sze Lim | Guangzhou Tianfu Property Development Co., Ltd. ("Tianfu") ^(Note 1) | Corporate | N/A | 7.50% |
| | Beijing Fushengli Investment Consulting Co., Ltd. ("Fushengli") ^(Note 2) | Corporate | N/A | 34.64% |
| | Easy Tactic Limited ("Easy Tactic") ^(Note 3) | Corporate | N/A | N/A |
| Zhang Li | Tianfu ^(Note 1) | Corporate | N/A | 7.50% |
| | Fushengli ^(Note 2) | Corporate | N/A | 34.64% |
| | Easy Tactic ^(Note 4) | Corporate | N/A | N/A |
| Li Helen | Easy Tactic ^(Note 5) | Corporate | N/A | N/A |

Notes:

- Tianfu is 15% and 85% owned by Century Land Properties Limited and the Company respectively. Century Land Properties Limited is beneficially owned by Dr. Li Sze Lim and Mr. Zhang Li at 50% each.
- Fushengli is 70% and 30% owned by Well Bright International Limited and Guangzhou Tianli Construction Co., Ltd. respectively. Guangzhou Tianli Construction Co., Ltd. is a subsidiary of the Company. Well Bright International Limited is 51% and 49% owned by Guangdong South China Environmental Protection Investment Co., Ltd. and Sparks Real Estate Holdings Limited respectively. Each of Dr. Li Sze Lim and Mr. Zhang Li owns 49% of Guangdong South China Environmental Protection Investment Co., Ltd.. Sparks Real Estate Holdings Limited is beneficially owned by Dr. Li Sze Lim and Mr. Zhang Li at 50% each.
- Dr. Li Sze Lim (a) through his spouse, has an interest in (i) US\$14,000,000 of the US\$375 million 8.625% senior notes due 2024 issued by Easy Tactic, a wholly-owned subsidiary of the Company; (ii) US\$10,000,000 of the US\$875 million 8.125% senior notes due 2023 issued by Easy Tactic; (iii) US\$49,500,000 of the US\$450 million 8.125% senior notes due 2024 issued by Easy Tactic; (iv) US\$50,000,000 of the US\$400 million 8.625% senior notes due 2024 issued by Easy Tactic; and (v) US\$5,000,000 of the US\$360 million 12.375% senior notes due 2022 issued by Easy Tactic; (b) through Fusion Capital Limited which is owned by him and his spouse as to 50% each, has an interest in (i) US\$1,000,000 of the US\$288 million 9.125% senior notes due 2022 issued by Easy Tactic; and (ii) US\$965,000 of the US\$608,631,000 5.75% senior notes due 2022 issued by Easy Tactic; and (c) through Parkford Assets Management Limited which is 100% owned by him, has an interest in (i) US\$1,000,000 of the US\$288 million 9.125% senior notes due 2022 issued by Easy Tactic; and (ii) US\$2,412,000 of the US\$608,631,000 5.75% senior notes due 2022 issued by Easy Tactic.
- Mr. Zhang Li has an interest in US\$10,417,000 of the US\$608,631,000 5.75% senior notes due 2022 issued by Easy Tactic.
- Ms. Li Helen, through Pleasant View Limited which is 100% owned by her, has an interest in (i) US\$500,000 of the US\$375 million 8.625% senior notes due 2024 issued by Easy Tactic; (ii) US\$1,000,000 of the US\$400 million 8.625% senior notes due 2024 issued by Easy Tactic; (iii) US\$500,000 of the US\$360 million 12.375% senior notes due 2022 issued by Easy Tactic; (iv) US\$1,500,000 of the US\$675 million 11.75% senior notes due 2023 issued by Easy Tactic; and (v) US\$500,000 of the US\$325 million 11.625% senior notes due 2024 issued by Easy Tactic.

Save as disclosed above, as at 30 June 2022, none of the directors, chief executive or supervisors of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, so far as the directors are aware, there are no persons (other than the directors, chief executive and supervisors of the Company) held 5% or more beneficial interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, as recorded in the register as required to be kept under section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 15 December 2021, the Company announced that a tender offer was being made to repurchase the US\$265,000,000 5.75% senior notes due 2022 and US\$460,000,000 5.75% senior notes due 2022 (consolidated and formed a single series) (the "2022 Notes") issued by Easy Tactic Limited, an indirect wholly-owned subsidiary of the Company. The tender offer was completed on 12 January 2022. The notes repurchased pursuant to the tender offer have been cancelled. As at 30 June 2022, an aggregate principal amount of US\$608,631,000 of the 2022 Notes remain outstanding.

Save as disclosed above, during the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

BOARD COMPOSITION AND PRACTICE

The Board consists of nine members, including four executive directors: Dr. Li Sze Lim, Chairman, Mr. Zhang Li, Co-chairman and chief executive officer, Mr. Zhang Hui and Mr. Xiang Lijun; two non-executive directors: Ms. Zhang Lin (the sister of Mr. Zhang Li) and Ms. Li Helen (the sister of Dr. Li Sze Lim); and three independent non-executive directors: Mr. Zheng Ercheng, Mr. Ng Yau Wah, Daniel and Mr. Wong Chun Bong. Save as disclosed, there is no business or other relationship among members of the Board, and in particular between the chairman and the chief executive officer of the Company. The structure, size and composition of the Board will be reviewed from time to time to ensure that the Board retains a mix of balanced skills and expertises to provide effective leadership of the Company according to the board diversity policy of the Company.

All directors have entered into a service contract with the Company for a specific term of three years. They are all subject to retirement from office by rotation and re-election at the general meeting once every three years in accordance with the Articles of Association.

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operations of the Group, including dividend policy and risk management strategies. It is also responsible for the adoption of internal business and management control as well as the monitoring of the effectiveness of its control measures.

All directors, including non-executive directors and independent non-executive directors, have devoted sufficient time and effort to serve the business affairs of the Company. All non-executive directors and independent non-executive directors possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional advice. Pursuant to the requirement of Rule 3.10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, the Company has three independent non-executive directors, one of whom has appropriate professional qualifications in accounting and financial management. The Company has received from each of the independent non-executive directors an annual confirmation of independence.

The notice of Board meeting will be given to all directors at least 14 days prior to the date of meeting. All directors are given opportunities to include any matters they would like to discuss in the agenda. The company secretary is responsible to the Board for ensuring that all board procedures are followed, and detailed minutes of the Board meetings are prepared, circulated and approved. The company secretary is also responsible for the Company's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, SFO and other applicable laws, rules and regulations.

The Company continuously updates all directors on the latest development regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

The positions of the chairman and the chief executive officer are held by separate individuals with the view to maintaining an effective segregation of duties.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS AND SUPERVISORS OF THE COMPANY

The Company has adopted the Model Code laid out in Appendix 10 to the Listing Rules as the code of conduct for directors and supervisors in any dealings in the Company's securities. The Company has made specific enquiries of each director and supervisor, each of whom has confirmed their compliance with the Model Code during the six months ended 30 June 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to enhancing its corporate governance practices and procedures. It complies strictly with the PRC Company Law and other applicable laws and regulations. In particular, it has complied with the code provisions set out under the Corporate Governance Code as stated in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2022.

AUDIT COMMITTEE

The audit committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is delegated by the Board to be responsible for reviewing the accounting policies and practices adopted by the Group as well as reviewing internal control, risk management and financial reporting matters of the Group. There were no disagreements from the audit committee on the accounting policies adopted by the Company.

The audit committee comprises Mr. Wong Chun Bong (chairman of the audit committee) and Mr. Zheng Ercheng who are independent non-executive directors of the Company and Ms. Li Helen who is a non-executive director of the Company. The audit committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2022.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises Mr. Zheng Ercheng (chairman of the remuneration committee), Dr. Li Sze Lim, and Mr. Ng Yau Wah, Daniel. The principal responsibilities of the remuneration committee include the reviewing and making of recommendation to the Board on the Company's policies, structure and specific remuneration packages of directors and senior management of the Company.

NOMINATION COMMITTEE

The nomination committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises three directors: Dr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Zheng Ercheng and Mr. Wong Chun Bong. Dr. Li Sze Lim is the chairman of the committee.

The nomination committee is responsible for the formulation of nomination policy for the consideration of the Board and implementing the policy approved by the Board. Specific responsibilities include, among others, review the structure, size and composition of the Board according to the Board diversity policy, identify and nominate candidates to fill causal vacancies of directors and make recommendations to the Board in respect of succession planning.

SHAREHOLDERS RELATION

The Company has established different communication channels with its shareholders. Apart from general meetings, annual reports, interim reports, circulars and announcements as required under the Listing Rules, shareholders are encouraged to visit the website of the Company which is updated with the most recent key information of the Group. The Company also holds regular press conferences and briefing meetings with analysts.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Note | Unaudited 30 June 2022 | Audited 31 December 2021 |
|---|------|------------------------------|--------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 46,209,570 | 47,079,461 |
| Right-of-use assets | 7 | 10,300,832 | 10,764,837 |
| Investment properties | 7 | 34,963,898 | 34,943,304 |
| Intangible assets | 7 | 1,124,032 | 1,125,285 |
| Interests in joint ventures | 8 | 9,032,560 | 11,085,159 |
| Interests in associates | 9 | 3,296,201 | 3,323,709 |
| Deferred income tax assets | | 14,259,291 | 13,365,510 |
| Financial assets at fair value through other comprehensive income | 5 | 631,559 | 632,762 |
| Other financial assets | 10 | 972,406 | 1,026,645 |
| | | 120,790,349 | 123,346,672 |
| Current assets | | | |
| Properties under development | | 151,090,601 | 150,791,203 |
| Completed properties held for sale | | 46,252,541 | 50,172,331 |
| Inventories | | 1,583,902 | 1,306,448 |
| Trade and other receivables and prepayments | 11 | 42,265,410 | 45,889,192 |
| Contract assets | | 1,109,222 | 1,229,970 |
| Tax prepayments | | 4,140,543 | 4,702,700 |
| Restricted cash | 12 | 13,296,372 | 14,845,225 |
| Cash and cash equivalents | | 2,023,543 | 6,258,593 |
| | | 261,762,134 | 275,195,662 |
| Total assets | | 382,552,483 | 398,542,334 |

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Note | Unaudited 30 June 2022 | Audited 31 December 2021 |
|---|------|------------------------------|--------------------------------|
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 13 | 3,752,367 | 3,752,367 |
| Other reserves | | 12,378,996 | 12,246,683 |
| Retained earnings | | 47,269,411 | 54,189,013 |
| | | 63,400,774 | 70,188,063 |
| Non-controlling interests | | 12,690,717 | 12,670,578 |
| Total equity | | 76,091,491 | 82,858,641 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long-term borrowings | 14 | 51,311,566 | 66,635,262 |
| Lease liabilities | | 378,527 | 392,542 |
| Deferred income tax liabilities | | 11,228,309 | 10,959,434 |
| Other payables | | 534,987 | 534,987 |
| | | 63,453,389 | 78,522,225 |
| Current liabilities | | | |
| Accruals and other payables | 15 | 98,109,926 | 104,386,369 |
| Contract liabilities | | 50,371,031 | 50,130,339 |
| Current income tax liabilities | | 19,140,558 | 19,977,725 |
| Short-term borrowings | 14 | 4,519,978 | 8,323,963 |
| Current portion of long-term borrowings | 14 | 70,413,036 | 53,880,163 |
| Lease liabilities | | 69,093 | 78,928 |
| Dividend payable | | 369,981 | 369,981 |
| Derivative financial instruments | | 14,000 | 14,000 |
| | | 243,007,603 | 237,161,468 |
| Total liabilities | | 306,460,992 | 315,683,693 |
| Total equity and liabilities | | 382,552,483 | 398,542,334 |

The notes on pages 26 to 54 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Note | Unaudited | |
|---|------|--------------------------|--------------|
| | | Six months ended 30 June | |
| | | 2022 | 2021 |
| Revenue | 6 | 17,782,073 | 39,493,138 |
| Cost of sales | | (14,984,911) | (30,923,169) |
| Gross profit | | 2,797,162 | 8,569,969 |
| Other income | 16 | 131,469 | 491,354 |
| Other gains – net | 17 | (2,520,604) | 1,673,007 |
| Selling and marketing expenses | | (832,023) | (1,482,064) |
| Administrative expenses | | (1,934,602) | (2,727,187) |
| (Allowance for)/reversal of impairment losses on financial and contract assets | | (80,754) | 27,512 |
| Gains on bargain purchase | | – | 508,209 |
| Operating (loss)/profit | | (2,439,352) | 7,060,800 |
| Finance costs – net | 18 | (5,202,252) | (1,594,849) |
| Share of results of associates | | 657,461 | 35,728 |
| Share of results of joint ventures | | (15,693) | 53,837 |
| (Loss)/profit before income tax | | (6,999,836) | 5,555,516 |
| Income tax credits/(expenses) | 19 | 100,373 | (2,374,495) |
| (Loss)/profit for the period | | (6,899,463) | 3,181,021 |
| (Loss)/profit attributable to: | | | |
| – Owners of the Company | | (6,919,602) | 3,080,198 |
| – Non-controlling interests | | 20,139 | 100,823 |
| | | (6,899,463) | 3,181,021 |
| Basic and diluted (losses)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB Yuan per share) | | (1.8441) | 0.8209 |

The notes on pages 26 to 54 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Unaudited | |
|---|--------------------------|-----------|
| | Six months ended 30 June | |
| | 2022 | 2021 |
| (Loss)/profit for the period | (6,899,463) | 3,181,021 |
| Other comprehensive income | | |
| <i>Items that will not be reclassified to profit or loss</i> | | |
| – Change in fair value of financial assets at fair value through other comprehensive income, net of tax | 1,274 | (12,445) |
| <i>Items that may be reclassified to profit or loss</i> | | |
| – Share of other comprehensive income of joint ventures accounted for using the equity method | (8,811) | 23,122 |
| – Currency translation differences | 139,850 | (99,831) |
| Other comprehensive income for the period, net of tax | 132,313 | (89,154) |
| Total comprehensive income for the period | (6,767,150) | 3,091,867 |
| Total comprehensive income for the period attributable to: | | |
| – Owners of the Company | (6,787,289) | 2,991,044 |
| – Non-controlling interests | 20,139 | 100,823 |
| | (6,767,150) | 3,091,867 |

The notes on pages 26 to 54 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Unaudited | | | | | | |
|---|---------------------------------------|----------------|-------------------|-------------|------------|---------------------------|--------------|
| | Attributable to owners of the Company | | | | | Non-controlling interests | Total equity |
| | Share capital | Other reserves | Retained earnings | Total | | | |
| Balance at 1 January 2022 | 3,752,367 | 12,246,683 | 54,189,013 | 70,188,063 | 12,670,578 | 82,858,641 | |
| Comprehensive income | | | | | | | |
| (Loss)/profit for the period | - | - | (6,919,602) | (6,919,602) | 20,139 | (6,899,463) | |
| Other comprehensive income | | | | | | | |
| Change in the fair value of financial assets at fair value through other comprehensive income, net of tax | - | 1,274 | - | 1,274 | - | 1,274 | |
| Share of other comprehensive loss of joint ventures and associates accounted for using the equity method | - | (8,811) | - | (8,811) | - | (8,811) | |
| Currency translation differences | - | 139,850 | - | 139,850 | - | 139,850 | |
| Total other comprehensive income, net of tax | - | 132,313 | - | 132,313 | - | 132,313 | |
| Total comprehensive income for the period | - | 132,313 | (6,919,602) | (6,787,289) | 20,139 | (6,767,150) | |
| Balance at 30 June 2022 | 3,752,367 | 12,378,996 | 47,269,411 | 63,400,774 | 12,690,717 | 76,091,491 | |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Unaudited | | | | | | |
|--|---------------------------------------|----------------|-------------------|-------------|-----------|---------------------------|--------------|
| | Attributable to owners of the Company | | | | | Non-controlling interests | Total equity |
| | Share capital | Other reserves | Retained earnings | Total | | | |
| Balance at 1 January 2021 | 938,092 | 15,589,427 | 72,970,684 | 89,498,203 | 2,507,140 | 92,005,343 | |
| Profit for the period | – | – | 3,080,198 | 3,080,198 | 100,823 | 3,181,021 | |
| Other comprehensive income | – | (89,154) | – | (89,154) | – | (89,154) | |
| Total comprehensive income for the period ended 30 June 2021 | – | (89,154) | 3,080,198 | 2,991,044 | 100,823 | 3,091,867 | |
| Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings | – | (469,558) | 469,558 | – | – | – | |
| Transactions with owners | | | | | | | |
| Capital contributions from non-controlling interests | – | – | – | – | 3,500 | 3,500 | |
| Share premium transfer to share capital | 2,814,275 | (2,814,275) | – | – | – | – | |
| Transfer to statutory reserves | – | 37,122 | (37,122) | – | – | – | |
| Dividends | – | – | (2,326,468) | (2,326,468) | – | (2,326,468) | |
| Total transactions with owners | 2,814,275 | (2,777,153) | (2,363,590) | (2,326,468) | 3,500 | (2,322,968) | |
| Balance at 30 June 2021 | 3,752,367 | 12,253,562 | 74,156,850 | 90,162,779 | 2,611,463 | 92,774,242 | |

The notes on pages 26 to 54 form an integral part of this condensed consolidated interim financial information

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Unaudited | |
|---|--------------------------|--------------|
| | Six months ended 30 June | |
| | 2022 | 2021 |
| Cash flows from operating activities | | |
| – Cash generated from operations | 1,201,944 | 18,249,641 |
| – Interest paid | (3,721,620) | (6,529,754) |
| – Enterprise income tax and land appreciation tax paid | (589,891) | (3,786,787) |
| Net cash generated (used in)/from operating activities | (3,109,567) | 7,933,100 |
| Cash flows from investing activities | | |
| – Purchases of property, plant and equipment | (417,199) | (804,203) |
| – Purchases of intangible assets | (1,412) | (19,733) |
| – Additions of right-of-use assets | (609) | (5,003) |
| – Additions of investment properties | (1,389) | (94,104) |
| – Proceeds from disposals of investment properties | – | 2,236 |
| – Proceeds from disposals of property, plant and equipment | 1,598 | 464 |
| – Purchases of other financial assets | – | (3,217,970) |
| – Investments in financial assets at fair value through other comprehensive income, joint ventures and associates | – | (69,856) |
| – Acquisitions of subsidiaries, net of cash acquired | (40,000) | (37,904) |
| – Disposal of subsidiaries, net of cash | 694,515 | 1,690,072 |
| – Cash receipts from the repayment of advances to related parties | 140,346 | 3,697,793 |
| – Cash advances to related parties | (67,475) | (3,484,650) |
| – Proceeds from disposals of financial assets at fair value through other comprehensive income | – | 16,081 |
| – Dividends received on financial assets at fair value through other comprehensive income | – | 5,610 |
| – Interest received | 65,933 | 354,960 |
| Net cash generated from/(used in) investing activities | 374,308 | (1,966,207) |
| Cash flows from financing activities | | |
| – Proceeds from borrowings, net of transaction costs | 4,467,924 | 22,193,574 |
| – Repayments of borrowings | (6,873,099) | (38,449,753) |
| – Repayment to a shareholder of a joint venture | (99,358) | (265,060) |
| – Repayments of principal of lease liabilities | (40,648) | (55,598) |
| – Increase in guarantee deposits for borrowings | (51,321) | (468,872) |
| – Cash advances from related parties | 1,166,203 | 3,601,409 |
| – Repayments to related parties | (96,833) | (5,394,300) |
| – Capital contributions from non-controlling interests | – | 3,500 |
| – Dividends paid to owners of the Company and non-controlling interests | – | (3,262) |
| Net cash used in financing activities | (1,527,132) | (18,838,362) |
| Net decrease in cash and cash equivalents | (4,262,391) | (12,871,469) |
| Exchange gains/(losses) | 27,341 | (37,444) |
| Cash and cash equivalents at the beginning of the period | 6,258,593 | 25,672,822 |
| Cash and cash equivalents at the end of the period | 2,023,543 | 12,763,909 |

The notes on pages 26 to 54 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45-54/F, R&F Center, No.10 Hua Xia Road, Pearl River New Town, Guangzhou 510623, the PRC.

The shares of the Company have been listed on The Main Board of Stock Exchange of Hong Kong Limited since 14 July 2005.

This condensed consolidated interim financial information is presented in RMB Yuan (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 31 August 2022.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2022 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 (“HKICPA”) as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Going concern basis

For the six months ended 30 June 2022, the Group recorded a loss attributable to the owners of the Company of RMB6.920 billion. As at 30 June 2022, the Group’s total bank borrowings, domestic bonds, senior notes and other borrowings (including those in accruals and other payable) amounted to RMB134.507 billion, out of which RMB82.661 billion will be due for repayment within the next twelve months while the Group has total cash including restricted cash of RMB15.320 billion. As at 30 June 2022, the Group had not repaid certain bank and other borrowings of RMB14.466 billion according to their scheduled repayment dates, and subsequent to 30 June 2022, the Group had not repaid certain bank and other borrowings of RMB317 million that are due for repayment from July and up to the date of approval of these condensed consolidated interim financial statements. Pursuant to the clauses of certain loan agreements of the Group, certain bank and other borrowings with an aggregate principal amount of RMB30.929 billion became repayable on demand.

In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing within the next 18 months from 30 June 2022 in assessing whether the Group will have sufficient financial sources to continue as a going concern and the appropriateness of the use of the going concern basis in the preparation of the condensed consolidated interim financial statements. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

2. BASIS OF PREPARATION (Continued)

Going concern basis (continued)

- (i) In June 2022, the Group announced a consent solicitation by Easy Tactic Limited (a wholly-owned subsidiary of the Company) as issuer in respect of all its series of senior notes due 2022, 2023 and 2024 for the purposes of, among others, seeking waivers of existing or potential consequential events of default under the senior notes and extending the respective maturity dates to 2025, 2027 and 2028. The consent solicitation required each series of notes to be approved by a requisite percentage of noteholders in each standalone series and all series to be passed in order to be successfully completed. The consent solicitation was passed and completed in July 2022, whereby the Group successfully restructured all series of senior notes of an aggregate amount of USD4.944 billion, equivalent to RMB33.103 billion, into three series of notes maturing in 2025, 2027 and 2028. In addition to restructuring the maturity of the notes, the issuer also received approval from noteholders to elect a paid-in-kind option for its interest payments for the next 2-years. The consent solicitation exercise was a landmark exercise to wholistically address the short-term risk and liquidity impact due to the Group resulting from senior notes amidst an unprecedented market volatility as investors became averse to China risk and the sector. The successful outcome of the consent solicitation exercise was also reflective of investors' increasing realisation of the market situation and validation of the Group's sincerity in proactively addressing the current circumstances in a fair and transparent manner. After the senior notes restructuring, management continues to stay focused on assessing changes in market conditions and policies changes to remain vigilant to ensuring that they continue to implement a longer sustainable financial management plan;
- (ii) The Group is actively in discussions with the existing lenders on the renewal of the Group's certain borrowings. These discussions have been constructive and focused on possible actions in light of current circumstances but do require time to formulate or implement due to ongoing changes in market conditions. In the opinion of the directors, the Group will be able to extend or refinance the borrowings upon their maturity based on recent successful outcomes that have been completed post year end. The recent successful discussions have formed a basis for similar discussions and have helped advance discussions on resolving near-term maturities. In addition, the Group will continue to seek for new sources of financing or accelerate asset sales to address upcoming financial obligations and future operating cash flow requirements whilst engaging in existing lenders;
- (iii) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables. Recent relaxation of policies with regards to pre-sale requirements have been encouraging to increase buyer interests and stimulate demand. The Group will also continue to actively adjust sales and pre-sale activities to better respond to changing markets to achieve the latest budgeted sales and pre-sales volumes and amounts;
- (iv) The Group will continue to seek suitable opportunities to dispose of its equity interest in certain project development companies to generate additional cash inflows. The Group's properties are predominantly located in higher tier cities that make it relatively more attractive to potential buyers and retain a higher value in current market conditions;
- (v) The Group has already made significant adjustments to control administrative costs and contain unnecessary capital expenditures to preserve liquidity. The Group will continue to actively assess additional measures to further reduce discretionary spending;

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

Going concern basis (continued)

- (vi) The Group has been proactive in seeking ways to settle the outstanding litigations of the Group. The Group is confident that it will be able to reach an amicable solution to address the named litigation but also dispute claims referred in litigation where the outcome is not certain at this stage;

The directors are of the opinion that, taking into account the above mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next 18 months from 30 June 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements of the Group for the period ended 30 June 2022 on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in Mainland China and the uncertainties to obtain continuous support by the banks and the Group's creditors, material uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the 2021 financial statements as described therein.

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

The following new or amended standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2022.

| <u>Standards</u> | <u>Subject</u> |
|--------------------------------|---|
| Amendments to HKFRS 3 | References to Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual improvements to HKFRS Standards 2018-2020 |
| Revised Accounting Guideline 5 | Merger Accounting for Common Control Combination |

The standards, amendments and interpretation did not have a material impact or are not relevant to the Group.

3. ACCOUNTING POLICIES (Continued)

(b) New and amended standards and interpretation not yet adopted by the Group

Certain new and amended standards have been issued and are not effective for financial year beginning 1 January 2022 and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group.

| <u>Standards</u> | <u>Subject</u> | <u>Effective for annual periods beginning on or after</u> |
|---|---|---|
| HKFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to HKAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendment to HKAS 12 | Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction | 1 January 2023 |
| Hong Kong Interpretation 5 (2020) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2023 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

4. JUDGEMENTS AND ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investment in land banks, adjusting project development timetable to adapt to the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, and disposing of certain hotel or investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as appropriate.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---------------------|--------------------------|--------------------------|-----------------|-------------|
| At 30 June 2022 | | | | | |
| Borrowings (Note (1)) | 81,315,720 | 21,051,529 | 20,130,075 | 20,390,015 | 142,887,339 |
| Lease liabilities | 85,054 | 66,634 | 191,541 | 171,369 | 514,598 |
| Financial liabilities as included in trade and other payables and accruals (excluding accruals for staff costs and allowance and other taxes payable) | 43,330,424 | 275,393 | 373,363 | – | 43,979,180 |
| Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties | 83,422,638 | – | – | – | 83,422,638 |
| Guarantees in respect of borrowings of joint ventures and associates | 2,475,418 | 2,455,257 | 8,225,158 | 1,144,835 | 14,300,668 |
| Derivative financial instruments | 14,000 | – | – | – | 14,000 |
| At 31 December 2021 | | | | | |
| Borrowings (Note (1)) | 69,709,562 | 31,836,847 | 25,413,013 | 20,072,592 | 147,032,014 |
| Lease liabilities | 102,740 | 71,447 | 189,111 | 193,698 | 556,996 |
| Financial liabilities as included in trade and other payables and accruals (excluding accruals for staff costs and allowance and other taxes payable) | 43,869,579 | 317,275 | 432,917 | – | 44,619,771 |
| Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties | 89,415,721 | – | – | – | 89,415,721 |
| Guarantees in respect of borrowings of joint ventures and associates | 1,336,338 | 1,667,602 | 9,295,309 | 1,220,162 | 13,519,411 |
| Derivative financial instruments | 14,000 | – | – | – | 14,000 |

Note:

- (1) Interest on borrowings is calculated on borrowings held as at 30 June 2022 and 31 December 2021 respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2022 and 31 December 2021 respectively.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)**5.3 Credit risk**

The extent of the Group's maximum exposure to credit risk in relation to financial assets is the aggregate carrying value of cash deposits in banks, trade and other receivables, contract assets and other financial assets.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking information.

5.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generated from operations and may raise funding through capital market or bank borrowings as necessary.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the condensed consolidated interim balance sheet) less cash and cash equivalents and restricted cash.

| | As at | |
|--|---|-----------------------------|
| | 30 June 2022 | 31 December 2021 |
| Total borrowings (Note 14) | 126,244,580 | 128,839,388 |
| Less: cash and cash equivalents restricted cash | (2,023,543) (13,296,372) | (6,258,593) (14,845,225) |
| Net debt | 110,924,665 | 107,735,570 |
| Total equity | 76,091,491 | 82,858,641 |
| Gearing ratio | 146% | 130% |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.5 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follow:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2022 and 31 December 2021 by level of the inputs to valuation techniques used to measure fair value.

| | As at | |
|----------------------------------|-----------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Financial assets at FVOCI | | |
| Level 1 | 576,453 | 567,753 |
| Level 3 (Note (a)) | 55,106 | 65,009 |
| | 631,559 | 632,762 |

| | As at | |
|---|-----------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Financial assets at FVOCI | | |
| Opening balance | 632,762 | 639,850 |
| Additions | – | 34,922 |
| Disposals | – | (16,080) |
| Fair value gains recognised as other comprehensive income | (1,203) | (25,930) |
| Closing balance | 631,559 | 632,762 |

Note:

(a) Financial instruments in level 3

The fair value of the Group's investment in unlisted private funds recognised as financial assets at FVOCI was revalued as at 30 June 2022 by an independent and professionally qualified valuer. The valuation is performed based on the market approach by reference to quoted market prices for similar instruments, maximising the use of observable market data where it is available and relying as little as possible on entity specific estimates. The financial assets at FVOCI were included in level 3 as the valuation involves the use of certain factors (unobservable inputs) to adjust the data derived from increasingly volatile markets to arrive at the estimated fair value for these unquoted equity investments. The fair value gain on the equity investments was included in "other comprehensive income".

There were no transfers between level 1, level 2 and level 3 and no changes in valuation techniques during the period.

6. SEGMENT INFORMATION

(a) Description of segments and principal activities

The chief operating decision-maker has been identified as the Executive Directors. Management has determined the operating segments based on the information reviewed by the Executive Directors for the purpose of allocating resources and assessing performance.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in property development, property investment and hotel operations. Other services provided by the Group mainly represent property management. The results of these operations are included in the "all other segments" column.

The Executive Directors assess the performance of the operating segments based on a measure of (loss)/profit for the period. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

(b) Segment performance

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2022 and 2021 are as follows:

| | Property development | Property investment | Hotel operations | All other segments | Group |
|---|-------------------------|------------------------|---------------------|-----------------------|--------------------|
| Six months ended 30 June 2022 | | | | | |
| Segment revenue | 15,153,910 | 459,251 | 1,859,877 | 787,440 | 18,260,478 |
| Recognised at a point in time | 10,325,141 | – | – | – | 10,325,141 |
| Recognised over time | 4,828,769 | – | 1,859,877 | 787,440 | 7,476,086 |
| Revenue from other sources – rental income | – | 459,251 | – | – | 459,251 |
| Inter-segment revenue | (4,741) | (50,185) | (78,473) | (345,006) | (478,405) |
| Revenue from external customers | 15,149,169 | 409,066 | 1,781,404 | 442,434 | 17,782,073 |
| (Loss)/profit for the period | (5,873,163) | 241,333 | (849,427) | (418,206) | (6,899,463) |
| Finance costs – net | (4,463,462) | (96,615) | (565,577) | (76,598) | (5,202,252) |
| Share of results of joint ventures | 659,070 | – | – | (1,609) | 657,461 |
| Share of results of associates | (22,175) | – | – | 6,482 | (15,693) |
| Income tax (expenses)/credits | (338,682) | (64,966) | 457,884 | 46,137 | 100,373 |
| Depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets | (165,451) | – | (633,197) | (24,362) | (823,010) |
| Amortisation of incremental costs for obtaining contracts with customers | (81,440) | – | – | – | (81,440) |
| Fair value losses on other financial assets | (54,239) | – | – | – | (54,239) |
| (Allowance for)/reversal of impairment losses on financial and contract assets | (74,976) | (892) | 978 | (5,864) | (80,754) |
| Fair value gains on investment properties – net of tax | – | 10,664 | – | – | 10,664 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

6. SEGMENT INFORMATION (Continued)

(b) Segment performance (continued)

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2022 and 2021 are as follows (continued):

| | Property development | Property investment | Hotel operations | All other segments | Group |
|---|-------------------------|------------------------|---------------------|-----------------------|-------------------|
| Six months ended 30 June 2021 | | | | | |
| Segment revenue | 35,946,375 | 637,025 | 2,635,355 | 1,017,712 | 40,236,467 |
| Recognised at a point in time | 28,296,170 | – | – | – | 28,296,170 |
| Recognised over time | 7,650,205 | – | 2,635,355 | 1,017,712 | 11,303,272 |
| Revenue from other sources – rental income | – | 637,025 | – | – | 637,025 |
| Inter-segment revenue | – | (103,774) | (135,710) | (503,845) | (743,329) |
| Revenue from external customers | 35,946,375 | 533,251 | 2,499,645 | 513,867 | 39,493,138 |
| Profit/(loss) for the period | | | | | |
| Finance costs – net | (1,160,672) | (113,085) | (314,641) | (6,451) | (1,594,849) |
| Income tax (expenses)/credits | (1,862,732) | (724,464) | 126,038 | 86,663 | (2,374,495) |
| Share of results of associates | 14,487 | 3,124 | – | 18,117 | 35,728 |
| Share of results of joint ventures | 56,950 | – | – | (3,113) | 53,837 |
| Depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets | (216,790) | – | (736,140) | (48,701) | (1,001,631) |
| Gains on bargain purchase | 508,209 | – | – | – | 508,209 |
| Amortisation of incremental costs for obtaining contracts with customers | (256,851) | – | – | – | (256,851) |
| Reversal of/(allowance for) impairment losses on financial and contract assets | 32,049 | – | (5,050) | 513 | 27,512 |
| Revaluation gains on investment properties transferred from completed properties held for sale – net of tax | – | 222,398 | – | – | 222,398 |
| Fair value gains on investment properties – net of tax | – | 331,278 | – | – | 331,278 |

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the condensed consolidated interim income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

6. SEGMENT INFORMATION (Continued)

(b) Segment performance (continued)

| | Property development | Property investment | Hotel operations | All other segments | Group |
|--|-------------------------|------------------------|---------------------|-----------------------|-------------|
| As at 30 June 2022 | | | | | |
| Segment assets | 280,203,174 | 35,035,395 | 48,428,006 | 3,022,652 | 366,689,227 |
| Segment assets include: | | | | | |
| Interests in joint ventures | 9,028,680 | - | - | 3,880 | 9,032,560 |
| Interests in associates | 3,214,548 | - | - | 81,653 | 3,296,201 |
| Segment liabilities | 146,196,830 | 101,998 | 1,738,221 | 1,810,496 | 149,847,545 |
| As at 31 December 2021 | | | | | |
| Segment assets | 295,421,229 | 35,013,291 | 50,162,331 | 2,920,566 | 383,517,417 |
| Segment assets include: | | | | | |
| Interests in joint ventures | 11,079,591 | - | - | 5,568 | 11,085,159 |
| Interests in associates | 3,242,250 | - | - | 81,459 | 3,323,709 |
| Addition to non-current assets (other than financial instruments and deferred income tax assets) | 2,257,969 | 145,551 | 863,515 | 437,663 | 3,704,698 |
| Segment liabilities | 151,798,177 | 46,469 | 1,712,892 | 2,349,608 | 155,907,146 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

7. CAPITAL EXPENDITURE

| | Property, plant and equipment | | | | |
|--|-------------------------------|---|-----------------------|---|------------------------|
| | Intangible assets | Investment properties <i>(Note (a))</i> | Other owned assets | Hotel buildings <i>(Note (b))</i> | Right-of-use assets |
| Six months ended 30 June 2022 | | | | | |
| At 1 January 2022 | 1,125,285 | 34,943,304 | 8,172,622 | 38,906,839 | 10,764,837 |
| Additions | 35,957 | 1,389 | 273,461 | 129,827 | 11,363 |
| Disposals of subsidiaries | – | – | – | (446,509) | (305,300) |
| Disposals | – | (8,161) | (31,793) | – | (11,289) |
| Fair value gains (included in other gains – net) | – | 29,507 | – | – | – |
| Depreciation and amortisation | (37,210) | – | (242,724) | (466,695) | (158,779) |
| Currency translation differences | – | (2,141) | 19,173 | (104,631) | – |
| At 30 June 2022 | 1,124,032 | 34,963,898 | 8,190,739 | 38,018,831 | 10,300,832 |
| Six months ended 30 June 2021 | | | | | |
| At 1 January 2021 | 1,183,384 | 33,957,965 | 8,347,548 | 33,766,187 | 10,846,583 |
| Additions | 29,733 | 94,104 | 1,177,235 | – | 39,758 |
| Acquisition of a subsidiary | – | – | 1,491,961 | – | – |
| Disposals | (15,555) | (12,964) | (3,534) | – | – |
| Transfer from completed properties held for sale to investment properties | – | 504,553 | – | – | – |
| Transfer from properties under development | – | – | 29,935 | – | 5,544 |
| Transfer to properties under development | – | – | (6,513) | – | – |
| Transfer to completed properties held for sale | – | – | (7,710) | – | (1,866) |
| Revaluation gains on investment properties transferred from completed properties held for sale | – | 296,531 | – | – | – |
| Fair value gains (included in other gains – net) | – | 438,393 | – | – | – |
| Depreciation and amortisation | (54,013) | – | (176,059) | (566,996) | (235,199) |
| Currency translation differences | (4) | (147,894) | (45,145) | – | (2) |
| At 30 June 2021 | 1,143,545 | 35,130,688 | 10,807,718 | 33,199,191 | 10,654,818 |

7. CAPITAL EXPENDITURE (Continued)**(a) Investment properties**

The Group's investment properties were valued at transfer or business acquisition dates, and at 30 June 2022 by independent and professionally qualified valuers, who hold relevant recognised professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

There were no changes to the valuation techniques during the current period. The valuation were arrived at by reference to certain significant unobservable inputs such as term yield, reversionary yields, market rents and market price.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. At 30 June 2022 and 31 December 2021, the Group had only level 3 investment properties.

(b) Hotel buildings

As at 30 June 2022, management did not reevaluate the hotel buildings considering that the carrying amount does not differ materially from that which would be determined using fair value.

8. INTERESTS IN JOINT VENTURES

| | Six months ended 30 June | |
|---|---------------------------------|------------|
| | 2022 | 2021 |
| At 1 January | 11,085,159 | 11,617,336 |
| Additions | 145,000 | 79,906 |
| Acquisition of the remaining equity interest in a joint venture | – | (438,282) |
| Disposal (Note (a)) | (2,416,473) | – |
| Share of results | 657,462 | 53,837 |
| Share of other comprehensive (loss)/income | (66,188) | 10,673 |
| Elimination of unrealised profits | (372,400) | (48,640) |
| At 30 June | 9,032,560 | 11,274,830 |

Note:

- (a) As at 28 April 2022, the Group signed an agreement with a third party to sell 50% equity interest in a joint venture. The disposal was completed on 2 June 2022. The Group holds no equity interests after the disposal.

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(All amounts in RMB Yuan thousands unless otherwise stated)

9. INTERESTS IN ASSOCIATES

| | Six months ended 30 June | |
|-------------------------------------|--------------------------|-----------|
| | 2022 | 2021 |
| At 1 January | 3,323,709 | 1,440,026 |
| Additions | – | 1,228,320 |
| Share of results | (15,693) | 35,728 |
| Share of other comprehensive income | 461 | 224 |
| Elimination of unrealised profits | (12,276) | (100,228) |
| At 30 June | 3,296,201 | 2,604,070 |

10. OTHER FINANCIAL ASSETS

As at 30 June 2022, the balance represented the Group's investments in certain PRC debt securities, which were measured at amortised cost less accumulated impairment. As at 30 June 2022, the fair value of such PRC debt securities, which was determined by reference to "China Bond Financial Valuation Center Co., Ltd", was approximately RMB972 million.

| | As at | |
|--|-----------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Opening balance | 1,026,645 | – |
| Additions | – | 3,063,185 |
| Fair value loss recognised in profit or loss | (54,239) | (2,036,540) |
| Closing balance | 972,406 | 1,026,645 |

(a) Other financial assets include the following

| | As at | |
|--------------------|-----------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Listed securities: | | |
| – Bonds | 972,406 | 1,026,645 |

(b) Amounts recognised in profit or loss

During the period, the following losses were recognised in profit or loss:

| | As at | |
|-------------------------------------|-----------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Listed securities: | | |
| Losses recognised in profit or loss | (54,239) | (2,036,540) |

(c) Fair value and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 5.5.

Other financial assets as at 30 June 2022 and 31 December 2021 are denominated in RMB.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | As at | |
|---|-------------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Trade receivables – net | 4,519,789 | 5,442,939 |
| Other receivables – net | 23,908,514 | 23,061,364 |
| Prepayments | 6,297,223 | 7,873,346 |
| Capitalised costs to obtain sales contracts | 1,808,013 | 1,729,869 |
| Due from joint ventures | 3,327,042 | 5,145,475 |
| Due from associates | 2,404,829 | 2,636,199 |
| Total | 42,265,410 | 45,889,192 |

As at 30 June 2022, trade receivables were mainly derived from sale of properties. Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

| | As at | |
|-------------------------------------|------------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Trade receivables – current portion | | |
| – Due from third parties | 4,374,034 | 5,282,950 |
| – Due from joint ventures | 358,033 | 368,646 |
| – Due from associates | 10,345 | 10,891 |
| | 4,742,412 | 5,662,487 |
| Less: loss allowance | (222,623) | (219,548) |
| | 4,519,789 | 5,442,939 |

At 30 June 2022 and 31 December 2021, the ageing analysis of trade receivables is as follows:

| | As at | |
|--------------------|------------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Up to 1 year | 2,926,682 | 3,863,671 |
| 1 year to 2 years | 710,989 | 896,145 |
| 2 years to 3 years | 447,488 | 459,734 |
| Over 3 years | 657,253 | 442,937 |
| | 4,742,412 | 5,662,487 |

12. RESTRICTED CASH

As at 30 June 2022 and 31 December 2021, the Group's restricted cash were mainly denominated in RMB. The conversion of the PRC group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 30 June 2022 and 31 December 2021, the Group's restricted cash mainly comprised guarantee deposits for construction of pre-sold properties, guarantee deposits for borrowings, guarantee deposits for interest of senior notes and others.

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(All amounts in RMB Yuan thousands unless otherwise stated)

13. SHARE CAPITAL

| | Number of shares (thousands) | Share capital |
|---------------------|------------------------------------|---------------|
| At 30 June 2022 | 3,752,367 | 3,752,367 |
| At 31 December 2021 | 3,752,367 | 3,752,367 |

Share capital refers to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited.

14. BORROWINGS

| | As at 30 June 2022 | 31 December 2021 |
|---|--------------------------|---------------------|
| Non-current | | |
| Long-term borrowings | | |
| Bank borrowings (Note (a)) | | |
| – Secured | 51,046,494 | 53,592,620 |
| – Unsecured | 6,348,391 | 5,338,712 |
| | 57,394,885 | 58,931,332 |
| Domestic bonds (Note (b)) | | |
| – Secured | 3,324,000 | – |
| – Unsecured | 10,597,264 | 13,846,461 |
| | 13,921,264 | 13,846,461 |
| Senior notes (Note (c)) | | |
| – Secured | 33,009,008 | 32,022,591 |
| Other borrowings (Note (d)) | | |
| – Secured | 16,424,545 | 14,740,141 |
| – Unsecured | 974,900 | 974,900 |
| | 17,399,445 | 15,715,041 |
| Total long-term borrowings | 121,724,602 | 120,515,425 |
| Less: current portion of long-term borrowings | (70,413,036) | (53,880,163) |
| | 51,311,566 | 66,635,262 |
| Current | | |
| Short-term borrowings | | |
| Bank borrowings (Note (a)) | | |
| – Secured | 581,966 | 340,187 |
| – Unsecured | – | 1,099,991 |
| | 581,966 | 1,440,178 |
| Other borrowings (Note (d)) | | |
| – Secured | 3,838,012 | 6,783,785 |
| – Unsecured | 100,000 | 100,000 |
| | 3,938,012 | 6,883,785 |
| Total short-term borrowings | 4,519,978 | 8,323,963 |
| Current portion of long-term borrowings | 70,413,036 | 53,880,163 |
| Total borrowings | 126,244,580 | 128,839,388 |

14. BORROWINGS (Continued)**(a) Bank borrowings**

Movements in bank borrowings are analysed as follows:

| | Six months ended 30 June | |
|---------------------------------|---------------------------------|--------------|
| | 2022 | 2021 |
| At 1 January | 60,371,510 | 80,755,393 |
| Additions | 971,108 | 5,838,547 |
| Repayments | (3,540,742) | (17,340,715) |
| Foreign exchange losses/(gains) | 174,975 | (82,164) |
| At 30 June | 57,976,851 | 69,171,061 |

The effective interest rate of bank borrowings is 5.64% (six months ended 30 June 2021: 5.95%).

(b) Domestic bonds**(i) 2016 Public Bonds**

The Company issued 60,000,000 units of corporate bonds at a par value of RMB6.0 billion in the PRC on 11 January 2016 (the "Original 2016 Public Bonds"). The Company further issued 36,000,000 units of corporate bonds at a par value of RMB3.6 billion in the PRC on 22 January 2016 (the "Additional 2016 Public Bonds I"). The interest rates of the Original 2016 Public Bonds and Additional 2016 Public Bonds I were fixed at 3.95% per annum.

On 11 January 2019, the Company adjusted the interest rates for the Original 2016 Public Bonds to 7.20% per annum for the remaining periods. On 22 January 2019, the Company adjusted the interest rates for the Additional 2016 Public Bonds I to 7.00% per annum for the remaining periods.

On 11 January 2021, the Company redeemed the remaining 60,000,000 units of Original 2016 Public Bonds at a redemption price equal to 100% of the principal amount. On 21 January 2021, the Company redeemed the remaining 36,000,000 units of Additional 2016 Public Bonds I at a redemption price equal to 100% of the principal amount.

The Company further issued 19,500,000 units of corporate bonds at a par value of RMB1.95 billion in the PRC on 7 April 2016 (the "Additional 2016 Public Bonds II"). The interest rate of the Additional 2016 Public Bonds II was fixed at 3.48% per annum. The Additional 2016 Public Bonds II will mature after six years from the issue date.

On 2 April 2019, the Company adjusted the interest rates for the Additional 2016 Public Bonds II to 6.70% per annum for the remaining periods.

The Company further issued 9,500,000 units of corporate bonds at a par value of RMB0.95 billion in the PRC on 7 April 2016 (the "Additional 2016 Public Bonds III" and, together with the Original 2016 Public Bonds, the Additional 2016 Public Bonds I and II, the "2016 Public Bonds"). The interest rate of the Additional 2016 Public Bonds III was fixed at 3.95% per annum. The Additional 2016 Public Bonds III will mature after seven years from the issue date.

On 7 April 2021, the Company redeemed and reissued 9,467,810 units of the Additional 2016 Public Bonds III. The interest rate was fixed at 7.0% per annum for the remaining periods.

The carrying amount of the remaining 2016 Public Bonds as at 30 June 2022 amounted to RMB2,840,775,000.

14. BORROWINGS (Continued)

(b) Domestic bonds (continued)

(ii) 2016 Non-public Bonds

The Company issued 46,000,000 units of non-public bonds at a par value of RMB4.6 billion in the PRC on 16 May 2016 (the “Original 2016 Non-public Bonds”). The interest rate of the Original 2016 Non-public Bonds was fixed at 5.20% per annum. The Original 2016 Non-public Bonds will mature after six years from the issue date.

On 16 May 2019, the Company adjusted the interest rates for the Original 2016 Non-public Bonds to 6.80% per annum for the remaining periods. On 15 May 2020, the Company redeemed 32,860,000 units of the Original 2016 Non-public Bonds. The interest rate was fixed at 6.80% per annum for the remaining periods.

During the year ended 31 December 2021, the Company redeemed 3,940,000 units and reissued 750,000 units of the Original 2016 Non-public Bonds. The interest rate was fixed at 6.80% per annum for the remaining periods.

The Company further issued 57,000,000 units of non-public bonds at a par value of RMB5.7 billion in the PRC on 19 October 2016 (the “Additional 2016 Non-public Bonds III” and, together with the Original 2016 Non-public Bonds, the “2016 Non-public Bonds”). The interest rate of the Additional 2016 Non-public Bonds III was fixed at 4.39% per annum. The Additional 2016 Non-public Bonds III will mature after six years from the issue date.

On 19 October 2019, the Company redeemed 14,052,000 units of the Additional 2016 Non-public Bonds III at a redemption price equal to 100% of the principal amount. The interest rate was adjusted to 7.40% per annum for the remaining periods.

On 19 October 2020, the Company redeemed 28,550,000 units of the Additional 2016 Non-public Bonds III at a redemption price equal to 100% of the principal amount and reissued 2,300,000 units.

On 19 October 2021, the Company redeemed 5,498,000 units of the Additional 2016 Non-public Bonds III at a redemption price equal to 100% of the principal amount.

The carrying amount of the remaining 2016 Non-public Bonds as at 30 June 2022 amounted to RMB2,115,000,000.

(iii) 2018 public Bonds

The Company issued 40,000,000 units of corporate bonds at a par value of RMB4 billion in the PRC on 3 December 2018 (the “Original 2018 Public Bonds”). The interest rate of the 2018 Public Bonds was fixed at 6.58% per annum. The Original 2018 Public Bonds will mature after four years from the issue date.

In 4 December 2020, the Company redeemed 39,987,500 units and reissued 8,000,000 units of Original 2018 Public Bonds. The interest rate maintained at 6.58% per annum for the remaining periods. During the year ended 31 December 2021, the Company reissued 31,866,000 units of Original 2018 Public Bonds.

The Company further issued 70,200,000 units of corporate bonds at a par value of RMB7.02 billion in the PRC on 3 January 2019 (the “Additional 2018 Public Bonds”, and, together with the Original 2018 Public Bonds, the “2018 Public Bonds”). The interest rate of the Additional 2018 Public Bonds was fixed at 7.00% per annum. The Additional 2018 Public Bonds will mature after four years from the issue date.

On 28 December 2020, 70,197,170 units of the Additional 2018 Public Bonds were redeemed at a redemption price equal to 100% of the principal amount. The interest rate maintained at 7.00% per annum for the remaining periods. During the year ended 31 December 2021, the Company reissued 42,500,000 units of the Additional 2018 Public Bonds.

The carrying amount of the remaining 2018 Public Bonds as at 30 June 2022 amounted to RMB8,007,488,000.

14. BORROWINGS (Continued)**(b) Domestic bonds** (continued)**(iv) 2019 Public Bonds**

The Company issued 15,800,000 units of corporate bonds at a par value of RMB1.58 billion in the PRC on 8 May 2019 (the “2019 Public Bonds I”). The interest rate of the 2019 Public Bonds I was fixed at 5.60% per annum. The 2019 Public Bonds I will mature after four years from the issue date.

On 8 May 2021, the Company redeemed 15,797,990 units of the 2019 Public Bonds I. The interest rate maintained at 7.00% per annum for the remaining periods.

The Company further issued 4,000,000 units of corporate bonds at a par value of RMB0.4 billion in the PRC on 8 May 2019 (the “2019 Public Bonds II”, and, together with the 2019 Public Bonds I, the “2019 Public Bonds”). The interest rate of the 2019 Public Bonds II was fixed at 6.48% per annum. The 2019 Public Bonds II will mature after five years from the issue date.

The carrying amount of the 2019 Public Bonds as at 30 June 2022 amounted to RMB400,001,000.

(v) 2020 Non-public Bonds

The Company issued 10,000,000 units of corporate bonds at a par value of RMB1 billion in the PRC on 23 April 2020 (the “2020 Non-public Bonds”). The interest rate of the 2020 Non-public Bonds was fixed at 6.30% per annum. The 2020 Non-Public Bonds will mature after four years from the issue date.

The carrying amount of the 2020 Non-Public Bonds as at 30 June 2022 amounted to RMB558,000,000.

(vi) Fair value and movement of domestic bonds

The fair values of the 2016 Public Bonds, 2018 Public Bonds and 2019 Public Bonds as at 30 June 2022 amounted to RMB4,676,650,000 in total. The fair values were determined by reference to the price quotations published on the last trading day of the period ended 30 June 2022 and were within level 1 of the fair value hierarchy.

The movements of domestic bonds are set out below:

| | Six months ended 30 June | |
|---|---------------------------------|--------------|
| | 2022 | 2021 |
| At 1 January | 13,846,461 | 18,933,342 |
| Additions | – | 7,666,865 |
| Redemption | (131,000) | (12,546,550) |
| Interest charged (Note 18) | 668,352 | 747,445 |
| Interest paid or included in other payables | (462,549) | (557,325) |
| At 30 June | 13,921,264 | 14,243,777 |

14. BORROWINGS (Continued)

(c) Senior notes

The senior notes are the only direct, unsubordinated, unconditional and secured obligations of the relevant issuers.

(i) 2017 Notes

2017 Notes I

On 13 January 2017, a subsidiary of the Group, Easy Tactic Limited (“Easy Tactic”) issued 5.75% senior notes due 13 January 2022 in the aggregate principal amount of USD265,000,000 with the issue price 99.146% of the principal amount (the “2017 Original Notes”).

On 20 January 2017, Easy Tactic further issued 5.75% senior notes due 13 January 2022 in the aggregate principal amount of USD460,000,000 with the issue price 99.146% of the principal amount, plus accrued interest from (and including) 13 January 2017 to (but excluding) 20 January 2017 (the “2017 Additional Notes” and, together with the 2017 Original Notes, the “2017 Notes I”). The net proceeds of the 2017 Notes I, after deducting the transaction costs, amounted to RMB4,880,042,000.

On 13 January 2022, Easy Tactic redeemed the 2017 Original Notes with principal amount of USD116,369,000 at a redemption price equal to 85.92% of the principal amount.

2017 Notes III

On 17 November 2017, Easy Tactic issued 5.875% senior notes due 13 February 2023 in the aggregate principal amount of USD500,000,000 with the issue price 100% of the principal amount (the “2017 Notes III – Original Notes”).

On 9 January 2018, Easy Tactic further issued 5.875% senior notes due 13 February 2023 in the aggregate principal amount of USD100,000,000 with the issue price 99.426% of the principal amount, plus accrued interest from (and including) 17 November 2017 to (but excluding) 9 January 2018 (the “2017 Notes III – Additional Notes” and, together with the 2017 Notes III – Original Notes, the “2017 Notes III”). The net proceeds of the 2017 Notes III, after deducting the transaction costs, amounted to RMB3,891,552,000.

On 24 September 2021, Easy Tactic redeemed the 2017 Notes III with principal amount of USD13,000,000 at a redemption price equal to 74.82% of the principal amount.

14. BORROWINGS (Continued)**(c) Senior notes** (continued)**(ii) 2019 Notes**

2019 Notes II

On 28 January 2019, Easy Tactic issued 9.125% senior notes due 28 July 2022 in the aggregate principal amount of USD300,000,000 with the issue price 99.633% of the principal amount (the “2019 Notes II”). The net proceeds of the 2019 Notes II, after deducting the transaction costs, amounted to RMB1,984,095,000.

On 24 September 2021, Easy Tactic redeemed the 2019 Notes II with principal amount of USD12,000,000 at a redemption price equal to 80.57% of the principal amount.

2019 Notes III

On 27 February 2019, Easy Tactic issued 8.125% senior notes due 27 February 2023 in the aggregate principal amount of USD450,000,000 with the issue price 100% of the principal amount and 8.625% senior notes due 27 February 2024 in the aggregate principal amount of USD375,000,000 with the issue price 100% of the principal amount (the “2019 Note III – Original Notes”).

On 17 June 2019, Easy Tactic further issued 8.125% senior notes due 27 February 2023 in the aggregate principal amount of USD425,000,000 with the issue price 98.812% of the principal amount, plus accrued interest from (and including) 27 February 2019 to (but excluding) 17 June 2019 (the “2019 Notes III – Additional Notes” and, together with the 2019 Note III – Original Notes, the “2019 Notes III”). The net proceeds of the 2019 Notes III, after deducting the transaction costs, amounted to RMB8,272,544,000.

2019 Notes IV

On 11 July 2019, Easy Tactic issued 8.125% senior notes due 11 July 2024 in the aggregate principal amount of USD450,000,000 with the issue price 100% of the principal amount (the “2019 Notes IV”). The net proceeds of the 2019 Notes IV, after deducting the transaction costs, amounted to RMB3,043,408,000.

(iii) 2020 Notes

2020 Note I

On 5 March 2020, Easy Tactic issued 8.625% senior notes due 5 March 2024 in the aggregate principal amount of USD400,000,000 with the issue price 100% of the principal amount (the “2020 Notes I”). The net proceeds of the 2020 Notes I, after deducting the transaction costs, amounted to RMB2,733,791,000.

2020 Note II

On 18 November 2020, Easy Tactic issued 12.375% senior notes due 18 November 2022 in the aggregate principal amount of USD360,000,000 with the issue price 100% of the principal amount (the “2020 Notes II”). The net proceeds of the 2020 Notes II, after deducting the transaction costs, amounted to RMB2,323,896,000.

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(All amounts in RMB Yuan thousands unless otherwise stated)

14. BORROWINGS (Continued)

(c) Senior notes (continued)

(iv) 2021 Notes

2021 Note I

On 2 February 2021, Easy Tactic issued 11.750% senior notes due 2 August 2023 in the aggregate principal amount of USD500,000,000 with the issue price 100% of the principal amount (the “2021 Notes I”). The net proceeds of the 2021 Notes I, after deducting the transaction costs, amounted to RMB3,198,429,000.

2021 Note II

On 3 March 2021, Easy Tactic issued 11.625% senior notes due 3 September 2024 in the aggregate principal amount of USD325,000,000 with the issue price 100% of the principal amount (the “2021 Notes II”). The net proceeds of the 2021 Notes II, after deducting the transaction costs, amounted to RMB2,072,371,000.

2021 Note III

On 22 July 2021, Easy Tactic issued 11.75% senior notes due 2 August 2023 in the aggregate principal amount of USD175,000,000 with the issue price 98.375% of the principal amount (the “2021 Notes III”). The net proceeds of the 2021 Notes III, after deducting the transaction costs, amounted to RMB1,097,531,000.

As at 30 June 2022 and 31 December 2021, all senior notes were guaranteed by certain subsidiaries of the Group and were secured by shares of certain offshore subsidiaries of the Group.

The effective interest rate of senior notes ranged from 6.25% to 13.51% (six months ended 30 June 2021: 6.25% to 13.30%).

The movements of senior notes are set out below:

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2022 | 2021 |
| At 1 January | 32,022,591 | 35,313,318 |
| Issuance | – | 5,270,800 |
| Redemption | (739,432) | (7,608,904) |
| Interest charged (Note 18) | 1,472,864 | 1,541,328 |
| Interest paid or included in other payables | (1,399,116) | (1,447,436) |
| Foreign exchange losses/(gains) | 1,652,101 | (339,925) |
| At 30 June | 33,009,008 | 32,729,181 |

The carrying amounts of the Group’s senior notes are denominated in USD.

The fair values of the senior notes as at 30 June 2022 amounted to RMB7,230,839,000 (31 December 2021: RMB13,374,121,000). The fair value is determined by reference to the price quotations published by Bloomberg on the last trading date of the period ended 30 June 2022 and is within level 1 of the fair value hierarchy.

14. BORROWINGS (Continued)**(d) Other borrowings**

Certain subsidiaries of the Group (the “Project Companies”) have entered into funding arrangements with certain financial institutions (the “Trustees”), under which the Trustees have raised funds from third parties and injected the funds to the Project Companies.

The movements of other borrowings are set out below:

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2022 | 2021 |
| At 1 January | 22,598,826 | 24,728,020 |
| Additions | 3,499,329 | 6,965,355 |
| Disposal of a subsidiary | (515,352) | – |
| Repayments | (4,599,477) | (4,505,373) |
| Interest charged | 1,398,990 | 1,285,898 |
| Interest paid or included in other payables | (1,270,579) | (1,236,619) |
| Foreign exchange losses/(gains) | 225,720 | (32,692) |
| At 30 June | 21,337,457 | 27,204,589 |

The carrying amounts of other borrowings as at 30 June 2022 are denominated in RMB, USD, GBP, AUD and KRW.

The effective interest rate of these funding arrangements ranged from 3.99% to 36% (2021: 3.99% to 20%).

As at 30 June 2022, bank and other borrowings totalling RMB71,891,017,000 (31 December 2021: RMB75,456,733,000) of the Group were secured by the following assets and the Group’s shares of certain subsidiaries:

| | As at | |
|------------------------------------|-------------------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Right-of-use assets | 2,122,657 | 2,102,542 |
| Property, plant and equipment | 30,593,038 | 30,466,085 |
| Investment properties | 19,798,699 | 19,546,774 |
| Properties under development | 48,170,898 | 49,788,485 |
| Completed properties held for sale | 5,721,392 | 7,813,198 |
| Restricted cash | 3,173,682 | 3,122,399 |
| | 109,580,366 | 112,839,483 |

- (e) All the unsecured bank and other borrowings were supported by guarantees issued by the Company and its certain subsidiaries.

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15. ACCRUALS AND OTHER PAYABLES

| | As at | |
|---|-------------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Amounts due to joint ventures | 8,750,365 | 8,199,049 |
| Amounts due to associates | 289,626 | 281,368 |
| Amounts due to entities jointly controlled by major shareholders of the Company | 1,834,031 | 2,177,038 |
| Amounts due to major shareholders | 151,015 | 42,111 |
| Amounts due to a shareholder of a joint venture (Note (a)) | 5,543,137 | 5,213,413 |
| Construction payables (Note (b)) | 45,122,998 | 50,694,180 |
| Other payables and accrued charges (Note (c)) | 36,953,741 | 38,314,197 |
| Total | 98,644,913 | 104,921,356 |
| Less: non-current portion (Note (a)) | (534,987) | (534,987) |
| Current portion | 98,109,926 | 104,386,369 |

Notes:

- (a) The balance was secured by the Group's shares in certain wholly-owned subsidiaries, the Group's right to receive the economic benefits deriving from one property development project and the guarantee provided by the Company.
- (b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.
- (c) The balance mainly represents interest payables, accruals, salary payables and other taxes payable excluding income tax.
- (d) The carrying amounts of accruals and other payables approximate their fair values.

16. OTHER INCOME

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2022 | 2021 |
| Interest income | 65,933 | 354,960 |
| Other operating income | 58,436 | 70,152 |
| Forfeited deposits from customers | 2,913 | 53,072 |
| Dividends income from financial assets at fair value through other comprehensive income | – | 5,610 |
| Others | 4,187 | 7,560 |
| Total | 131,469 | 491,354 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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17. OTHER GAINS – NET

| | Six months ended 30 June | |
|--|--------------------------|-----------|
| | 2022 | 2021 |
| Revaluation gains on investment properties transferred from completed properties held for sale | – | 296,531 |
| Fair value gains on investment properties – net | 27,985 | 438,393 |
| (Losses)/gains on disposals of subsidiaries | (1,003,640) | 802,099 |
| Losses on disposal of certain equity interests in a joint venture | (1,576,357) | – |
| Gains on disposals of property, plant and equipment | 1,052 | – |
| (Losses)/gains on disposals of intangible assets | (588) | 14,657 |
| Fair value losses on other financial assets | (54,239) | – |
| Remeasurement gains on previously held equity interest in a joint venture | – | 87,499 |
| Others | 85,183 | 33,828 |
| | (2,520,604) | 1,673,007 |

18. FINANCE COSTS – NET

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2022 | 2021 |
| Interest expenses: | | |
| – bank borrowings | 2,101,342 | 2,654,861 |
| – domestic bonds | 668,352 | 747,445 |
| – senior notes | 1,472,864 | 1,541,328 |
| – other borrowings and others | 2,044,099 | 1,504,235 |
| – lease liabilities | 7,422 | 12,958 |
| | 6,294,079 | 6,460,827 |
| Early redemption premium for senior notes | – | 7,965 |
| Net foreign exchange losses/(gains) | 2,156,944 | (539,848) |
| Less: finance costs capitalised | (3,248,771) | (4,334,095) |
| | 5,202,252 | 1,594,849 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

19. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|--|--------------------------|-----------|
| | 2022 | 2021 |
| Current income tax | | |
| – enterprise income tax (Note (b)) | 262,215 | 1,765,293 |
| – PRC land appreciation tax (Note (c)) | 201,052 | 879,774 |
| Deferred income tax | (563,640) | (270,572) |
| | (100,373) | 2,374,495 |

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the period (six months ended 30 June 2021: Nil).

(b) Enterprise income tax

Enterprise income tax is computed according to the relevant laws and regulations enacted in the countries where the Group operated and generated taxable income.

In respect of the applicable income tax rates for the period ended 30 June 2022, the companies in the PRC, Cambodia, Malaysia were primarily taxed at 25%, 20% and 24% (six months ended 30 June 2021: 25%, 20% and 24%) on their profits, respectively.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including costs of land use rights and development and construction expenditures.

20. DIVIDENDS

| | Six months ended 30 June | |
|---|--------------------------|---------|
| | 2022 | 2021 |
| No interim dividend declared (2021: RMB0.10 per ordinary share) | – | 375,237 |

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB0.10 per share).

21. FINANCIAL GUARANTEE CONTRACTS

The face values of the financial guarantees issued by the Group as at 30 June 2022 are analysed as follows:

| | As at | |
|---|-------------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties (Note (a)) | 83,422,638 | 89,415,721 |
| Guarantees in respect of borrowings of joint ventures and associates (Note (b)) | 14,300,668 | 13,519,411 |
| | 97,723,306 | 102,935,132 |

Notes:

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) the satisfaction of relevant mortgage loan by the purchasers.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends when the certificate of real estate ownership for the mortgage is issued and submitted to the banks. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) The balance represents the maximum exposure of the guarantee provided for joint ventures and associates for their borrowings.

22. COMMITMENTS**Commitments for capital and property development activities**

| | As at | |
|--|-----------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Contracted but not provided for | | |
| – Property development activities (including land premium) | 21,460,682 | 23,085,997 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

23. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Dr. Li Sze Lim and Mr. Zhang Li, who own 28.97% and 27.77%, respectively as at 30 June 2022, of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

(a) Key management compensation

| | Six months ended 30 June | |
|-------------------------------|--------------------------|--------|
| | 2022 | 2021 |
| Salaries and welfare benefits | 13,167 | 13,086 |

(b) Provision of decoration, design and construction service

| | Six months ended 30 June | |
|----------------|--------------------------|---------|
| | 2022 | 2021 |
| Joint ventures | 429,739 | 92,652 |
| Associates | 553 | 10,635 |
| | 430,292 | 103,287 |

(c) Purchase of property management and related service

| | Six months ended 30 June | |
|--|--------------------------|---------|
| | 2022 | 2021 |
| Entities jointly controlled by major shareholders of the Company | – | 426,887 |

(d) Provision of guarantees for borrowings

The Group and certain other shareholders of the joint ventures and associates have jointly provided guarantees for certain borrowings granted to the Group's joint ventures and associates for project development purpose. As at 30 June 2022, the Group's guarantees for borrowings provided to its joint ventures and associates are shown as follows:

(a) Bank borrowings

| | As at | |
|----------------|-----------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Joint ventures | 8,241,256 | 10,047,093 |

23. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)**(d) Provision of guarantees for borrowings** (continued)**(b) Others**

| | As at | |
|----------------|------------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Joint ventures | 2,606,690 | 1,277,667 |
| An associate | 1,161,000 | – |
| | 3,767,690 | 1,277,667 |

(e) Interest income on loans to related parties

| | Six months ended 30 June | |
|----------------|--------------------------|---------|
| | 2022 | 2021 |
| Joint ventures | 62,616 | 94,149 |
| Associates | 18,924 | 200,457 |
| | 81,540 | 294,606 |

(f) Interest expense on borrowings due to related parties

| | Six months ended 30 June | |
|--------------------|--------------------------|--------|
| | 2022 | 2021 |
| A joint venture | 21,120 | 21,120 |
| Major shareholders | 41,419 | 41,490 |
| | 62,539 | 62,610 |

(g) Purchase of senior notes issued by the Group

| | Six months ended 30 June | |
|---------------------------|--------------------------|-------|
| | 2022 | 2021 |
| A director of the Company | – | 9,702 |

SUPPLEMENTARY INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the period ended 30 June 2022 in accordance with China Accounting Standards for Business Enterprises (“CAS”). The differences between the consolidated financial statements prepared under CAS and HKFRS are summarised as follows:

| | (Loss)/profit for the period | | Total equity as at | |
|--|------------------------------|-----------|--------------------|-------------|
| | ended 30 June | | 30 June | 31 December |
| | 2022 | 2021 | 2022 | 2021 |
| As stated in accordance with CAS | (6,806,800) | 3,532,824 | 71,178,961 | 77,854,322 |
| Impact of HKFRS adjustments: | | | | |
| 1. Amortisation of revaluation gains arising from business combinations | (38) | (1,035) | 35,382 | 35,420 |
| 2. Deferred taxation | 10 | 259 | (8,847) | (8,858) |
| 3. Revaluation gains on investment properties transferred from property, plant and equipment | – | (469,558) | – | – |
| 4. Revaluation gains on investment properties transferred from properties under development | (873) | 210,293 | 3,267 | 3,267 |
| 5. Revaluation model of subsequent measurement for hotel buildings | (91,762) | (91,762) | 4,882,728 | 4,974,490 |
| As stated in accordance with HKFRS | (6,899,463) | 3,181,021 | 76,091,491 | 82,858,641 |

Notes:

- The Group adopted SSAP27 “Accounting for Group Reconstructions” for acquisition of certain subsidiaries before the issuance of Accounting Guideline 5 “Merger Accounting for Common Control Combinations” in November 2005. As the acquisitions did not meet the conditions for using merger accounting under SSAP 27, which prevented the use of predecessor costs when non-controlling interests or rights of the ultimate shareholder have changed, the Group adopted purchase method to account for the acquisitions.
- It refers to the effects of deferred tax arising from the above adjustments and recognition of deferred tax due to tax rate difference.
- Fair value revaluation gains on transfer from property, plant and equipment to investment properties are recognised in other comprehensive income under both HKFRS and CAS. Upon disposal such investment properties, such previously recognised revaluation gains are transferred to retained earnings under HKFRS while released to income statement under CAS respectively.
- The revaluation gains on investment properties transferred from properties under development was recognised in income statement under HKFRS, while in accordance with CAS was recognised in other comprehensive income.
- The Group changed its accounting policies on hotel buildings to follow the revaluation model under HKAS 16 with effective from 1 January 2020.