



2022 INTERIM REPORT

寶龍地產控股有限公司

POWERLONG REAL ESTATE HOLDINGS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

Stock code : 1238



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Group Introduction

Powerlong Real Estate Holdings Limited (1238.HK) (the “**Company**” or “**Powerlong**”) and its subsidiaries (collectively, the “**Group**”) are dedicated to developing and operating comprehensive commercial real estate projects. On 14 October 2009, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). On 30 December 2019, Powerlong Commercial Management Holdings Limited (9909.HK) (“**Powerlong CM**”), a subsidiary of the Company, was listed on the Main Board of the Stock Exchange as the first service provider in commercial management and operation on the Stock Exchange that operates based on an asset-light model.

As at 30 June 2022, the Group’s commercial projects cover the series of “Powerlong One Mall”, “Powerlong City”, “Powerlong Plaza” and “Powerlong Land” products, while its residential projects cover various formats including middle and high class commodity housings and villas, complemented by high-standard office buildings, hotel and apartment projects with comprehensive service support. With its diversified and multidimensional business scope, Powerlong has been improving the retail supporting facilities and thereby enhancing the quality of local cities. From supporting the urbanization of the People’s Republic of China (“**China**” or the “**PRC**”) to its integration into the Yangtze River Delta, Powerlong has always followed closely the strategic direction at the PRC’s national level and focused on city clusters, which enjoy policy support under the PRC’s macro strategy and which are highly vivid in their economic development. While fulfilling the growing demand for complex real estate in the PRC, Powerlong has created various job opportunities to the society and realized people’s demands and dreams for their lives.

The successful development of the Group is attributable to the innovative vision of the Chairman of the Board, Mr. Hoi Kin Hong, who has instilled his insights and visions since the beginning of the Group’s corporate development and driven its evolution along the way. The Group will continue to be committed to being a responsible enterprise and following a path of high-quality development. It will adhere to the corporate mission of “creating space full of love”, follow the corporate values of “simple, truthful, prosper together, forward forever”, and continue to live up to the corporate philosophy of “honest, modest, innovative and devoted”. It will firmly gather the wisdom and power of all fellow folks of Powerlong, with the same goals and paths and embracing difficulties, to contribute to fostering the steady and healthy development and virtuous cycle of the industry, with a view to continually creating further values for the corporation, the society and the country.

Corporate Information

DIRECTORS

Executive Directors

Mr. Hoi Kin Hong (*Chairman of the Board*)
 Mr. Hoi Wa Fong (*Chief executive officer*)
 Mr. Xiao Qing Ping
 Ms. Shih Sze Ni Cecilia
 Mr. Zhang Hong Feng

Non-executive Director

Ms. Hoi Wa Fan

Independent Non-executive Directors

Mr. Ngai Wai Fung
 Mr. Mei Jian Ping
 Mr. Ding Zu Yu

AUDIT COMMITTEE

Mr. Ngai Wai Fung (*Chairman*)
 Mr. Mei Jian Ping
 Mr. Ding Zu Yu

REMUNERATION COMMITTEE

Mr. Mei Jian Ping (*Chairman*)
 Mr. Hoi Wa Fong
 Mr. Ding Zu Yu

NOMINATION COMMITTEE

Mr. Hoi Kin Hong (*Chairman*)
 Mr. Mei Jian Ping
 Mr. Ding Zu Yu

JOINT COMPANY SECRETARIES

Ms. Hai Di
 Ms. Suen Pui Chun Hannah (*resigned on 30 August 2022*)
 Ms. Leung Wai Yan (*appointed on 30 August 2022*)

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong
 Ms. Suen Pui Chun Hannah (*resigned on 30 August 2022*)
 Ms. Leung Wai Yan (*appointed on 30 August 2022*)

REGISTERED OFFICE

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 Uglund House
 Grand Cayman KY1-1104
 Cayman Islands

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 99 Queen's Road Central
 Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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 1399 Xinzhen Road
 Minhang District
 Shanghai
 PRC
 Postal Code: 201101

PRINCIPAL SHARE REGISTRAR

Suntera (Cayman) Limited
 Suite 3204, Unit 2A
 Block 3, Building D
 P.O. Box 1586
 Gardenia Court
 Camana Bay
 Grand Cayman, KY1-1100
 Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
 Shops 1712–1716, 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Wanchai
 Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
 Bank of Communication Co., Ltd.
 Agricultural Bank of China Limited
 Bank of China Limited
 China Construction Bank Corporation
 China Minsheng Banking Corp., Ltd.
 The Bank of East Asia Limited
 China CITIC Bank Corporation Limited
 Postal Savings Bank of China Co., Ltd.
 Tai Fung Bank Limited

AUDITOR

Elite Partners CPA Limited
 Certified Public Accountants
 10th Floor, 8 Observatory Road
 Tsim Sha Tsui, Kowloon, Hong Kong

HONG KONG LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com

Management Discussion and Analysis

MARKET REVIEW

In the first half of 2022, in face of the complexity and severity of the international environment, the ongoing prevalence of the COVID-19 pandemic and out-of-expectation occurrences, the PRC still managed to have economic performance that was stable and on the rise, showcasing its remarkable resilience, potential and long-term prospects. In the real estate sector, the market is experiencing a downward yet solidifying process. Under the policy keynote of stability, “properties being for residential dwellings instead of speculation”, adoption of city-specific policies that support the rigid and reasonable upgraders’ housing needs, and the proper implementation of a prudent management system of real estate finance, austerity policies on the real estate sector were frequently optimized with demand-side policies being vigorously rolled out, with the launch of measures including reduction of home loan interest rate, reduction of down payment, relaxation of the respective restrictions on purchases, loans and sales, stepping up of support for home purchases with provident fund, and absorption of talents, contributing positively to the rebound of the real estate market. In tandem with the latest trend, real estate enterprises focus their efforts on ensuring stability, timely delivery of products and the maintenance of quality, with a view to fostering the stable and healthy development and hence the virtuous cycle of the real estate market.



BUSINESS REVIEW

For the six months ended 30 June 2022, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) commercial operational and residential property management; and (iv) other property development related businesses. During the period under review, property development remained as the main revenue stream of the Group.

Property Development

As a result of the severe operating environment in the real estate industry and the continuous impact of the COVID-19 pandemic, for the six months ended 30 June 2022, the contracted sales of the Group together with its associates and joint ventures amounted to approximately RMB23,241 million (for the six months ended 30 June 2021: RMB53,039 million). For the six months ended 30 June 2022, the contracted sales area of the Group together with its associates and joint ventures amounted to approximately 1,532,058 square meters (for the six months ended 30 June 2021: 3,385,793 square meters).

Management Discussion and Analysis

Set forth below is the distribution of contracted sales of the Group during the six months ended 30 June 2022:

For the six months ended 30 June 2022

Distribution	Sales area sq.m.	Sales amount RMB million	Average selling price RMB/sq.m.
Commercial	522,485	7,976	15,266
Residential	1,009,573	15,265	15,120
Total	1,532,058	23,241	15,170

Property Investment and Commercial Operational and Residential Property Management

To generate a stable and recurring income, the Group also retained and operated certain commercial properties for leasing. As at 30 June 2022, the Group had an aggregate gross floor area (“GFA”) of approximately 7,622,378 square meters (as at 31 December 2021: approximately 7,286,508 square meters) held as investment properties (including completed properties and properties under construction), representing an increase of approximately 4.6% as compared with that as at 31 December 2021.

During the six months ended 30 June 2022, the Group (together with its associates and joint ventures) has completed and commenced operation of one new shopping mall. Taizhou Jiaojiang Powerlong City successfully commenced operation on 24 June 2022. As at 30 June 2022, the Group held and managed 60 shopping malls and managed 8 asset-light shopping malls, with the number of shopping malls in operation held and the floor area in operation and management both being amongst the forefront of the industry.

Hotel Business

The Group continued to develop its hotel business as a source of its long-term recurring income with core businesses in operating international brand hotels and self-operated brand chain hotels.

As at 30 June 2022, the Group owned eight international brand hotels, namely Le Meridien Shanghai Minhang (上海閔行寶龍艾美酒店), Radisson Blu Shanghai Pudong Jinqiao (上海寶龍麗笙酒店), Radisson Exhibition Center Shanghai (上海國展寶龍麗笙酒店), Hotel W Xiamen (廈門W酒店), Four Points by Sheraton Taicang Suzhou (蘇州太倉寶龍福朋喜來登酒店), Four Points by Sheraton Qingdao, Chengyang (青島城陽寶龍福朋喜來登酒店), Aloft Yancheng (鹽城雅樂軒酒店) and Wyndham Grand Plaza Royale Powerlong Fuyang (阜陽寶龍溫德姆至尊豪廷大酒店), and also owned and operated twelve self-owned brand chain hotels, namely ARTELS Qingdao (青島寶龍藝築酒店), ARTELS Anxi Quanzhou (泉州安溪寶龍藝築酒店), ARTELS+ Huaian (淮安藝悅酒店), ARTELS+ Fuyang Hangzhou (杭州富陽藝悅酒店), ARTELS+ Collection Lingang Shanghai (上海臨港藝悅精選酒店), ARTELS+ Collection Hechuan Chongqing (重慶合川藝悅精選酒店), ARTELS+ Wujing Shanghai (上海吳涇藝悅酒店), ARTELS+ Xinxiang (新鄉藝悅酒店), JUNTELS Binjiang Hangzhou (杭州濱江藝瑤酒店), JUNTELS Penglai Yantai (煙台蓬萊藝瑤酒店), ARTELS+ Penglai Yantai (煙台蓬萊藝悅酒店) and JUNTELS Tai'an (泰安寶龍藝瑤酒店).

Land Bank

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own property development pipeline for the forthcoming three to five years. In the future, the Group will continue to adhere to and optimize the “1+1+N” development strategy, focusing on Yangtze River Delta and the Guangdong-Hong Kong-Macau Bay Area while exploring other premium regions that offer opportunities; and to precisely lay out strategic plans and grasp the policy directions in a timely manner, in strict adherence to the principle of value investment.

As at 30 June 2022, the Group had a quality land bank amounting to a total GFA of approximately 31.5 million square meters, of which approximately 26.8 million square meters were properties under development and construction and approximately 4.7 million square meters were properties held for future development. The land bank under development will be used for the development of large-scale commercial and residential properties with quality residential properties, serviced apartments, office buildings and hotels. As at 30 June 2022, nearly 68% of the Group's land bank is located in the Yangtze River Delta region.

Management Discussion and Analysis

OUTLOOK

Given the successive launch of measures across different parts of China to support the property market and the release of signals for improvement on the policy side, it is anticipated that the second half of 2022 will see the gradual recovery of the real estate market and the improvement in transaction volume as compared with the first half of the year. With the thorough implementation of city-specific policies across China, the differentiations among property markets in different regions and cities may become more prominent. It is expected that first- and second-tier cities will see a stable trend first, especially the core cities in the Yangtze River Delta and the Guangdong-Hong Kong-Macau Bay Area. On the other hand, some cities with long-term excessive land supply will still experience pressure for destocking. At a stage where the real estate industry gradually moves towards high-quality development, real estate enterprises will hold firm to the trend of “maintaining stability while seeking improvement”, follow local policies closely, capture structural opportunities in a timely manner, uplift precise management, pay more attention to product strengths and service capability, striving to achieve ongoing sound operation and sustainable high-quality development.

In face of the complexity and severity of the international environment, the ongoing prevalence of the COVID-19 pandemic and the multiple challenges posed by the intense adjustments of the real estate industry in China, in mid-2022, the Group proposed the development theme of “Focused Efforts for New Horizons” (聚力攻坚、勇拓新局). In the second half of 2022, the Group will focus on “ensuring sales, product delivery and debt repayment”, with steadfast commitment to implementing city-specific policies, achieving breakthroughs in sales, ensuring product delivery, ensuring balance of funds, deploying assets in an effective manner, leveraging resources to the fullest extent, and boosting confidence. The Group will hold firm to the principle of responsibilities and remain committed to being a responsible enterprise; and hold firm to the principle of quality, by thoroughly understanding the needs of different customers and market environment, adjusting product planning and positioning in a timely manner, solidifying product quality by means of precise management, thereby uplifting product strengths and service capability on an ongoing basis. With vast cohesion from within, the Group will manage to achieve sound deployment of resources so that cost management can be optimized. Team management will take a scientific approach, defining responsibilities in a clear manner, unlocking potential and gathering team power.

The Group will continue to adhere to and optimize the “1+1+N” development strategy, focusing on Yangtze River Delta and the Guangdong-Hong Kong-Macau Bay Area while exploring other premium regions that offer opportunities, to prudently expand its premium land bank and lay solid foundation for its sustainable and healthy operation and high-quality development. In key regional hubs, the Group will strengthen market tracking and research, adhere to more precise and fine-tuned product positioning, and strictly comply with the principle of value investment in acquiring land bank.

The Group will continue to integrate and consolidate its significant resources, seeking to achieve plans for high-quality openings within the year. It will continue to uphold its customer- and quality-centered philosophy, uplift the quality and efficiency of project management holistically, continue to make efforts in tenant sourcing and tenant mix adjustment for its premium projects, and create more industry benchmarks. Efforts will be made to solidify the commercial digitalization system, leveraging intelligent commerce to continue to extend the capability for expansion in commercial asset-light output, further incentivizing commercial vitality, thereby uplifting consumers’ experience, continuing to empower its brands, and building a more diversified “Powerlong Commercial Eco-system”.

The Group will continue to foster a steady and safe system of financial control, with continual efforts on enhancing and optimizing the digitalized development of financial management for better financial effectiveness and better financial internal control. Meanwhile, the Group will strictly control the overall debt scale, optimize its financing structure, constantly enhance its financing capability and lower its financing cost.

The Group will proactively promote the parallel development of both its talents and the enterprise, and call for employees’ pragmatism and revamped re-definition of themselves. The Group will mobilize individuals for the betterment of their self-worth; re-engineer process for the enhancement of working efficiency; and provide multidimensional incentives for building an elite team. The Group will continue to uphold a human resources strategy of “unlocking potential and pooling of talent”; establish a platform and create opportunities for the career development of its staff, with a view to realizing mutual growth and benefits.

Management Discussion and Analysis

The Group will continue to be committed to being a responsible enterprise and following a path of high-quality development. It will adhere to the corporate mission of “creating space full of love”, follow the corporate values of “simple, truthful, prosper together, forward forever”, and continue to live up to the corporate philosophy of “honest, modest, innovative and devoted”. It will firmly gather the wisdom and power of all fellow folks of Powerlong, with the same goals and paths and embracing difficulties, to contribute to fostering the steady and healthy development and virtuous cycle of the industry, with a view to continually creating further values for the corporation, the society and the country.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises income from property sales, rental income from investment properties, income from provision of commercial operational services and residential property management services and income from other property development related businesses. For the six months ended 30 June 2022, the Group recorded a total revenue of approximately RMB16,897 million (for the six months ended 30 June 2021: approximately RMB20,730 million), representing a decrease of approximately 18.5% as compared with the corresponding period in 2021. This was mainly attributable to the decrease in revenue from property sales.

Revenue from Property Sales

During the six months ended 30 June 2022, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. Revenue from projects sold and delivered for the six months ended 30 June 2022 amounted to approximately RMB14,547 million (for the six months ended 30 June 2021: approximately RMB18,421 million), representing a decrease of approximately 21.0% as compared with the corresponding period in 2021. This was mainly attributable to the decrease in the delivery of properties.

Set forth below are the details regarding the properties sold and delivered during the six months ended 30 June 2022:

		For the six months ended 30 June 2022		
Geographical location		GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB million)	Average selling price (RMB/sq.m.)
Yangtze River Delta	Commercial	293,568	2,211	7,531
	Residential	649,435	10,754	16,559
Hainan	Commercial	6,058	33	5,447
	Residential	5,224	80	15,314
Guangdong-Hong Kong-Macau Bay Area	Commercial	525	15	28,571
	Residential	37,215	838	22,518
Others	Commercial	55,561	297	5,345
	Residential	36,678	319	8,697
	Total	1,084,264	14,547	13,416
	Commercial	355,712	2,556	7,186
	Residential	728,552	11,991	16,459

Management Discussion and Analysis

Rental Income from Investment Properties and Income from Provision of Commercial Operational Services and Residential Property Management Services

For the six months ended 30 June 2022, the Group recorded rental income after elimination of intra-group transactions from investment properties amounting to approximately RMB866 million (for the six months ended 30 June 2021: approximately RMB860 million), which remained relatively stable as compared with the corresponding period in 2021.

For the six months ended 30 June 2022, income from provision of commercial operational services and residential property management services was mainly derived from projects developed by the Group and other third parties. The net income after elimination of intra-group transactions amounted to approximately RMB1,054 million (for the six months ended 30 June 2021: approximately RMB988 million), representing an increase of approximately 6.7% as compared with the corresponding period in 2021.

For the six months ended 30 June 2022, the Group recorded rental income from investment properties and income from provision of commercial operational services and residential property management services of approximately RMB1,920 million (for the six months ended 30 June 2021: approximately RMB1,848 million), representing a slight increase of approximately 3.9% as compared with the corresponding period in 2021.

Income from Other Property Development Related Businesses

Income from other property development related businesses mainly comprises income from hotel operation and the provision of consultation services. For the six months ended 30 June 2022, the Group recorded income from other property development related businesses of approximately RMB430 million (for the six months ended 30 June 2021: approximately RMB461 million), representing a decrease of approximately 6.7% as compared with the corresponding period in 2021, which was mainly because the hotel operations of the Group was affected by the fluctuations in the development of the COVID-19 pandemic in the first half of the year.

Cost of Sales

Cost of sales mainly represents the direct cost related to the property development of the Group. It comprises cost of land use rights, construction costs, decoration costs and other costs. For the six months ended 30 June 2022, cost of sales amounted to approximately RMB11,664 million (for the six months ended 30 June 2021: approximately RMB13,438 million), representing a decrease of approximately 13.2% as compared with the corresponding period in 2021, which was mainly due to the decrease in the GFA of properties sold and delivered, leading to a decrease in the total cost.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2022, gross profit amounted to approximately RMB5,233 million (for the six months ended 30 June 2021: approximately RMB7,292 million), representing a decrease of approximately 28.2% as compared with the corresponding period in 2021, which was mainly due to the decrease in revenue from property sales. Gross profit margin decreased by 4.2 percentage points from 35.2% for the six months ended 30 June 2021 to 31.0% for the six months ended 30 June 2022, which was mainly attributable to the increase in provision of impairment for the relevant property projects based on the principle of prudence as a result of the severe operating environment in the real estate industry and the continuous impact of the COVID-19 pandemic.

Management Discussion and Analysis

Fair Value (Losses)/Gains on Investment Properties

For the six months ended 30 June 2022, the Group recorded revaluation losses of approximately RMB45 million (for the six months ended 30 June 2021: revaluation gain of approximately RMB1,177 million). The turnaround from fair value gains to fair value losses was mainly due to the slow growth in market rents of shopping malls as a result of the decrease in leasing demand under the continuous impact of the COVID-19 pandemic.

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2022, the Group's selling and marketing costs and administrative expenses amounted to approximately RMB1,328 million (for the six months ended 30 June 2021: approximately RMB1,602 million), representing a decrease of approximately 17.1% as compared with the corresponding period in 2021, which was mainly attributable to the decrease in the scale of sales and projects management. The Group will continue to exercise stringent control over expenses and costs whilst at the same time strive to continue the Group's business expansion.

Share of Profit of Investments Accounted for Using the Equity Method

For the six months ended 30 June 2022, share of post-tax profit of investments accounted for using the equity method amounted to approximately RMB549 million (for the six months ended 30 June 2021: approximately RMB598 million), representing a decrease of approximately 8.2% as compared with the corresponding period in 2021, which was mainly due to the decrease in net profit from joint ventures.

Income Tax Expense

Income tax expense of the Group amounted to approximately RMB1,338 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately RMB2,667 million), representing a decrease of approximately 49.8% as compared with the corresponding period in 2021, which was mainly due to the decrease in PRC corporate income tax.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2022, the profit attributable to owners of the Company amounted to approximately RMB698 million (for the six months ended 30 June 2021: approximately RMB3,908 million), representing a decrease of approximately 82.1% over the corresponding period in 2021.

For the six months ended 30 June 2022, basic earnings per share was approximately RMB16.9 cents (for the six months ended 30 June 2021: approximately RMB94.3 cents), representing a decrease of approximately 82.1% over the corresponding period in 2021.

Core earnings (being the profit excluding the fair value gains/(losses) on investment properties, revaluation gains/(losses) on completed properties held for sale transferred to investment properties and foreign exchange gains/(losses) on financing activities during the period under review) for the six months ended 30 June 2022 reached approximately RMB2,268 million (for the six months ended 30 June 2021: approximately RMB3,620 million), representing a decrease of approximately 37.3% as compared with that in the corresponding period in 2021.

Core earnings attributable to owners of the Company (being the profit excluding the attributable fair value gains/(losses) on investment properties, revaluation gains/(losses) on completed properties held for sale transferred to investment properties and foreign exchange gains/(losses) on financing activities during the period under review) for the six months ended 30 June 2022 reached approximately RMB1,691 million (for the six months ended 30 June 2021: approximately RMB2,549 million), representing a decrease of approximately 33.7% as compared with the corresponding period in 2021.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds raised from issuance of bonds, which were used as working capital and investment in development projects.

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB19,364 million in total as at 30 June 2022 (as at 31 December 2021: approximately RMB25,068 million), representing a decrease of approximately 22.8% as compared with that as at 31 December 2021.

Borrowings

Total borrowings of the Group as at 30 June 2022 was approximately RMB66,568 million (as at 31 December 2021: approximately RMB72,958 million), representing a decrease of approximately 9.4% as compared with that as at 31 December 2021. The Group's borrowings comprise bank and other borrowings of approximately RMB42,595 million, corporate bonds of approximately RMB6,567 million, commercial mortgage backed securities (the "CMBS") of approximately RMB2,329 million, assets-backed securities (the "ABS") of approximately RMB260 million and senior notes of approximately RMB14,817 million.

Out of the total borrowings, approximately RMB14,552 million was repayable within one year, while approximately RMB52,016 million was repayable after one year.

Net Gearing Ratio

As at 30 June 2022, the Group had a net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of approximately 75.4% (as at 31 December 2021: approximately 76.7%).

Borrowing Costs

Total interest expenses for the six months ended 30 June 2022 amounted to approximately RMB2,558 million (for the six months ended 30 June 2021: approximately RMB2,660 million), representing a decrease of approximately 3.8% as compared with the corresponding period in 2021. The decrease was mainly due to the decrease in total borrowings of the Group as compared with the corresponding period in 2021. Effective interest rate increased slightly from 6.42% for the six months ended 30 June 2021 to 6.43% for the six months ended 30 June 2022, primarily due to the changes in the capital market. The Group will continue to enhance its stringent control over finance costs.

Credit Policy

Trade receivables mainly arose from sales and lease of properties. Receivables in respect of sales and lease of properties are settled in accordance with the terms stipulated in the sale and purchase agreements and lease agreements respectively.

Pledge of Assets

As at 30 June 2022, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of approximately RMB87,989 million (as at 31 December 2021: approximately RMB103,261 million) to secure borrowings of the Group. The total secured bank and other borrowings and CMBS as at 30 June 2022 amounted to approximately RMB44,621 million (as at 31 December 2021: approximately RMB46,043 million). The ABS of RMB260 million (as at 31 December 2021: RMB1,276 million) were secured by the trade receivables of the Group. The senior notes issued by the Company are guaranteed and secured by share pledges of certain non-PRC subsidiaries and non-PRC joint ventures of the Group.

Management Discussion and Analysis

Contingent Liabilities

As at 30 June 2022, the Group had no significant contingent liabilities.

Financial Guarantees

The face value of the financial guarantees provided by the Group is analysed as below:

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	24,993,691	32,685,377
Guarantees for borrowings of joint ventures and associates	1,258,905	1,234,831
	26,252,596	33,920,208

Commitments

(1) Commitments for property development expenditures

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Contracted but not provided for		
– Property development activities	12,537,675	14,477,443
– Acquisition of land use rights	3,298,879	3,448,488
	15,836,554	17,925,931

(2) Lease commitments

As at 30 June 2022, the Group did not have any material short-term lease commitment.

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. The major non-RMB financial assets or liabilities as at 30 June 2022 are the Group's borrowings denominated in US\$ or HK\$ totalling approximately RMB21,998 million. Any depreciation of Renminbi would adversely affect the value of any dividends to be paid by the Group to the shareholders of the Company (the "Shareholders") outside the PRC. The Group currently does not engage in hedging activities designed or used to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this report, the Group did not hold any significant investments and did not conduct any material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, the Group had not authorised any plans for any other material investments or additions of capital assets as at 30 June 2022.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2022, the Group employed a total of 11,450 full-time employees (as at 31 December 2021: 13,212 employees). The total staff costs of the Group incurred was approximately RMB1,540 million for the six months ended 30 June 2022. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the pay level in the industry. In relation to staff training, the Group also provides different types of training programs for its staff to improve their skills and develop their respective expertise.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2022.

EVENTS AFTER THE REPORTING PERIOD

Completion of the Exchange Offer and the Consent Solicitation

References are made to the announcements of the Company dated 4 July 2022, 13 July 2022, 14 July 2022, 16 July 2022, 19 July 2022 and 25 July 2022 (collectively, the “**Relevant Announcements**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Relevant Announcements.

On 4 July 2022, the Company conducted the Exchange Offer and the Consent Solicitation with respect to (i) the Fourth 2022 Notes and the Second 2022 Notes upon the terms and subject to the conditions set forth in the Exchange Offer Memorandum; and (ii) the July 2019 Notes, the August 2020 Notes, the October 2020 Notes and the May 2021 Notes upon the terms and subject to the conditions set forth in the Consent Solicitation Statement.

The Exchange Offer and the Consent Solicitation were completed on 15 July 2022. As part of the exchange consideration for the Exchange Notes, the Company issued (i) US\$169,770,700 in aggregate principal amount of the July 2023 New Notes; and (ii) US\$262,741,000 in aggregate principal amount of the January 2024 New Notes. For further details, please refer to the Relevant Announcements.

Disclosure of Interests

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2022, the interests and short positions of each director (the "Director(s)") and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) were recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(1) Long position in shares and underlying shares of the Company

Name of Directors	Number of ordinary shares				Total	Approximate percentage of interests to the issued share capital of the Company (Note 1)
	Personal interests	Interests of spouse	Interests of a controlled corporation	Other interests		
Mr. Hoi Kin Hong	28,465,000	2,800,000	1,805,637,000 (Note 2)	–	1,836,902,000	44.37%
Mr. Hoi Wa Fong	8,988,000	503,400	–	597,568,000 (Note 3)	607,059,400	14.66%
Mr. Xiao Qing Ping	911,700	–	–	–	911,700	0.02%
Ms. Shih Sze Ni Cecilia	503,400	606,556,000	–	–	607,059,400	14.66%
Mr. Zhang Hong Feng	184,300	–	–	–	184,300	0.004%
Ms. Hoi Wa Fan	61,470,000	–	226,623,000 (Note 4)	–	288,093,000	6.96%

Notes:

- These percentages have been compiled based on the total number of issued shares (i.e. 4,140,403,000 shares) as at 30 June 2022.
- These shares are held by Skylong Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Kin Hong. Pursuant to the SFO, Mr. Hoi Kin Hong is deemed to be interested in the shares held by Skylong Holdings Limited.
- These shares are held by Sky Infinity Holdings Limited, which is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited, respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust, a discretionary trust of which Mr. Hoi Wa Fong is the settlor. Pursuant to the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares held under The Sky Infinity Trust.
- These shares are held by Walong Holdings Limited and Mantong (HK) Trading Co., Ltd, which are wholly and beneficially owned by Ms. Hoi Wa Fan. Pursuant to the SFO, Ms. Hoi Wa Fan is deemed to be interested in the shares held by Walong Holdings Limited and Mantong (HK) Trading Co., Ltd.

Disclosure of Interests

(2) Long position in shares of associated corporation of the Company

Name of Directors	Name of associated corporation	Number of ordinary shares				Total	Approximate percentage of interests to the issued share capital of the Company (Note 1)
		Personal interests	Interests of spouse	Interests of a controlled corporation	Other interests		
Mr. Hoi Wa Fong	Powerlong CM	–	–	45,000,000 (Note 2)	1,500,000 (Note 3)	46,500,000	7.23%
Ms. Shih Sze Ni Cecilia	Powerlong CM	–	46,500,000 (Note 4)	–	–	46,500,000	7.23%

Notes:

- These percentages have been compiled based on the total number of issued shares of Powerlong CM (i.e. 642,900,000 shares) as at 30 June 2022.
- Huihong Management (PTC) Limited ("**Huihong Management**"), the trustee of Huihong Trust, is wholly owned by Mr. Hoi Wa Fong. Pursuant to the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares of Powerlong CM held by Huihong Management.
- These shares are held by Sky Infinity Holdings Limited, which is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited, respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust, a discretionary trust of which Mr. Hoi Wa Fong is the settlor. Pursuant to the SFO, Mr. Hoi Wa Fong is deemed to be interested in the shares of Powerlong CM held under the Sky Infinity Trust.
- Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong. Pursuant to the SFO, Ms. Shih Sze Ni Cecilia is deemed to be interested in the shares of Powerlong CM held by Mr. Hoi Wa Fong.

Disclosure of Interests

(3) Long position in the debentures of the Company

Name of Directors	Capacity/ Nature of interests	Principal amount of the relevant debenture held	Approximate percentage of interests to the aggregate principal amount of the relevant debenture issued
Mr. Hoi Wa Fong	Settlor of discretionary trust (Note 2)	US\$1,800,000 (Note 1)	0.60%
Ms. Shih Sze Ni Cecilia	Interests of spouse (Note 3)	US\$1,800,000 (Note 1)	0.60%

Notes:

1. The US\$300,000,000 7.125% senior notes due 2022 issued by the Company are listed on SGX-ST, transferable and not convertible into shares of the Company. For details of the 7.125% senior notes due 2022, please refer to the announcement of the Company dated 5 November 2019.
2. These debentures are held by Sky Infinity Holdings Limited, which is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited, respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust, a discretionary trust of which Mr. Hoi Wa Fong is the settlor.
3. Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong. Pursuant to the SFO, Ms. Shih Sze Ni Cecilia is deemed to be interested in the debentures of the Company held by Mr. Hoi Wa Fong.

Save as disclosed above, as at 30 June 2022, none of the Directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2022, the interests or short positions of the persons or corporations, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares (Note 1)	Approximate percentage of interests in the Company (Note 2)
Skylong Holdings Limited (Note 3)	Beneficial owner	1,805,637,000	43.61%
Credit Suisse Trust Limited (Note 4)	Trustee	597,568,000	14.43%
Sky Infinity Family Limited (Note 4)	Interest in controlled corporation	597,568,000	14.43%
Sky Infinity Holdings Limited (Note 4)	Beneficial owner	597,568,000	14.43%
Wason Holdings Limited	Beneficial owner	273,526,000	6.61%
Walong Holdings Limited	Beneficial owner	209,444,000	5.06%

Notes:

- All the interests represent long positions.
- These percentages have been compiled based on the total number of issued shares (i.e. 4,140,403,000 shares) as at 30 June 2022.
- Skylong Holdings Limited is wholly and beneficially owned by Mr. Hoi Kin Hong.
- Sky Infinity Holdings Limited is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust, a discretionary trust of which Mr. Hoi Wa Fong is the settlor.

Save as disclosed above, as at 30 June 2022, the Directors are not aware of any other person or corporation, other than a Director or chief executive of the Company, who had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Corporate Governance

The Company focuses on maintaining high standard of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more values for its Shareholders. The Board continuously reviews and improves the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

COMPLIANCE WITH THE CG CODE

During the six months ended 30 June 2022, the Company had complied with all applicable code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules (the “**CG Code**”).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

As of 31 March 2022, the Company had made partial repurchases of the 3.9% senior notes due 2022 issued by the Company and listed on the Singapore Exchange Securities Trading Limited (the “**April 2022 Notes**”) in the aggregate principal amount of US\$32,950,000. The April 2022 Notes matured on 13 April 2022 and was fully repaid by the Company. Please refer to the announcements of the Company dated 25 February 2022, 28 February 2022, 31 March 2022 and 6 April 2022 for further details.

On 16 March 2022, Shanghai Powerlong Industrial Development Co. Ltd deposited all necessary funds into the designated bank account of China Securities Depository and Clearing Corporation Limited for the redemption of the 2020 corporate bonds specialized in rental housing (Tranche 1) in the PRC (the “**2020 Corporate Bonds**”) at maturity in full at their outstanding principal amount together with interest accrued to the maturity date. The 2020 Corporate Bonds were redeemed on 20 March 2022. Please refer to the announcement of the Company dated 16 March 2022 for further details.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made of all Directors and all Directors have confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2022.

To comply with code provision C.1.3 of the CG Code, relevant employees (as defined in the Listing Rules) of the Group, who are likely to be in possession of unpublished inside information of the Group or its securities due to their offices or employment, are also subject to compliance with written guidelines no less exacting than the Model Code.

During the six months ended 30 June 2022, no incident of non-compliance with the Model Code and the written guidelines by the Directors and the relevant employees was noted by the Company.

AUDIT COMMITTEE

The Company has established an audit committee (“**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules to, amongst others, review the Group’s financial information and oversee the Group’s financial reporting system, risk management and internal control procedures. The Audit Committee also assists the Board and its chairman in performing the corporate governance functions of the Company.

The Audit Committee comprises three members who are the independent non-executive Directors, namely Dr. Ngai Wai Fung, Dr. Mei Jian Ping and Dr. Ding Zu Yu. The chairman of the Audit Committee, Dr. Ngai Wai Fung, possesses appropriate professional qualifications, accounting and related financial management expertise.

Corporate Governance

The Audit Committee has reviewed the interim report for the six months ended 30 June 2022 in conjunction with the Company's management and external auditor. In particular, the Audit Committee has discussed with the Company's management and external auditor regarding the preparation of the condensed consolidated financial statements of the Company for the six months ended 30 June 2022 in this interim report on a going concern basis. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

ANNUAL GENERAL MEETING

The chairman of the Board, all the Directors, including the respective chairman of the Audit Committee, the remuneration committee and nomination committee of the Company, and the external auditor were present at the annual general meeting of the Company held on 17 June 2022.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Facility Agreement dated 8 July 2019

On 8 July 2019, the Company as the borrower entered into a facility agreement with a group of lenders in relation to a 42-month term dual currency dual tranche loan facility in an amount of up to US\$200,000,000 (which includes an accordion feature) (the "**2019 Term Loan Facility**"). Pursuant to the 2019 Term Loan Facility, it is an event of default, among other things, if the Company does not comply with the undertakings to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40% of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the 2019 Term Loan Facility are set out in the announcement of the Company dated 8 July 2019.

Facility Agreement dated 13 May 2020

On 13 May 2020, the Company as the borrower, Industrial and Commercial Bank of China (Macau) Limited ("**ICBC Macau**") as the arranger, ICBC Macau and the financial institutions set out therein, as the original lenders and ICBC Macau as the agent, and other parties thereto, entered into a facility agreement (the "**May 2020 Facility Agreement**") in relation to a 42-month term dual currency triple tranche loan facility in an amount of up to US\$200 million equivalent (which includes incremental facilities) (the "**May 2020 Term Loan Facility**"). Pursuant to the May 2020 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 13 May 2020 for further details of the May 2020 Term Loan Facility.

Facility Agreement dated 30 June 2020

On 30 June 2020, the Company as the borrower, China CITIC Bank International Limited, The Bank of East Asia Limited and The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") as the mandated lead arranger and bookrunner, the financial institutions set out therein, as the original lenders and HSBC as the agent, and other parties thereto, entered into a facility agreement (the "**June 2020 Facility Agreement**") in relation to a 42-month term dual currency dual tranche loan facility in an amount of up to US\$300 million equivalent (which includes incremental facilities) (the "**June 2020 Term Loan Facility**"). Pursuant to the June 2020 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 30 June 2020 for further details of the June 2020 Term Loan Facility.

Corporate Governance

Facility Agreement dated 9 July 2021

On 9 July 2021, the Company as the borrower, The Bank of East Asia Limited, Macau Branch and Luso International Banking Limited (“**Luso Bank**”) as the mandated lead arranger and coordinator, the financial institutions set out therein, as the original lenders and Luso Bank as the agent, and other parties thereto, entered into a facility agreement (the “**July 2021 Facility Agreement**”) in relation to a 42-month term dual currency triple tranche loan facility in an amount of up to US\$200 million equivalent (which includes incremental facilities) (the “**July 2021 Term Loan Facility**”). Pursuant to the July 2021 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 9 July 2021 for further details of the July 2021 Term Loan Facility.

Facility Agreement dated 9 August 2021

On 9 August 2021, the Company as the borrower, Bank of China (Hong Kong) Limited, Bank of Communications (Hong Kong) Limited, The Bank of East Asia Limited and HSBC as the mandated lead arranger and coordinator, the financial institutions set out therein as the original lenders and HSBC as the agent, and other parties thereto, entered into a facility agreement (the “**August 2021 Facility Agreement**”) in relation to a 42-month term dual currency dual tranche loan facility in an amount of up to US\$210 million equivalent (which includes incremental facilities) (the “**August 2021 Term Loan Facility**”). Pursuant to the August 2021 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial equity interest of not less than 40% of the total issued shares of the Company; and (iii) maintain management control of the Company. Please refer to the announcement of the Company dated 9 August 2021 for further details of the August 2021 Term Loan Facility.

As at the date of this report, for the purpose of Part XV of the SFO, Mr. Hoi Kin Hong and Mr. Hoi Wa Fong in aggregate were interested in approximately 59.03% of the total number of issued shares of the Company.

OTHER CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed above, the Company did not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules during the six months ended 30 June 2022.

UPDATE ON INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the updates on the biographical details of the Directors are as follows:

Dr. Ngai Wai Fung, an independent non-executive Director, has retired as an independent non-executive director of BaWang International (Group) Holding Limited (Stock Code: 1338.HK) since May 2022.

Dr. Mei Jian Ping, an independent non-executive Director, has ceased to be an independent non-executive director of Dazzle Fashion Co. Ltd. (Stock Code: 603587.SH) since May 2022.

Save as disclosed above, the Company is not aware of any other information which is required to be disclosed in this report pursuant to Rule 13.51B(1) of the Listing Rules.

Interim Condensed Consolidated Balance Sheet

		30 June 2022	31 December 2021
	Note	Unaudited RMB'000	Audited RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	6,692,023	6,228,971
Investment properties	7	79,574,017	78,329,755
Intangible assets		4,608	4,859
Goodwill		20,640	20,640
Investments accounted for using the equity method	8	9,870,357	9,769,743
Deferred income tax assets		1,979,231	1,109,849
Financial assets at fair value through profit or loss ("FVPL")		558	558
Financial assets at fair value through other comprehensive income ("FVOCI")		293,542	299,081
Prepayments	9	663,469	571,656
Trade receivables	12	227,369	222,781
		99,325,814	96,557,893
Current assets			
Properties under development	10	68,511,065	70,865,579
Completed properties held for sale	11	18,268,599	16,833,381
Contract assets		635,730	557,363
Trade receivables	12	2,881,235	3,009,089
Other receivables	13	23,602,373	24,181,964
Prepayments	9	4,403,997	6,381,782
Prepaid taxes		1,460,182	1,411,024
Financial assets at fair value through profit or loss		166,447	189,924
Restricted cash	14	4,658,201	5,661,262
Cash and cash equivalents	15	14,706,191	19,407,192
		139,294,020	148,498,560
Total assets		238,619,834	245,056,453
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	16	36,779	36,779
Other reserves	17	2,340,400	1,808,496
Retained earnings		39,193,461	38,848,385
		41,570,640	40,693,660
Perpetual Capital Instruments	18	500,625	519,781
Non-controlling interests		20,566,605	21,194,011
Total equity		62,637,870	62,407,452

Interim Condensed Consolidated Balance Sheet

		30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	19	52,015,536	50,934,930
Lease liabilities		2,649,963	2,349,586
Other payables	21	176,702	137,115
Deferred income tax liabilities		8,016,440	8,472,243
		62,858,641	61,893,874
Current liabilities			
Borrowings	19	14,552,172	22,022,693
Trade and other payables	21	43,693,901	46,378,690
Contract liabilities	20	39,706,477	38,925,437
Current income tax liabilities		15,091,563	13,238,405
Lease liabilities		79,210	189,902
		113,123,323	120,755,127
Total liabilities		175,981,964	182,649,001
Total equity and liabilities		238,619,834	245,056,453

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The Interim financial information on pages 20 to 56 were approved by the Board of Directors of the Company (the "Board") on 30 August 2022 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June

	Note	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Revenue	5	16,897,225	20,730,092
Cost of sales	22	(11,664,474)	(13,437,686)
Gross profit		5,232,751	7,292,406
Fair value (losses)/gains on investment properties – net	7	(44,620)	1,177,436
Selling and marketing costs	22	(543,548)	(587,589)
Administrative expenses	22	(784,349)	(1,014,039)
Reverse of impairment losses/(impairment losses) on financial assets – net		72,578	(95,858)
Other income and (losses)/gains – net		(619,711)	729,561
Operating profit		3,313,101	7,501,917
Finance costs – net	23	(1,310,765)	(356,383)
Share of profit of investments accounted for using the equity method	8	548,832	598,418
Profit before income tax		2,551,168	7,743,952
Income tax expense	24	(1,337,886)	(2,666,858)
Profit for the period		1,213,282	5,077,094
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences	17	9,507	(1,830)
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of financial assets at fair value through other comprehensive income	17	(2,485)	(78,085)
Total other comprehensive income for the period, net of tax		7,022	(79,915)
Total comprehensive income for the period		1,220,304	4,997,179
Profit attributable to:			
Owners of the Company		698,066	3,907,789
Holders of Perpetual Capital Instruments	18	18,844	18,844
Non-controlling interests		496,372	1,150,461
		1,213,282	5,077,094
Total comprehensive income attributable to:			
Owners of the Company		705,088	3,827,874
Holders of Perpetual Capital Instruments	18	18,844	18,844
Non-controlling interests		496,372	1,150,461
		1,220,304	4,997,179
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB cents per share)	25		
– Basic		16.9	94.3
– Diluted		16.9	94.3

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium	Other reserves	Retained earnings	Total	Perpetual Capital Instruments	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 16)	(Note 17)			(Note 18)		

Six months ended

30 June 2022 (Unaudited)

Balance at 1 January 2022

Comprehensive income:

Profit for the period

Other comprehensive income for the period

– Changes in fair value of financial assets at fair value through other comprehensive income

– Currency translation differences

Total comprehensive income for the period

Transactions with owners:

– Dividends (Note 26)

– Employee share award scheme (Note 17)

– Capital injection from non-controlling interests (Note 30)

– Changes in ownership interests in subsidiaries without change of control

– Distribution to holders of Perpetual Capital Instruments (Note 18)

Total transactions with owners

Balance at 30 June 2022

Balance at 1 January 2022	36,779	1,808,496	38,848,385	40,693,660	519,781	21,194,011	62,407,452
Comprehensive income:							
Profit for the period	-	-	698,066	698,066	18,844	496,372	1,213,282
Other comprehensive income for the period							
– Changes in fair value of financial assets at fair value through other comprehensive income	-	(2,485)	-	(2,485)	-	-	(2,485)
– Currency translation differences	-	9,507	-	9,507	-	-	9,507
Total comprehensive income for the period	-	7,022	698,066	705,088	18,844	496,372	1,220,304
Transactions with owners:							
– Dividends (Note 26)	-	-	(352,990)	(352,990)	-	(639,747)	(992,737)
– Employee share award scheme (Note 17)	-	19,680	-	19,680	-	7,944	27,624
– Capital injection from non-controlling interests (Note 30)	-	-	-	-	-	57,176	57,176
– Changes in ownership interests in subsidiaries without change of control	-	505,202	-	505,202	-	(549,151)	(43,949)
– Distribution to holders of Perpetual Capital Instruments (Note 18)	-	-	-	-	(38,000)	-	(38,000)
Total transactions with owners	-	524,882	(352,990)	171,892	(38,000)	(1,123,778)	(989,886)
Balance at 30 June 2022	36,779	2,340,400	39,193,461	41,570,640	500,625	20,566,605	62,637,870

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 16)	Other reserves RMB'000 (Note 17)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 18)	Non- controlling interests RMB'000	Total equity RMB'000
Six months ended							
30 June 2021 (Unaudited)							
Balance as at 1 January 2021	36,795	1,582,187	34,601,884	36,220,866	519,781	15,060,519	51,801,166
Comprehensive income:							
Profit for the period	–	–	3,907,789	3,907,789	18,844	1,150,461	5,077,094
Other comprehensive income for the period							
– Changes in fair value of financial assets at fair value through other comprehensive income	–	(78,085)	–	(78,085)	–	–	(78,085)
– Currency translation differences	–	(1,830)	–	(1,830)	–	–	(1,830)
Total comprehensive income for the period	–	(79,915)	3,907,789	3,827,874	18,844	1,150,461	4,997,179
Transactions with owners:							
– Dividends (Note 26)	–	–	(1,124,912)	(1,124,912)	–	(55,698)	(1,180,610)
– Employee share award scheme (Note 17)	–	19,646	–	19,646	–	7,978	27,624
– Capital injection from non-controlling interests (Note 30)	–	–	–	–	–	2,545,698	2,545,698
– Capital withdrawn by non-controlling interests	–	–	–	–	–	(375,000)	(375,000)
– Changes in ownership interests in subsidiaries without change of control	–	216,680	–	216,680	–	(338,730)	(122,050)
– Distribution to holders of Perpetual Capital Instruments (Note 18)	–	–	–	–	(38,000)	–	(38,000)
Total transactions with owners	–	236,326	(1,124,912)	(888,586)	(38,000)	1,784,248	857,662
Balance at 30 June 2021	36,795	1,738,598	37,384,761	39,160,154	500,625	17,995,228	57,656,007

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June

	Note	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		9,443,715	(1,373,059)
PRC corporate income tax paid		(533,494)	(768,414)
PRC land appreciation tax paid		(297,174)	(716,737)
Interest paid		(1,723,953)	(2,438,756)
Cash generated from/(used in) operating activities		6,889,094	(5,296,966)
Cash flows from investing activities			
Net cash acquired from change of associates to subsidiaries		12,054	–
Payments for addition of property and equipment		(427,334)	(107,669)
Payments for addition of right-of-use assets		(100,177)	(527,962)
Payments for addition of investment properties		(1,047,716)	(3,347,605)
Proceeds from disposal of property and equipment		24,462	4,167
Proceeds from disposal of investment properties		326,688	–
Purchases of financial assets at fair value through profit or loss		(37)	(51,000)
Proceeds from disposal of financial assets at fair value through profit or loss		11,851	–
Purchases of financial assets at fair value through other comprehensive income		–	(15,300)
Proceeds from disposal of joint ventures and associates		594,014	62,304
Dividend received from a joint venture		–	96,852
Investments in joint ventures and associates		(814,901)	(962,949)
Cash advances made to joint ventures, associates and non-controlling interests		(6,040,902)	(7,138,750)
Collection of cash advances from joint ventures, associates and non-controlling interests		2,801,192	4,889,985
Interest received		151,280	214,747
Decrease in restricted cash		1,650,000	–
Cash used in investing activities		(2,859,526)	(6,883,180)
Cash flows from financing activities			
Proceeds from borrowings		6,836,855	20,097,325
Repayments of borrowings		(14,381,433)	(15,221,250)
Restricted cash (pledged for)/released from borrowings		(187,926)	56,136
Capital contribution from non-controlling interests		57,176	2,545,698
Repayment of cash advances to parties controlled by ultimate controlling shareholder		(836,365)	(779,374)
Changes in ownership interests in subsidiaries without change of control		(43,949)	(122,050)
Cash advances from joint ventures, associates and non-controlling interests		4,780,915	7,692,220
Repayments of cash advances to joint ventures, associates and non-controlling interests		(4,186,028)	(4,775,692)
Distribution to the holders of Perpetual Capital Instruments		(38,000)	(38,000)
Dividends paid to non-controlling interests		(592,787)	–
Principal elements of lease payments		(135,674)	(87,679)
Cash (used in)/generated from financing activities		(8,727,216)	9,367,334
Net decrease in cash and cash equivalents		(4,697,648)	(2,812,812)
Cash and cash equivalents at beginning of the period	15	19,407,192	25,338,726
Effect of foreign exchange rate changes		(3,353)	(10,715)
Cash and cash equivalents at end of the period	15	14,706,191	22,515,199

The above interim condensed consolidated statement of cash flow should be read in conjunction with the accompanying notes.

Notes to the Interim Financial Information

1 GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 18 July 2007 as an exempted company with limited liability under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company’s principal activity is investment holding. The Company and its subsidiaries (together, the “Group”) is principally engaged in property development, property investment, provision of commercial operational services, provision of residential property management services, and other property development related services in the People’s Republic of China (the “PRC”).

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 14 October 2009.

This interim financial information for the six months ended 30 June 2022 has been approved for issue by the Board on 30 August 2022.

The interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those set out in the Group’s annual financial statements for the year ended 31 December 2021.

In the current interim period, the Group has adopted, for the first time, the following revised HKFRSs for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 3	Reference to the 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 Annual
Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The application of the revised standards in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set in these condensed consolidated financial statements.

Going concern basis

The Group continued to record a profit of RMB1,213 million in its operating results during the period (six months ended 30 June 2021: RMB5,077 million). The Group’s revenue decreased from RMB20,730 million for the six months ended 30 June 2021 to RMB16,897 million for the six months ended 30 June 2022. As at 30 June 2022, the Group recorded a net current assets of RMB26,171 million, and the Group’s current portion of borrowings amounted to RMB14,552 million, while its cash and cash equivalents (excluding restricted cash) amounted to RMB14,706 million.

In view of the prevailing slow-down of the property market, coupled with the limited source of financing from the capital market, the Group may take longer time than expected to realise cash from the sale of its properties and/or have the cash from external financing to meet its loan repayment obligations.

Notes to the Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

In view of aforesaid mentioned, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Group is actively negotiating with several existing financial institutions and investors on the extension of certain borrowings. The Group is also actively negotiating with various financial institutions to secure new loans at reasonable costs.
- (ii) 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.
- (iii) The Group continues to identify suitable buyers and engage in discussions with certain potential buyers regarding the possible disposal of the equity interests in certain property development projects or shopping malls of the Group in order to raise additional funds.
- (iv) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

In addition, the Group completed an offer to exchange and a consent solicitation relating to notes in July 2022. Please refer to the announcements of the Company dated 4 July 2022, 13 July 2022, 14 July 2022, 16 July 2022, 19 July 2022 and 25 July 2022 for details.

The directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 30 June 2022. They 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 twelve months from 30 June 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these condensed consolidated financial statements.

3 ESTIMATES

The preparation of the 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 the 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 annual financial statements for the year ended 31 December 2021, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

Notes to the Interim Financial Information

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The 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.

There have been no changes in the risk management department or in any risk management policies since year end.

4.2 Fair value estimation

The different levels of fair value estimation have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 30 June 2022 and 31 December 2021:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2022 (Unaudited)				
Financial assets:				
– FVPL	856	104,584	61,565	167,005
– FVOCI	–	–	293,542	293,542
Total	856	104,584	355,107	460,547
At 31 December 2021 (Audited)				
Financial assets:				
– FVPL	11,589	116,335	62,558	190,482
– FVOCI	–	–	299,081	299,081
Total	11,589	116,335	361,639	489,563

There were no transfers between levels during the period. There was no significant financial liabilities measured at fair value as at 30 June 2022 (31 December 2021: nil).

Notes to the Interim Financial Information

5 SEGMENT INFORMATION

The executive directors, as the chief operating decision-makers (“CODM”) of the Group review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, commercial operation and residential property management and other property development related businesses. Other property development related business are mainly operations of hotels. As the CODM consider most of the Group’s consolidated revenue and results are attributable to the market in the PRC and the Group’s consolidated assets are substantially located in the PRC, no geographical information is presented.

Segment results represent profit earned by each segment without net fair value gains or losses on financial assets, losses on disposal of financial assets, unallocated operating costs, finance costs – net and income tax expense.

The segment results and other segment items for the six months ended 30 June 2022 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Six months ended 30 June 2022 (Unaudited)						
Gross segment revenue	14,546,615	950,842	1,259,612	436,417	-	17,193,486
Inter-segment revenue	-	(84,880)	(205,023)	(6,358)	-	(296,261)
Revenue	14,546,615	865,962	1,054,589	430,059	-	16,897,225
Share of post-tax profit/(losses) of joint ventures and associates	550,786	-	(1,547)	(407)	-	548,832
Segment results	4,283,431	634,366	169,448	(115,797)	-	4,971,448
Fair value losses on financial assets measured at fair value through profit or loss						(11,663)
Losses on disposal of financial assets measured at fair value through profit or loss						(4,384)
Unallocated operating costs						(1,093,468)
Finance costs – net (Note 23)						(1,310,765)
Profit before income tax						2,551,168
Income tax expense						(1,337,886)
Profit for the period						1,213,282
Depreciation and amortisation recognised as expenses	34,898	-	3,971	102,581	-	141,450
Fair value gains/(losses) on investment properties – net (Note 7)	-	1,566	(46,186)	-	-	(44,620)

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

The segment results and other segment items for the six months ended 30 June 2021 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Six months ended 30 June 2021 (Unaudited)						
Gross segment revenue	18,421,460	924,590	1,170,561	475,054	-	20,991,665
Inter-segment revenue	-	(64,705)	(182,746)	(14,122)	-	(261,573)
Revenue	18,421,460	859,885	987,815	460,932	-	20,730,092
Share of post-tax profit/(losses) of joint ventures and associates	597,645	-	823	(50)	-	598,418
Segment results	6,370,469	2,124,778	197,185	(83,091)	-	8,609,341
Fair value losses on financial assets measured at fair value through profit or loss						(3,490)
Unallocated operating costs						(505,516)
Finance costs – net (Note 23)						(356,383)
Profit before income tax						7,743,952
Income tax expense						(2,666,858)
Profit for the period						5,077,094
Depreciation and amortisation recognised as expenses	34,580	-	2,074	107,525	-	144,179
Fair value gains/(losses) on investment properties – net (Note 7)	-	1,211,810	(34,374)	-	-	1,177,436

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 30 June 2022 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
At 30 June 2022 (Unaudited)						
Segment assets	131,832,018	79,031,650	5,304,325	13,517,697	(8,009,070)	221,676,620
Other assets						16,943,214
Total assets						238,619,834
Segment assets include:						
Interests in joint ventures and associates	9,859,107	-	2,123	9,127	-	9,870,357
Segment liabilities	68,256,472	2,453,080	4,881,595	9,427,942	(8,009,070)	77,010,019
Other liabilities						98,971,945
Total liabilities						175,981,964
Capital expenditure	314,844	718,228	2,954	309,589	-	1,345,615

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 31 December 2021 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
At 31 December 2021 (Audited)						
Segment assets	142,843,678	77,432,465	4,877,578	8,977,976	(6,822,467)	227,309,230
Other assets						17,747,223
Total assets						245,056,453
Segment assets include:						
Interests in joint ventures and associates	9,675,542	–	53,918	40,283	–	9,769,743
Segment liabilities	71,129,680	2,701,404	2,086,525	6,586,311	(6,822,467)	75,681,453
Other liabilities						106,967,548
Total liabilities						182,649,001
Capital expenditure (six months ended 30 June 2021) (Unaudited)	13,179	4,942,806	2,494	267,825	–	5,226,304

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the Board is measured in a manner consistent with that in the interim condensed consolidated statement of comprehensive income.

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the interim condensed consolidated balance sheet. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, investment properties, properties under development, completed properties held for sale, contract assets, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment (Note 6) and investment properties (Note 7).

Notes to the Interim Financial Information

6 PROPERTY AND EQUIPMENT

	Property and equipment RMB'000	Right-of-use assets RMB'000	Total RMB'000
Six months ended 30 June 2022 (Unaudited)			
Opening net book amount as at 1 January 2022	4,078,014	2,150,957	6,228,971
Additions	527,210	100,177	627,387
Disposals	(10,817)	(12,355)	(23,172)
Depreciation charges	(116,074)	(25,089)	(141,163)
Closing net book amount as at 30 June 2022	4,478,333	2,213,690	6,692,023
Six months ended 30 June 2021 (Unaudited)			
Opening net book amount as at 1 January 2021	3,699,797	1,521,972	5,221,769
Additions	150,750	132,748	283,498
Disposals	(1,716)	–	(1,716)
Depreciation charges	(119,467)	(24,432)	(143,899)
Closing net book amount as at 30 June 2021	3,729,364	1,630,288	5,359,652

As at 30 June 2022, properties and equipment with a net book amount of RMB2,075,190,000 (31 December 2021: RMB2,634,522,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2022 was 6.39% (six months ended 30 June 2021: 6.43%).

Right-of-use assets mainly comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

Notes to the Interim Financial Information

7 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Six months ended 30 June 2022 (Unaudited)			
Opening amount as at 1 January 2022	61,794,376	16,535,379	78,329,755
Additions	29,660	688,568	718,228
Consolidations of entities previously held as associates	1,256,537	–	1,256,537
Transfers	1,897,071	(1,897,071)	–
Fair value (losses)/gains – net	(75,300)	30,680	(44,620)
Disposals	(685,883)	–	(685,883)
Closing amount as at 30 June 2022	64,216,461	15,357,556	79,574,017
Six months ended 30 June 2021 (Unaudited)			
Opening amount as at 1 January 2021	52,519,420	5,723,918	58,243,338
Additions	–	4,942,806	4,942,806
Transfers from completed properties held for sale	445,201	–	445,201
Transfers	785,900	(785,900)	–
Fair value gains – net	548,295	629,141	1,177,436
Closing amount as at 30 June 2021	54,298,816	10,509,965	64,808,781

Investment properties as at 30 June 2022 and 31 December 2021 are held in the PRC on leases between 10 to 50 years.

The capitalisation rate of borrowings for the six months ended 30 June 2022 was 6.39% (six months ended 30 June 2021: 6.43%).

As at 30 June 2022, investment properties of RMB36,201,062,000 (31 December 2021: RMB45,882,632,000) were pledged as collateral for the Group's borrowings (Note 19).

(i) Valuation processes of the Group

The Group's certain investment properties were valued at 30 June 2022 by an independent valuer. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

Notes to the Interim Financial Information

7 INVESTMENT PROPERTIES (continued)

(ii) Valuation techniques

The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Completed investment properties comprise commercial properties and car parks. For commercial properties, fair values are generally derived using the term and reversion method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversion yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversion yields are derived from analysing prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. For car parks, valuations are determined using the direct comparison methods. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, locations, etc.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

Fair values of the right-of-use assets of commercial properties held under leases are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There were no changes to the valuation techniques during the periods.

Notes to the Interim Financial Information

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

There was no associate nor joint venture of the Group as at 30 June 2022 which, in the opinion of the executive directors, was material to the Group. For those individually immaterial associates and joint ventures that are accounted for using the equity method, amounts recognised in the interim condensed consolidated balance sheet and the interim condensed consolidated statement of comprehensive income are set out as below:

Amounts recognised in the interim condensed consolidated balance sheet

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Investments accounted for using the equity method:		
– Joint ventures	4,590,158	4,169,193
– Associates	5,280,199	5,600,550
	9,870,357	9,769,743

Amounts recognised in the interim condensed consolidated statement of comprehensive income

	Six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Share of profits/(losses) of associates and joint ventures accounted for using the equity method:		
– Joint ventures	(84,024)	165,168
– Associates	632,856	433,250
	548,832	598,418

Notes to the Interim Financial Information

9 PREPAYMENTS

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Acquisition of land use rights (Note (a))	4,094,699	6,095,191
Others	972,767	858,247
	5,067,466	6,953,438
Less: non-current portion		
Prepayments for acquisition of land use right	(663,469)	(571,656)
	4,403,997	6,381,782

- (a) Payments on land acquisitions were made in accordance with the payment terms as stipulated in the land acquisition contracts. The relevant land use rights certificates have not been obtained as at 30 June 2022 and 31 December 2021. The land acquisition costs which are contracted but not provided for are included in commitments (Note 28 (a)).

10 PROPERTIES UNDER DEVELOPMENT

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	13,678,787	14,771,033
– Interests capitalised	6,790,214	5,766,162
– Land use rights	48,042,064	50,328,384
	68,511,065	70,865,579

The properties under development are all located in the PRC and expected to be completed within an operating cycle. The relevant land use rights in the PRC are on leases of 40 to 70 years.

As at 30 June 2022, properties under development of approximately RMB44,532,715,000 (31 December 2021: RMB47,830,573,000) were pledged as collateral for the Group's borrowings (Note 19).

The capitalisation rate of borrowings for the six months ended 30 June 2022 was 6.39% (six months ended 30 June 2021: 6.43%).

Notes to the Interim Financial Information

11 COMPLETED PROPERTIES HELD FOR SALE

The completed properties held for sale are all located in the PRC.

As at 30 June 2022, completed properties held for sale of approximately RMB4,383,888,000 (31 December 2021: RMB5,780,849,000) were pledged as collateral for the Group's borrowings (Note 19).

12 TRADE RECEIVABLES

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Trade receivables (Note (a))	3,260,743	3,384,614
– Third parties	3,189,596	3,377,871
– Related parties (Note 29(d))	71,147	6,743
Less: loss allowance (Note (b))	(152,139)	(152,744)
	3,108,604	3,231,870
Less: non-current portion	(227,369)	(222,781)
Trade receivables	2,881,235	3,009,089

- (a) The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts.

As at 30 June 2022 and 31 December 2021, the ageing analysis of trade receivables of the Group based on revenue recognition date was as follows:

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Within one year	3,027,190	3,058,406
Over one year	233,553	326,208
	3,260,743	3,384,614

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2022, a provision of RMB152,139,000 was made for trade receivables (31 December 2021: RMB152,744,000).
- (c) The maximum exposure to credit risk of the trade receivables at each balance sheet date was the carrying value of each class of receivables. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.
- (d) The Group's trade receivables are mainly denominated in RMB.

Notes to the Interim Financial Information

13 OTHER RECEIVABLES

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Deposits for acquisition of land use rights	85,000	127,699
Other receivables	23,676,232	24,318,382
– Related parties (Note 29(d))	9,726,104	10,208,929
– Non-controlling interests	7,341,319	8,239,995
– Amounts due from third parties	6,608,809	5,869,458
Less: loss allowance	(158,859)	(264,117)
	23,602,373	24,181,964

The Group's other receivables are mainly denominated in RMB.

Included in other receivables from related parties, there are amounts due from the joint ventures of RMB184,218,000 (31 December 2021: RMB2,166,646,000) which bear interest at average rate of 10.00% per annum (31 December 2021: 7.44% per annum) and due for repayment within one year.

Other receivables from non-controlling interests are unsecured, interest free and repayable on demand.

Other receivables from third parties mainly consist of deposits for construction projects.

As at 30 June 2022 and 31 December 2021, the fair value of other receivables approximated their carrying amounts. The maximum exposure to credit risk of the other receivables at the reporting date was the carrying value of each class of receivables.

Notes to the Interim Financial Information

14 RESTRICTED CASH

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Guarantee deposits for construction projects (Note (a))	2,261,867	1,772,104
Guarantee deposits for bank acceptance notes	70,000	70,000
Guarantee deposits for bank borrowings (Note (b))	796,346	608,420
Restricted cash – bank deposits	1,450,000	1,450,000
Restricted cash – other bank deposits with initial term of over three months and within one year (Note (c))	–	1,650,000
Others	79,988	110,738
	4,658,201	5,661,262
Denominated in:		
– RMB	4,658,201	5,579,502
– HK\$	–	81,760
	4,658,201	5,661,262

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for construction of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of construction of the related pre-sold properties.
- (b) As at 30 June 2022, the Group placed cash deposits of approximately RMB796,346,000 (31 December 2021: RMB608,420,000) with designated banks as security for bank borrowings (Note 19).
- (c) As at 31 December 2021, the Group's other bank deposits refer to bank deposits with preliminary maturities of more than three months and less than one year, which are denominated in RMB and which yield an expected rate of return of 1.65% per annum. The balance was matured during the current interim period. The fair value of other bank deposits is similar because the effect of discounting is not material.

The conversion of RMB denominated 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.

Notes to the Interim Financial Information

15 CASH AND CASH EQUIVALENTS

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Cash at bank and in hand:		
– Denominated in RMB	14,663,435	18,528,339
– Denominated in US\$	7,233	762,904
– Denominated in HK\$	35,481	115,824
– Denominated in MOP	42	125
	14,706,191	19,407,192

The conversion of RMB denominated 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.

16 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorised:				
At 1 January 2022 and 30 June 2022	30,000,000,000			
Issued and fully paid:				
Six months ended 30 June 2022 (Unaudited)				
As at 1 January 2022 and 30 June 2022	4,140,403,000	36,779	–	36,779
Six months ended 30 June 2021 (Unaudited)				
As at 1 January 2021 and 30 June 2021	4,142,403,000	36,795	–	36,795

Notes to the Interim Financial Information

17 OTHER RESERVES

	Merger reserve RMB'000 (Note (a))	Other reserves RMB'000	Statutory reserves RMB'000 (Note (b))	Share-based compensation reserves RMB'000 (Note (d))	Revaluation reserves RMB'000 (Note (c))	Capital injection by non- controlling interests RMB'000	Transaction with non- controlling interests RMB'000	Total RMB'000
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**Six months ended 30 June 2022
(Unaudited)**

At 1 January 2022	337,203	(28,951)	128,477	52,388	273,619	1,224,449	(178,689)	1,808,496
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	505,202	505,202
Employee share award scheme	-	-	-	19,680	-	-	-	19,680
Changes in the value of financial assets at fair value through other comprehensive income	-	-	-	-	(2,485)	-	-	(2,485)
Currency translation differences	-	9,507	-	-	-	-	-	9,507
At 30 June 2022	337,203	(19,444)	128,477	72,068	271,134	1,224,449	326,513	2,340,400

**Six months ended 30 June 2021
(Unaudited)**

At 1 January 2021	337,203	(12,470)	128,477	13,097	407,850	1,224,449	(516,419)	1,582,187
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	216,680	216,680
Employee share award scheme	-	-	-	19,646	-	-	-	19,646
Changes in the value of financial assets at fair value through other comprehensive income	-	-	-	-	(78,085)	-	-	(78,085)
Currency translation differences	-	(1,830)	-	-	-	-	-	(1,830)
At 30 June 2021	337,203	(14,300)	128,477	32,743	329,765	1,224,449	(299,739)	1,738,598

(a) Merger reserve

Merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation.

(b) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to equity owners in form of bonus issue.

Notes to the Interim Financial Information

17 OTHER RESERVES (continued)

(c) Revaluation reserves

	Six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value losses on FVOCI – gross	(3,313)	(104,113)
Tax charge – deferred income tax	828	26,028
Total other comprehensive income – net of tax	(2,485)	(78,085)

(d) Employee share award scheme

On 24 November 2020, Powerlong Commercial Management Holding Limited (“Powerlong CM”), a subsidiary of the Group and listed on the Stock Exchange on 30 December 2019, granted 11,250,000 awarded shares under share award scheme to Mr. Chen Deli, the executive Director and the chief executive officer of Powerlong CM. The awarded shares will be transferred to Mr. Chen Deli after the relevant vesting conditions are fulfilled.

18 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Six months ended 30 June 2022 (Unaudited)			
Balance as at 1 January 2022	500,000	19,781	519,781
Profit attributable to holders of Perpetual Capital Instruments	–	18,844	18,844
Distribution to holders of Perpetual Capital Instruments	–	(38,000)	(38,000)
Balance as at 30 June 2022	500,000	625	500,625
Six months ended 30 June 2021 (Unaudited)			
Balance as at 1 January 2021	500,000	19,781	519,781
Profit attributable to holders of Perpetual Capital Instruments	–	18,844	18,844
Distribution to holders of Perpetual Capital Instruments	–	(38,000)	(38,000)
Balance as at 30 June 2021	500,000	625	500,625

Perpetual Capital Instruments do not have a maturity date and the distribution payments can be deferred at the discretion of the Group. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded as part of equity in the consolidated balance sheet.

Notes to the Interim Financial Information

19 BORROWINGS

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Borrowings included in non-current liabilities:		
Senior notes (Note (a))	14,008,622	12,939,366
Corporate bonds (Note (b))	6,566,511	8,993,868
Commercial mortgage backed securities	2,329,432	2,329,278
Assets-backed securities	260,140	1,275,949
Bank borrowings (Note (c))	38,827,638	39,543,692
– secured	38,742,119	39,461,932
– unsecured	85,519	81,760
Other borrowings – secured (Note (d))	1,218,000	2,168,600
Less: amounts due within one year	(11,194,807)	(16,315,823)
	52,015,536	50,934,930
Borrowings included in current liabilities:		
Senior notes (Note (a))	807,938	3,160,562
Bank borrowings (Note (c))	1,791,867	1,261,368
– secured	1,581,867	1,261,368
– unsecured	210,000	–
Other borrowings (Note (d))	757,560	984,940
– secured	749,480	822,040
– unsecured	8,080	162,900
Short-term commercial papers	–	300,000
Current portion of long-term borrowings	11,194,807	16,315,823
	14,552,172	22,022,693
Total borrowings	66,567,708	72,957,623

Notes to the Interim Financial Information

19 BORROWINGS (continued)

(a) Senior Notes

As at 30 June 2022, senior notes of RMB12,810,108,000 (31 December 2021: RMB12,109,661,000) was listed on the Singapore Exchange Securities Trading Limited which contain various early redemption options. The options are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options was insignificant as at 30 June 2022 and 31 December 2021.

The Group's senior notes are guaranteed and secured by pledges of certain subsidiaries and non-PRC joint ventures.

(b) Corporate bonds

As at 30 June 2022, corporate bonds of RMB5,966,368,000 (31 December 2021: RMB8,394,049,000) are with the issuer's option to raise the coupon rate and the investor's option to sell back the bonds at the end of the second, third, fourth or fifth years. The options embedded in the corporate bonds are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above options was insignificant as at 30 June 2022 and 31 December 2021.

(c) Bank borrowings

As at 30 June 2022, bank borrowings of RMB40,323,986,000 (31 December 2021: RMB40,723,300,000) were secured by certain property and equipment (Note 6), investment properties (Note 7), properties under development (Note 10), completed properties held for sale (Note 11) and restricted cash (Note 14); the secured bank borrowings of RMB6,119,115,000 (31 December 2021: RMB7,333,909,000) were additionally guaranteed by certain related parties (Note 29(b)(iii)).

(d) Other borrowings

As at 30 June 2022, borrowings from other non-bank financial institutions of RMB1,967,480,000 (31 December 2021: RMB2,990,640,000) were secured by certain property and equipment (Note 6), investment properties (Note 7), properties under development (Note 10) and completed properties held for sale (Note 11).

Notes to the Interim Financial Information

20 CONTRACT LIABILITIES

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Current contract liabilities		
– Related parties (Note 29(d))	19,182	8,522
– Third parties	39,687,295	38,916,915
	39,706,477	38,925,437

Contract liabilities mainly represent the proceeds received from pre-sales of properties.

- (a) The following table sets out the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	8,725,093	11,539,266

- (b) The amount of unsatisfied performance obligation is approximately same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as at 30 June 2022 and 31 December 2021.

Notes to the Interim Financial Information

21 TRADE AND OTHER PAYABLES

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Trade payables (Note (a))	13,574,764	16,197,293
– Related parties (Note 29(d))	27,768	40,273
– Third parties	12,068,604	15,014,075
– Notes payable – third parties	1,478,392	1,142,945
Other payables	22,519,791	23,839,652
– Related parties (Note 29(d))	11,167,882	11,363,136
– Non-controlling interests	3,852,118	6,503,912
– Third parties (Note (b))	7,499,791	5,972,604
Value-added tax received in advance from customers	3,261,783	2,451,453
Dividend payables	352,990	–
Dividend payables to non-controlling interests	46,960	–
Payables for retention fee	1,684,930	1,525,557
Interest payable	1,461,404	1,096,805
Other taxes payable	965,163	1,403,666
Payables for acquisition of land use rights	2,818	1,379
	43,870,603	46,515,805
Less: non-current portion		
Other payables – third parties	(176,702)	(137,115)
Current portion	43,693,901	46,378,690

(a) As at 30 June 2022 and 31 December 2021, the ageing analysis of trade payables based on invoice date was as follows:

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Within one year	12,093,032	14,773,714
Over one year	1,481,732	1,423,579
	13,574,764	16,197,293

Notes to the Interim Financial Information

21 TRADE AND OTHER PAYABLES (continued)

- (b) Amounts represent mainly cash advances from independent third parties for joint development projects and deposits from property purchasers.
- (c) The Group's trade and other payables are mainly denominated in RMB, except for the dividend payables of RMB352,990,000 (31 December 2021: Nil) and dividend payables to non-controlling interests of RMB46,960,000 (31 December 2021: Nil) dominated in HK\$ and the interest payables of RMB21,790,000 (31 December 2021: RMB21,557,000) and RMB269,454,000 (31 December 2021: RMB247,991,000) denominated in HK\$ and US\$ respectively.
- (d) The carrying amounts of trade and other payables approximate their fair values.

22 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Cost of properties sold (including construction costs, land costs and interests capitalised)	8,874,636	11,907,759
Staff costs and other labour costs (including directors' emoluments)	1,329,966	1,289,458
Advertising costs	280,106	372,982
Taxes and other levies	191,503	196,681
Outsourced security, greening and cleaning and maintenance costs	137,748	153,148
Depreciation and amortisation	141,450	144,179
Hotel operating expenses	137,730	138,059
Write-down of completed properties held for sale	1,175,770	114,630
Properties taxes	71,287	108,617
Utilities	108,183	83,238
Office related expenses	26,709	30,485
Rental expenses	17,903	14,740
Donations	22,441	7,290
Auditor's remuneration	3,200	3,500

Notes to the Interim Financial Information

23 FINANCE COSTS – NET

	Six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Interest expense:		
– Borrowings	2,460,429	2,637,819
– Lease liabilities	97,993	22,525
	2,558,422	2,660,344
Less: finance costs capitalised	(2,146,217)	(1,901,249)
Foreign exchange losses/(gains) on financing activities – net	1,021,130	(267,573)
	1,433,335	491,522
Finance costs		
Finance income	(122,570)	(135,139)
	1,310,765	356,383
Finance costs – net		

24 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Current income tax:		
– PRC corporate income tax	1,583,670	1,546,597
– PRC land appreciation tax	536,064	927,761
	2,119,734	2,474,358
Deferred income tax:		
– PRC corporate income tax	(725,436)	227,397
– PRC land appreciation tax	(56,412)	(34,897)
	(781,848)	192,500
	1,337,886	2,666,858

Notes to the Interim Financial Information

24 INCOME TAX EXPENSE (continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in the PRC ("PRC subsidiaries") is 25% according to the Corporate Income Tax Law of the People's Republic of China effective on 1 January 2008.

PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Group's direct subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the Interim financial information as the Group did not have assessable profit in Hong Kong for the period. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

Notes to the Interim Financial Information

25 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Profit attributable to shareholders of the Company (RMB'000)	698,066	3,907,789
Weighted average number of ordinary shares in issue (thousand shares)	4,140,403	4,142,403
Basic earnings per share (RMB cents per share)	16.9	94.3

(b) Diluted

Since there was no dilutive potential ordinary shares during the six months ended 30 June 2022, diluted earnings per share is equal to basic earnings per share (30 June 2021: same).

26 DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2022 was proposed by the Board (six months ended 30 June 2021: HK18 cents per ordinary share).

The 2021 final dividend amounting to HK\$414,040,300 (equivalent to RMB352,990,000) (payable in cash, with scrip option) (2020: final dividend of HK\$1,366,993,000 (equivalent to RMB1,124,912,000)) was approved by the shareholders at the annual general meeting of the Company held on 17 June 2022.

Notes to the Interim Financial Information

27 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (<i>Note (a)</i>)	24,993,691	32,685,377
Guarantees for borrowings of joint ventures and associates (<i>Note (b)</i>)	1,258,905	1,234,831
	26,252,596	33,920,208

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying 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 dates of grant of the mortgages. The Directors consider that the likelihood of default in payments by purchasers is 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 the fair value of these financial guarantees is immaterial.

- (b) Amounts represent guarantees provided for the borrowings of the Group's joint ventures and associates. The Directors consider that the fair value of these contracts at the date of inception was minimal, the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

Notes to the Interim Financial Information

28 COMMITMENTS

(a) Commitments for property development expenditures

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Contracted but not provided for		
– Property development activities	12,537,675	14,477,443
– Acquisition of land use rights	3,298,879	3,448,488
	15,836,554	17,925,931

(b) Lease commitments

As at 30 June 2022, the Group did not have any material short-term lease commitments.

29 RELATED PARTY TRANSACTIONS

(a) Ultimate controlling shareholder and controlling shareholders

Name	Relationship
Mr. Hoi Kin Hong	The ultimate controlling shareholder and also the director of the Company
The Controlling Shareholders, including Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	A close family member of ultimate controlling shareholder, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also the directors of the Company

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

- (i) During the six months ended 30 June 2022 and 2021, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Nature of transaction		
Companies controlled by the ultimate controlling shareholder		
Rental income	3,134	3,211
Purchase of office equipment and security intelligentisation system services from related parties	20,936	57,143
Companies significantly influenced by the Controlling Shareholders		
Purchase of digitalisation services	11,589	18,450
Joint ventures and associates		
Sales of construction materials	17,986	92,294
Interest income	28,710	54,025
Consultation services provided	113,407	79,648
Commercial operational services and residential properties management services provided	25,606	50,323

The above transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year.

- (ii) The Group have provided guarantees for borrowings of certain joint ventures and associates of RMB1,258,905,000 as at 30 June 2022 (31 December 2021: RMB1,234,831,000) (Note 27).
- (iii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB6,119,115,000 at 30 June 2022 (31 December 2021: RMB7,333,909,000) (Note 19(c)).
- (iv) Certain bank deposits of the Group of RMB100,000,000 has been pledged for the commercial properties development of its joint ventures (31 December 2021: RMB150,000,000).

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

	Six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Key management compensation		
– Salaries and other employee benefits	8,177	10,808
– Pension costs	982	931
	9,159	11,739

(d) Balances with related parties

As at 30 June 2022 and 31 December 2021, the Group had the following material balances with related parties:

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Amounts due from related parties included in trade receivables (Note (i)):		
Companies controlled by the ultimate controlling shareholder	13,492	–
Joint ventures	21,858	6,743
Associates	35,797	–
	71,147	6,743
Amounts due from related parties included in other receivables (Note (iii)):		
Companies controlled by the ultimate controlling shareholder	21,376	21,376
Joint ventures	7,214,951	7,722,673
Associates	2,489,777	2,464,880
	9,726,104	10,208,929
Amounts due to related parties included in trade payables (Note (ii)):		
Companies controlled by the ultimate controlling shareholder	27,648	31,603
Companies significantly influenced by the Controlling Shareholders	–	7,350
Joint ventures	120	208
Associates	–	1,112
	27,768	40,273
Amounts due to related parties included in other payables (Note (iii)):		
Companies controlled by the ultimate controlling shareholder	2,290,758	3,127,123
Joint ventures	4,906,298	4,511,708
Associates	3,970,826	3,724,305
	11,167,882	11,363,136

Notes to the Interim Financial Information

29 RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties (continued)

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Amounts due to related parties included in contract liabilities (Note (iv)):		
Joint ventures	3,042	–
Associates	16,140	8,522
	19,182	8,522

- (i) Amounts due from joint ventures and associates included in trade receivables are mainly derived from consulting and construction services provided to joint ventures and associates.
- (ii) Amounts due to related parties included in trade payables are mainly derived from purchase of office equipment and security intelligentisation system services, which are unsecured, interest-free and to be settled according to contract terms.
- (iii) Amounts due from/to related parties included in other receivables/payables are cash advances in nature. Apart from amounts due from certain joint ventures are interest-bearing (Note 13), others are unsecured, interest-free and receivable/repayable on demand.
- (iv) Amounts due to related parties included in contract liabilities mainly consist of advances paid for provision of consulting and management services.

30 CAPITAL INJECTION FROM NON-CONTROLLING INTERESTS

During the six months ended 30 June 2022, the Group and certain independent third parties have set up certain companies to develop certain real estate projects which are controlled by the Group, the capital contribution from the non-controlling interest amounted to RMB57,176,000 (six months ended 30 June 2021: RMB2,545,698,000).

31 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Completion of the Exchange Offer and the Consent Solicitation

References are made to the announcements of the Company dated 4 July 2022, 13 July 2022, 14 July 2022, 16 July 2022, 19 July 2022 and 25 July 2022 (collectively, the "Relevant Announcements"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Relevant Announcements.

On 4 July 2022, the Company conducted the Exchange Offer and the Consent Solicitation with respect to (i) the Fourth 2022 Notes and the Second 2022 Notes upon the terms and subject to the conditions set forth in the Exchange Offer Memorandum; and (ii) the July 2019 Notes, the August 2020 Notes, the October 2020 Notes and the May 2021 Notes upon the terms and subject to the conditions set forth in the Consent Solicitation Statement.

The Exchange Offer and the Consent Solicitation were completed on 15 July 2022. As part of the exchange consideration for the Exchange Notes, the Company issued (i) US\$169,770,700 in aggregate principal amount of the July 2023 New Notes; and (ii) US\$262,741,000 in aggregate principal amount of the January 2024 New Notes. For further details, please refer to the Relevant Announcements.