COUNTRY GARDEN
碧桂園

COUNTRY GARDEN HOLDINGS COMPANY LIMITED
碧 桂 園 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2007)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2023, the Group together with its joint ventures and associates achieved contracted sales attributable to the shareholders of the Company of approximately RMB128.76 billion, contracted sales GFA attributable to the shareholders of the Company of approximately 16.46 million sq.m..
- During the period, the Group's cash collected from attributable contracted sales amounted to approximately RMB118.50 billion with a cash collection ratio of 92%.
- During the period, the Group recorded total revenue of approximately RMB226.31 billion, gross loss of approximately RMB24.26 billion, and the core net loss attributable to the owners of the Company[1] of approximately RMB45.35 billion.
- During the period, the Group's selling and marketing costs and administrative expenses amounted to approximately RMB9.86 billion which accounted for approximately 4.4% of total revenue, representing a year-on-year decrease of 1.1 percent point as a percentage of total revenue.
- As at 30 June 2023, the Group's total debt decreased to approximately RMB257.91 billion, representing a decrease of 4.9% compared with that at the end of last year, with a net gearing ratio of 50.1%.

[1] The core net loss to the owners of the Company represents realized loss of this period attributable to owners of the Company excluding effects such as fair value changes and net foreign exchange gains/losses.

The board (the "**Board**") of directors (the "**Director(s)**") of Country Garden Holdings Company Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**" or "**Country Garden**") for the six months ended 30 June 2023.

BUSINESS REVIEW AND OUTLOOK

In 2023, the business environment remained challenging to the property sector. In the first half of the year, property sales in terms of floor area decreased by 5.3% year on year while investment in property development fell by 7.9% year on year. The shrinkage of the property sector, coupled with the not yet restored confidence of the capital market, exerted mounting pressure on the Company's business operation.

In the first half of 2023, the Group and its joint ventures and associates together delivered a total of nearly 278,000 housing units, ranking first in the industry in terms of delivery volume. Despite the difficult operating environment, the Company recorded approximately RMB226.31 billion in revenue, up by 39.4% year on year. However, to ensure punctual delivery of finished properties and the smooth business operation, the Company struck a balance between sales volume and selling price at some of its property projects. In addition, the low-margin projects in the early stage gradually delivered during the period, as well as provision for impairment of property projects increased. All this placed great strain on both the gross profit and net profit. For the six months ended 30 June 2023 (the "**Period**"), the core net loss attributable to the owners of the Company was approximately RMB45.35 billion.

In terms of the business operation, for the six months ended 30 June 2023, the Group had entered into contracts to invest or had already invested in a total of 3,103 property projects in mainland China. It had footholds in 298 municipal administrative regions[2] and 1,398 counties/townships in 31 provinces/autonomous regions/municipalities with attributable saleable resources totaling approximately RMB780.16 billion. During the Period, the Group and its joint ventures and associates together recorded approximately RMB128.76 billion in contracted sales attributable to the shareholders of the Company. The market's weakening expectations and sluggish demand still exerted downward pressure on the sales performance.

In financial management, the Group's total interest-bearing debts decreased to RMB257.91 billion while its net gearing ratio was 50.1% as at 30 June 2023, which were still at low levels in the industry. Although the Company had already tried its best to arrange for the payment of the principal and interest of the financing which had been raised onshore and offshore, the Company's available cash balance kept decreasing due to the deteriorating sales performance and the weak environment for refinancing in the year. As a result, the Company is facing phased liquidity pressure.

[2] Municipal administrative regions include prefecture-level cities, prefectures, autonomous prefectures, leagues, and province-controlled divisions.

The external environment of the property sector has already undergone an upheaval since 2021. Although the Company had already anticipated the market adjustment in the industry cycle, the profundity and persistence of the market's downtrend still caught the Company off guard. The Company had failed to adopt timely, stronger measures as we did not realize that a profound change had already taken place in the supply-demand relationship in the property market. The Company had failed to grasp the potential risks associated with its disproportionately large investment in the property markets of third-, fourth- and lower-tier cities and those associated with the insufficient speed of decreasing the gearing ratio. It also had not taken timely, adequate measures to resolve the situation. All these shortcomings have led to the most severe difficulty that the Company has ever faced since its establishment. The Company felt deeply remorseful for the unsatisfactory performance. However, while reflecting on its faults, the Company should not lose sight of the path ahead. The Company should continue to shoulder its corporate social responsibility. On the one hand, the Company will continue to fulfil its responsibility as a business entity, reserve the allocated funds for their assigned purposes, stringently manage the presales of properties and closely monitor the use of the proceeds from such presales to ensure both the smooth operation of its property projects nationwide and the punctual delivery of finished flats. On the other hand, the Company will also try its best to improve its operating cash flow by ensuring good sales performance, strive to revitalize under-performing assets and reducing inessential administrative expenses. Meanwhile, the Company has ample land reserves and sufficient net assets. It will consider adopting various debt management measures to resolve the phased liquidity pressure, thus maintaining the stable condition of its business operation, better preserving the value for its investors and protecting their interests. Furthermore, the Chairman of the Board will lead a special task force to strengthen the organization and leadership of the Group in the special situation, with the goal of steering the Company as a cohesive team through this very difficult time.

The Company started as a township enterprise and it is fortunate to have capitalize on the great epoch of China's new type of urbanization, growing into one of Fortune Global 500. The Company felt grateful for this and has been steadfastly fulfilling our original aspiration of "We are here to make society a better place" for 31 years. The more difficult the time is, the more determined we are to fulfil our original aspiration. Country Garden will remain committed to its corporate social responsibility, strive to fulfill its commitment to the owners and the society, and will never succumb to passive defeatism. The difficulties in the external environment can never block the Company's advancement.

Having experienced this unprecedentedly hard time, the Company has now understood better that it should not be enchanted by the impressive business performance during the market's rapid growth. Similarly, the Company should not panic at severe difficulty when the housing market has gone into a profound adjustment. The Company remains fully confident about China's economic outlook and believes that the property sector will ultimately be back to the path of stable, healthy development after it has undergone the profound adjustment. The Company will take an all-out effort to reverse the difficult situation and pursue the new strategy of "One Core and Two Wings" for its development. We will continue to take a market-oriented approach and proactively explore new ways to develop its property development business, aiming for high-quality, sustainable development.

The Company must stay alert to risks and yet be hopeful about a bright future. The Company would like to express its gratitude to the management and the entire staff for their hard work and contribution, and to all sections of society for their understanding and help to Country Garden. The Company will continue to have its feet on the ground, persevere in its endeavours, fulfil its mission and create value for society and shareholders alike through reforms.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 June 2023 *RMB million*	Audited 31 December 2022 *RMB million*
Non-current assets			
Property, plant and equipment		**24,759**	25,601
Investment properties		**17,591**	14,250
Intangible assets		**1,556**	1,558
Right-of-use assets		**4,865**	4,753
Properties under development		**25,329**	28,355
Investments in joint ventures		**38,919**	45,340
Investments in associates		**19,578**	22,632
Financial assets at fair value through other comprehensive income		**9,344**	9,625
Derivative financial instruments		**79**	6
Trade and other receivables	*5*	**3,885**	12,484
Deferred income tax assets		**39,979**	42,781
		185,884	207,385
Current assets			
Properties under development		**818,244**	883,887
Completed properties held for sale		**56,893**	51,323
Inventories		**7,531**	7,277
Trade and other receivables	*5*	**352,095**	380,017
Contract assets and contract acquisition costs		**23,573**	25,046
Prepaid income tax		**31,842**	30,362
Financial assets at fair value through profit or loss		**11,652**	11,414
Derivative financial instruments		**246**	206
Restricted cash	*6*	**29,454**	19,269
Cash and cash equivalents	*6*	**101,115**	128,281
		1,432,645	1,537,082

	Note	Unaudited 30 June 2023 RMB million	Audited 31 December 2022 RMB million
Current liabilities			
Contract liabilities		**603,588**	668,162
Trade and other payables	*7*	**448,545**	437,355
Current income tax liabilities		**29,314**	31,719
Senior notes	*8*	**11,490**	3,825
Corporate bonds	*9*	**21,590**	26,081
Convertible bonds	*10*	**6,103**	2,597
Bank and other borrowings		**69,520**	61,205
Lease liabilities		**80**	90
Derivative financial instruments		**44**	175
		1,190,274	1,231,209
Net current assets		**242,371**	305,873
Total assets less current liabilities		**428,255**	513,258
Non-current liabilities			
Senior notes	*8*	**57,192**	66,830
Corporate bonds	*9*	**5,354**	6,238
Convertible bonds	*10*	**–**	3,196
Bank and other borrowings		**86,656**	101,335
Lease liabilities		**522**	321
Deferred government grants		**203**	186
Deferred income tax liabilities		**23,868**	25,245
Derivative financial instruments		**91**	334
		173,886	203,685
Equity attributable to owners of the Company			
Share capital and premium	*11*	**50,536**	50,536
Other reserves		**24,154**	23,830
Retained earnings		**80,371**	129,257
		155,061	203,623
Non-controlling interests		**99,308**	105,950
Total equity		**254,369**	309,573
Total equity and non-current liabilities		**428,255**	513,258

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June **2023** ***RMB million***	 2022 *RMB million*
Revenue	*4*	**226,309**	162,363
Cost of sales	*13*	**(250,572)**	(145,153)
Gross (loss)/profit		**(24,263)**	17,210
Other income and (losses)/gains – net	*12*	**(2,889)**	66
Losses arising from changes in fair value of and transfers to investment properties		**(838)**	(96)
Selling and marketing costs	*13*	**(6,638)**	(4,575)
Administrative expenses	*13*	**(3,219)**	(4,285)
Research and development expenses	*13*	**(704)**	(974)
Net impairment losses on financial and contract assets		**(6,662)**	(302)
Operating (loss)/profit		**(45,213)**	7,044
Finance income	*14*	**1,584**	941
Finance costs	*14*	**(3,038)**	(4,482)
Finance costs – net	*14*	**(1,454)**	(3,541)
Share of results of joint ventures and associates		**519**	1,855
(Loss)/profit before income tax		**(46,148)**	5,358
Income tax expenses	*15*	**(5,313)**	(3,451)
(Loss)/profit for the period		**(51,461)**	1,907
(Loss)/profit attributable to:			
– Owners of the Company		**(48,932)**	612
– Non-controlling interests		**(2,529)**	1,295
		(51,461)	1,907
(Losses)/earnings per share attributable to owners of the Company (expressed in RMB yuan per share)			
Basic	*17*	**(1.79)**	0.03
Diluted	*17*	**(1.79)**	0.03

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
(Loss)/profit for the period	**(51,461)**	1,907
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss:		
– Changes in fair value of financial assets at fair value through other comprehensive income	**(236)**	394
Items that may be reclassified to profit or loss:		
– Deferred gains on cash flow hedges	**–**	7
– Deferred costs of hedging	**(173)**	(684)
– Currency translation differences	**16**	280
Total other comprehensive loss for the period, net of tax	**(393)**	(3)
Total comprehensive (loss)/income for the period	**(51,854)**	1,904
Total comprehensive (loss)/income attributable to:		
– Owners of the Company	**(49,350)**	610
– Non-controlling interests	**(2,504)**	1,294
	(51,854)	1,904

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, 'Interim Financial Reporting'. This interim financial information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2022 ("**2022 Financial Statements**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and the disclosure requirements under the Hong Kong Companies Ordinance, and any public announcements made by the Company during the interim reporting period.

1.1 Going concern basis

For the six months ended 30 June 2023, the Group recorded a loss of RMB51,461 million and a loss attributable to owners of the Company of RMB48,932 million. As at 30 June 2023, the Group had borrowings in the forms of senior notes, convertible bonds, corporate bonds and bank and other borrowings amounted to RMB257,905 million in aggregate, of which RMB108,703 million was repayable within 12 months, while the Group's cash and cash equivalents amounted to RMB101,115 million and restricted cash amounted to RMB29,454 million.

As affected by the downturn of the property market in the PRC, the Group faced significant challenges in the pre-sale performance, in particular, the Group's pre-sale performance has declined significantly since April 2023 and there has been no obvious sign of rebound up to the date of this interim financial information. Moreover, the Group is facing more difficulties in obtaining financing through the issuance of new domestic corporate bonds and overseas senior notes due to the difficult and challenging debt financing environment.

Despite these challenges and difficulties, the Group commits to timely delivery of its properties to the property buyers, which requires the Group to place higher priority in utilising the available funds for the construction of pre-sale properties. While on the other hand, the monitoring of the usage of guarantee deposits for construction of pre-sale properties has also been tightened during the period. As a result of the above conditions, the Group is facing phased liquidity pressure.

Subsequent to 30 June 2023 and up to the date of this interim financial information, the Group has commenced negotiations with the bondholders of certain domestic corporate bonds due within 12 months from 30 June 2023 to seek their agreement to extend the respective maturity dates. Furthermore, the Group did not make interest payments due in August 2023 of certain senior notes though these interest payments are still within the 30-day grace period as at the date of this interim financial information.

Certain of the Group's borrowings have financial covenants which have requirements, amongst others, on the Group's solvency performance. The directors of the Company have assessed that the Group was in compliance with these financial covenants as at 30 June 2023. However, if the financial performance of the Group continues to deteriorate in the future, the Group might not be able to fulfill the financial covenants of these borrowings, which may result in default in these borrowings and cross-default in certain other borrowings.

All of the above events and conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company 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 resources to continue as a going concern for at least 12 months from 30 June 2023, taking into account the following plans and measures:

(i) The Group will actively resolve its phased liquidity pressure by adopting various debt management measures, including:

   – subsequent to 30 June 2023 and up to the date of this interim financial information, the Group has commenced negotiations with the bondholders of certain domestic corporate bonds due within 12 months from 30 June 2023 to seek their agreement to extend the respective maturity dates;

   – in July 2023, the Group successfully refinanced its syndicated loans due within 12 months from 30 June 2023 of RMB6,137 million in total with a new term of 30 months. The Group will consider to adopt debt management measures to cope with the remaining overseas debts with principals due within 12 months from 30 June 2023;

(ii) The Group had unutilised uncommitted domestic loan facilities of approximately RMB278,807 million as at 30 June 2023. The Group has been conducting negotiations with relevant banks and financial institutions on renewal and extension of existing bank and other borrowings with scheduled repayment dates due within one year. The directors of the Company believe that, given the Group's long-term relationships with the relevant banks and financial institutions and the availability of the Group's assets as collateral for the borrowings, the Group will be able to draw down from these loan facilities and renew or extend existing borrowings at cost acceptable to the Group as and when needed, under the prevailing rules and regulations;

(iii) The Group will continue to actively adjust sales and pre-sale activities to respond to market changes and capture demands. The Group believes the PRC property market will gradually return to a sound and stable development track after the profound adjustments, and hence will continue its focus on those core geographical areas and to build up business presence in those cities with better correlation between supply and demand. The Group will implement its sales plan targeting to achieve its budgeted sales and pre-sales volumes and amounts. Besides, the Group will also continue to implement measures to speed up the collection of sales proceeds and other receivables;

(iv) The Group will closely monitor the progress of construction of its property development projects according to the sales plan, to ensure that construction and related payments are fulfilled and the relevant properties sold under pre-sale arrangements are completed and delivered to the property buyers on schedule as planned. The Group will maintain continuous communication with its major constructors and suppliers and negotiate the payment arrangements with them so as to complete the construction progress as scheduled. This will also enable the Group to release the remaining guarantee deposits for construction of pre-sale properties from the designated bank accounts to meet its other financial obligations;

(v) The Group will continue to monitor its compliance with the covenant requirements of those borrowings that are subject to financial covenant requirements. In the situation that the financial performance of the Group continues to deteriorate and the Group anticipates failing to comply with any of these covenant requirements, the Group will negotiate with the respective lenders and seek for their agreement to either obtain a waiver of compliance with the covenant requirements or to relax the covenant requirements, as appropriate;

(vi) The Group will strive to revitalise under-performing assets including hotels, office buildings and shops and consider to dispose of its investments in property development projects to generate more cash inflows if needed. On 25 August 2023, the Group entered a disposal agreement with a third-party purchaser and an associate of the Group, pursuant to which, the Group agreed to sell and the purchaser agreed to purchase the Group's 26.67% equity interest in the associate, at a total consideration of approximately RMB1,292 million. This disposal transaction has been completed and approximately RMB700 million of cash consideration has been collected after deducting the RMB541 million of balance due to the associate from the total consideration as of the date of this interim financial information; and

(vii) The Group will strictly control ineffective production capacity and reduce various non-core and non-essential operating expenses; continue to strengthen cost control and apply the zeroing principle to other expenses except for rigid costs; further streamline the organisational structure; and take further measures to reduce selling and marketing costs and administrative expenses.

The directors of the Company have reviewed the Group's cash flow projections, which covers a period of not less than 12 months from 30 June 2023. The directors of the Company are of the opinion that, considering the anticipated cash inflows to be generated from the Group's operations taking into account reasonably possible changes in operation performance, its cost control measures, as well as the above-mentioned plans and measures, the Group will be able to meet its financial obligations as and when they fall due within twelve months from 30 June 2023. Accordingly, this interim financial information has been prepared on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the followings:

(i) Successful progression and completion of the above-mentioned debt management measures, which will be subject to various external conditions that are beyond the Group's control, including but not limited to lenders' agreement to the proposals made by the Group, possible material adverse changes in the market during the process and fulfilment of legal or regulatory requirements;

(ii) Successful and timely refinancing of its existing bank and other borrowings upon maturity, and obtaining new financing from financial institutions. The Group's ability to obtain these financing depends on (1) current and ongoing regulatory environments and how the relevant policies and measures might affect the Group and/or the relevant financial institutions; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions for extension or refinancing; (3) whether the new borrowings can be issued at cost acceptable to the Group; and (4) the Group's ability to continuously comply with the relevant terms and conditions of its borrowings;

(iii) Successful implementation of the plans and measures to adjust the sales and pre-sales activities to achieve its budgeted sales and pre-sales volumes and amounts, and timely collection of the relevant sales proceeds and other receivables;

(iv) Successful monitoring of the progress of construction of its property development projects according to the sales plan, negotiations with the major constructors and suppliers to conduct business under commercial and credit terms acceptable to the Group, fulfillment of its project construction and related payment obligations on agreed schedules, and completion and delivery of properties to the customers on schedule as planned;

(v) Continuous compliance of the financial covenant requirements of the related borrowings and, where applicable, successful negotiation with the lenders to obtain wavier of compliance with the covenant requirements or to relax the covenant requirements of these borrowings for the continuous compliance thereof as and when needed;

(vi) Successful revitalisation of under-performing assets and disposal of investments in property development projects; and

(vii) Successful implementation of measures to reduce non-core and non-essential operating expenses, and further streamline the organisational structure and reduce selling and marketing costs and administrative expenses.

Should the Group be unable to continue to 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 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 this interim financial information.

2 MATERIAL ACCOUNTING POLICIES

Except as described in Note 3 below, the accounting policies applied are consistent with those of the 2022 Financial Statements as described therein.

The Group made policy election for the first time on transition to HKFRS 17 on 1 January 2023 and chose to apply HKFRS 9 to account for financial guarantee contracts. Except for the policy election of which the impact is set out in Note 3 below, other amendments to existing standards that are effective for the financial year beginning on 1 January 2023 and adopted by the Group for this period either do not have a material impact or are not relevant to the Group.

Revised standard and amendments to existing standards that have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted:

		Effective for the financial year beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in sale and leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of these revised standard and amendments to existing standards is expected to have a significant impact on the Group's accounting policies.

3 CHANGE IN ACCOUNTING POLICY

The Group made policy election for the first time on transition to HKFRS 17 on 1 January 2023 and chose to apply HKFRS 9 to account for financial guarantee contracts, but has not restated comparative figures as the impact is not material. The loss allowance on financial guarantee contracts thus resulted as at 1 January 2023, totally approximately RMB247 million, is therefore recognised in profit or loss in the current period.

Financial guarantee contracts are measured at fair value on initial recognition and subsequently at the higher of the amount of the loss allowance determined in accordance with the impairment requirements of HKFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with HKFRS 15.

4 REVENUE AND SEGMENT INFORMATION

The executive directors of the Company review the Group's internal reporting in order to assess segment performance and allocate resources. The executive directors of the Company have determined the operating segments based on these reports.

During the period, the executive directors of the Company concluded that the Group only has two reportable segments − Property development and Technology-enabled construction following the strategic change of the Group. Technology-enabled construction segment includes the construction and smart construction business, which were formerly included in Construction and Others segment, respectively. The Others segment mainly includes property investment and hotel operation, which are individually and collectively insignificant for segment reporting purposes. The comparative information has been restated accordingly.

The executive directors of the Company assess the performance of the operating segments based on a measure of operating profit, adjusted by excluding fair value changes on derivative financial instruments and including share of results of joint ventures and associates.

Segment assets consist primarily of property, plant and equipment, intangible assets, right-of-use assets, investment properties, financial assets at fair value through other comprehensive income ("**FVOCI**"), financial assets at fair value through profit or loss ("**FVTPL**"), properties under development, completed properties held for sale, investments in joint ventures, investments in associates, inventories, receivables, prepaid income tax, contract assets and contract acquisition costs and operating cash. They exclude derivative financial instruments and deferred income tax assets. Segment liabilities consist primarily of operating liabilities. They exclude current income tax liabilities, senior notes, corporate bonds, convertible bonds, bank and other borrowings, derivative financial instruments and deferred income tax liabilities.

Capital expenditure mainly comprises additions to property, plant and equipment, intangible assets and right-of-use assets, excluding those arising from business combinations.

Revenue consists of the following:

	Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
Sales of properties	**220,803**	156,373
Rendering of technology-enabled construction services	**3,272**	3,507
Rental income	**497**	425
Others	**1,737**	2,058
	226,309	162,363

Sales between segments are carried out according to the terms and conditions agreed by the respective segments' management.

The Group's revenue is mainly attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. Geographical information is therefore not presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

The segment information provided to the executive directors of the Company for the reportable segments is as follows:

	Property development *RMB million*	Technology-enabled construction *RMB million*	Others *RMB million*	Total *RMB million*
Six months ended 30 June 2023				
Revenue from contracts with customers	**220,803**	**18,814**	**10,329**	**249,946**
– Recognised at a point in time	**180,948**	**–**	**9,524**	**190,472**
– Recognised over time	**39,855**	**18,814**	**805**	**59,474**
Revenue from other source: rental income	**–**	**–**	**497**	**497**
Segment revenue	**220,803**	**18,814**	**10,826**	**250,443**
Inter-segment revenue	**–**	**(15,542)**	**(8,592)**	**(24,134)**
Revenue from external customers	**220,803**	**3,272**	**2,234**	**226,309**
Share of results of joint ventures and associates	**526**	**–**	**(7)**	**519**
Losses arising from changes in fair value of and transfers to investment properties	**–**	**–**	**(838)**	**(838)**
Depreciation and amortisation expenses of property, plant and equipment, intangible assets and right-of-use assets	**313**	**355**	**523**	**1,191**
Net impairment losses on financial and contract assets	**6,359**	**76**	**227**	**6,662**
Segment results	**(42,883)**	**(272)**	**(1,539)**	**(44,694)**
At 30 June 2023				
Total segment assets after elimination of inter-segment balances	**1,451,947**	**31,795**	**94,483**	**1,578,225**
Investments in joint ventures and associates	**57,458**	**–**	**1,039**	**58,497**
Capital expenditure	**466**	**224**	**360**	**1,050**
Total segment liabilities after elimination of inter-segment balances	**961,198**	**26,768**	**64,972**	**1,052,938**

	Property development RMB million	Technology-enabled construction RMB million	Others RMB million	Total RMB million
Six months ended 30 June 2022				
Revenue from contracts with customers	156,373	20,147	10,027	186,547
– Recognised at a point in time	125,516	–	9,198	134,714
– Recognised over time	30,857	20,147	829	51,833
Revenue from other source: rental income	–	–	425	425
Segment revenue	156,373	20,147	10,452	186,972
Inter-segment revenue	–	(16,640)	(7,969)	(24,609)
Revenue from external customers	156,373	3,507	2,483	162,363
Share of results of joint ventures and associates	1,893	–	(38)	1,855
Losses arising from changes in fair value of and transfers to investment properties	–	–	(96)	(96)
Depreciation and amortisation expenses of property, plant and equipment, intangible assets and right-of-use assets	366	368	469	1,203
Net impairment losses on financial and contract assets	278	5	19	302
Segment results	9,634	(31)	(798)	8,805
At 31 December 2022				
Total segment assets after elimination of inter-segment balances	1,568,334	33,035	100,105	1,701,474
Investments in joint ventures and associates	66,929	–	1,043	67,972
Capital expenditure	522	821	1,102	2,445
Total segment liabilities after elimination of inter-segment balances	1,009,645	27,873	68,596	1,106,114

5 TRADE AND OTHER RECEIVABLES

	30 June 2023 *RMB million*	31 December 2022 *RMB million*
Included in current assets		
– Trade receivables – net *(note (a))*	**30,508**	34,879
– Other receivables – net *(note (b))*	**278,144**	298,753
– Prepayments for land *(note (c))*	**7,358**	13,511
– Other prepayments *(note (d))*	**36,085**	32,874
	352,095	380,017
Included in non-current assets		
– Deposits for acquisitions of companies *(note (e))*	**3,885**	12,484
	355,980	392,501

(a) Details of trade receivables are as follows:

	30 June 2023 *RMB million*	31 December 2022 *RMB million*
Trade receivables	**30,787**	35,156
Less: allowance for impairment	**(279)**	(277)
Trade receivables – net	**30,508**	34,879

Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit terms of 1 to 6 months. The ageing analysis of trade receivables based on property delivery date is as follows:

	30 June 2023 *RMB million*	31 December 2022 *RMB million*
Within 90 days	**26,183**	29,355
Over 90 days and within 180 days	**2,200**	2,351
Over 180 days and within 365 days	**1,681**	2,731
Over 365 days	**723**	719
	30,787	35,156

As at 30 June 2023 and 31 December 2022, trade receivables were mainly denominated in RMB.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of buyers. Trade receivables were collateralised by the titles of the properties sold.

(b) Details of other receivables are as follows:

	30 June 2023 *RMB million*	31 December 2022 *RMB million*
Amounts due from joint ventures, associates and other related parties	**98,425**	111,447
Land auction and other deposits	**11,982**	12,690
Others (i)	**180,574**	184,053
	290,981	308,190
Less: allowance for impairment	**(12,837)**	(9,437)
Other receivables − net	**278,144**	298,753

(i) These receivables mainly included current accounts due from the other shareholders of certain subsidiaries of the Group, which are mainly interest-free, unsecured and repayable according to contract terms.

(c) Prepayments for land are related to prepaid land acquisition costs while relevant land use right certificates have not been obtained as at 30 June 2023.

(d) Other prepayments mainly included prepaid value-added taxes and prepayments for purchases of construction materials and services.

(e) Amounts represent deposits paid for acquisitions of certain property development companies which have not been completed as at the end of the reporting period.

6 CASH AND CASH EQUIVALENTS

	30 June 2023 RMB million	31 December 2022 RMB million
Cash at banks and in hand	**130,569**	147,550
Less: restricted cash *(note (a))*	**(29,454)**	(19,269)
	101,115	128,281

(a) The balance mainly included unreleased guarantee deposits for construction of pre-sale properties, guarantee deposits for workers' wages and funds frozen as a result of litigations.

7 TRADE AND OTHER PAYABLES

	30 June 2023 RMB million	31 December 2022 RMB million
Trade payables *(note (a))*	**202,237**	191,621
Other payables *(note (b))*	**186,877**	182,937
Other taxes payable *(note (c))*	**55,667**	56,838
Salaries payable	**3,764**	5,959
	448,545	437,355

(a) The ageing analysis of trade payables based on the date of the liability recognition on accrual basis is as follows:

	30 June 2023 RMB million	31 December 2022 RMB million
Within 365 days	**199,332**	188,869
Over 365 days	**2,905**	2,752
	202,237	191,621

(b) Other payables mainly included deposits from property buyers and current accounts due to certain joint ventures, associates and other shareholders of certain subsidiaries of the Group and outstanding considerations to acquire certain subsidiaries, joint ventures and associates. These amounts are mainly interest-free, unsecured and repayable according to contract terms.

(c) Other taxes payable mainly included output value-added taxes related to receipt in advance from customers amounted to approximately RMB54,573 million (31 December 2022: RMB66,087 million), value-added taxes payable and other taxes.

8 SENIOR NOTES

	Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
At 1 January	**70,655**	75,069
Repurchase and purchase under tender offer *(note (a))*	**(1,771)**	(3,132)
Repayment upon maturity *(note (a))*	**(2,629)**	(2,604)
Interest expenses	**1,807**	1,962
Coupon interest paid	**(1,843)**	(2,010)
Exchange differences	**2,463**	3,801
At 30 June	**68,682**	73,086
Less: current portion included in current liabilities	**(11,490)**	(6,977)
Included in non-current liabilities	**57,192**	66,109

(a) During the period, the Group has repaid on maturity and repurchased senior notes as follows:

Name of notes	**Par value** *million*	**Interest rate**	**Issue date**	**Term of the notes**
Repaid during the period on maturity:				
2023 Notes III – tranche I	USD250	4.750%	17 January 2018	5 years
2023 Notes III – tranche II	USD141	4.750%	31 July 2018	4.5 years
Repurchase during the period:				
2025 Notes – tranche II	USD21	5.125%	4 September 2018	6.4 years
2024 Notes – tranche II	USD34	8.000%	25 January 2019	5 years
2024 Notes II	USD22	6.500%	8 April 2019	5 years
2025 Notes II	USD23	6.150%	17 September 2019	6 years
2025 Notes III	USD27	5.400%	27 May 2020	5 years
2025 Notes IV	USD118	3.125%	22 October 2020	5 years

9 CORPORATE BONDS

	Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
At 1 January	**32,319**	34,160
Additions *(note (a))*	**1,891**	749
Repayment upon maturity	**(7,463)**	(1,196)
Interest expenses	**682**	790
Coupon interest paid	**(470)**	(543)
Exchange differences	**(15)**	(5)
At 30 June	**26,944**	33,955
Less: current portion included in current liabilities	**(21,590)**	(12,825)
Included in non-current liabilities	**5,354**	21,130

(a) During the period, corporate bonds newly issued by the Group were listed as follows:

Name of bonds	**Par value** *RMB million*	**Interest rate**	**Issue date**	**Term of the bonds**
Medium-term notes of Country Garden Real Estate Group Co. Ltd ("**Country Garden Property**") issued in 2023 – tranche I*	800	3.80%	9 May 2023	2 years
Medium-term notes of Country Garden Property issued in 2023 – tranche II*	900	3.95%	9 May 2023	2 years
Callable and Secured Debentures of Risland (Thailand) CO., LTD. No. 1/2566 Due B.E. 2567	203	7.50%	17 March 2023	1.76 years

* These medium-term notes are listed on the National Association of Financial Market Institutional Investors.

10 CONVERTIBLE BONDS

	Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
Liability component as at 1 January	**5,793**	2,168
Additions	**–**	2,870
Interest expenses	**270**	221
Coupon interest paid	**(144)**	(57)
Exchange differences	**184**	234
Liability component as at 30 June	**6,103**	5,436
Less: current portion included in current liabilities	**(6,103)**	(78)
Included in non-current liabilities	**–**	5,358

As at 30 June 2023, there has been no conversion of the 2023 Convertible Bonds and 2026 Convertible Bonds.

11 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**	**Share premium**	**Total**	**Treasury shares**	**Group total**
	million	*HKD million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Authorised							
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023, HKD0.10 per share	100,000	10,000					
Issued and fully paid							
At 1 January 2022	23,148	2,314	2,159	38,928	41,087	(2,300)	38,787
Exercise of employee share schemes	7	1	1	(9)	(8)	73	65
At 30 June 2022	23,155	2,315	2,160	38,919	41,079	(2,227)	38,852
Issued and fully paid							
At 1 January 2023 and 30 June 2023	27,637	2,763	2,560	50,201	52,761	(2,225)	50,536

12 OTHER INCOME AND (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
Other income		
– Government subsidy income	**153**	161
– Forfeiture income	**114**	179
– Management and other related service income	**27**	206
	294	546
Other (losses)/gains		
– (Losses)/gains on disposals of joint ventures and associates	**(1,713)**	490
– Losses on disposals of subsidiaries	**(667)**	(1,348)
– Losses on disposals of property, plant and equipment	**(99)**	(55)
– Losses on disposal of investment properties	**(13)**	–
– Changes in fair value of financial assets at FVTPL	**145**	197
– Changes in fair value of derivative financial instruments	**–**	94
– Gains arising from negative goodwill	**–**	71
– Others	**(836)**	71
	(3,183)	(480)
Total other income and (losses)/gains – net	**(2,889)**	66

13 EXPENSES BY NATURE

	Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
Cost of property sold and construction services	**209,004**	138,236
Net write-down of properties under development and completed properties held for sale	**40,338**	5,061
Employee benefit expenses	**4,706**	5,529
Sales commission to agents	**1,801**	1,224
Depreciation of property, plant and equipment	**860**	925
Property management and other services expenses	**815**	870
Advertising and promotion costs	**814**	565
Other taxes and levies	**574**	820
Depreciation of right-of-use assets	**168**	141
Amortisation of intangible assets	**163**	137
Donations	**63**	152
Others	**1,827**	1,327
Total cost of sales, selling and marketing costs, administrative expenses and research and development expenses	**261,133**	154,987

14 FINANCE COSTS – NET

	Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
Finance income:		
– Interest income on bank deposits and others	**961**	914
– Gains on repurchase of senior notes	**623**	27
	1,584	941
Finance costs:		
– Interest expenses on bank borrowings, senior notes, corporate bonds and others	**(7,042)**	(8,864)
– Interest expenses on lease liabilities	**(12)**	(13)
	(7,054)	(8,877)
Less: amounts capitalised on qualifying assets	**7,054**	8,877
	–	–
Net foreign exchange losses	**(3,038)**	(4,482)
Finance costs – net	**(1,454)**	(3,541)

15 INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
Current income tax		
– Corporate income tax	**1,449**	3,048
– Land appreciation tax	**3,332**	2,373
	4,781	5,421
Deferred income tax	**532**	(1,970)
	5,313	3,451

16 DIVIDEND

On 30 August 2023, the Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (2022 interim dividend: nil).

17 (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held as treasury shares.

	Six months ended 30 June	
	2023	2022
(Loss)/profit attributable to owners of the Company *(RMB million)*	**(48,932)**	612
Weighted average number of ordinary shares in issue *(million)*	**27,355**	22,862
(Losses)/earnings per share – Basic *(RMB yuan per share)*	**(1.79)**	0.03

(b) Diluted

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had four categories of dilutive potential ordinary shares: share options, awarded shares, written call options and convertible bonds. For the share options, awarded shares and written call options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options, awarded shares and written call options. The convertible bonds are assumed to have been converted into ordinary shares. Interest savings on convertible bonds are adjusted to the extent of the amount charged to the (loss)/profit attributable to owners of the Company, if applicable. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options, awarded shares, written call options and conversion of convertible bonds. For the six months ended 30 June 2023, the share options, awarded shares, written call options and convertible bonds were excluded from the computation of diluted losses per share as they were anti-dilutive (For the six months ended 30 June 2022: written call options and convertible bonds were excluded from the computation of diluted earnings per share).

	Six months ended 30 June	
	2023	2022
(Loss)/profit attributable to owners of the Company *(RMB million)*	**(48,932)**	612
Interest expense on convertible bonds *(RMB million)*	**N/A**	N/A
(Loss)/profit attributable to owners of the Company used to determine diluted (losses)/earnings per share *(RMB million)*	**(48,932)**	612
Weighted average number of ordinary shares in issue *(million)*	**27,355**	22,862
Adjustments – share options and awarded shares *(million)*	**–**	27
Weighted average number of ordinary shares for diluted (losses)/earnings per share *(million)*	**27,355**	22,889
(Losses)/earnings per share – Diluted *(RMB yuan per share)*	**(1.79)**	0.03

18 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 20 July 2023, the Company as the borrower entered into a facility agreement (the "**Facility Agreement**") with various financial institutions as the original lenders (the "**Original Lenders**"), and Bank of China (Hong Kong) Limited as the facility agent, pursuant to which the Original Lenders have agreed to make available a dual-tranche term loan facilities (with a lender accession option in the amount of USD11 million, equivalent to approximately RMB80 million) denominated in HKD and USD in an amount of HKD3,583 million (equivalent to approximately RMB3,279 million) and USD389 million (equivalent to approximately RMB2,778 million), respectively to the Company for a term of 30 months commencing from the date of the Facility Agreement.

Subsequent to 30 June 2023 and up to the date of this interim financial information, the Group has commenced negotiations with the bondholders of certain domestic corporate bonds due within 12 months from 30 June 2023 to seek their agreement to extend the respective maturity dates. Furthermore, the Group did not make interest payments due in August 2023 of certain senior notes though these interest payments are still within the 30-day grace period as at the date of this interim financial information.

On 25 August 2023, the Group entered a disposal agreement with a third-party purchaser and an associate of the Group, pursuant to which, the Group agreed to sell and the purchaser agreed to purchase the Group's 26.67% equity interest in the associate, at a total consideration of approximately RMB1,292 million. This disposal transaction has been completed and approximately RMB700 million of cash consideration has been collected after deducting the RMB541 million of balance due to the associate from the total consideration as of the date of this interim financial information. The Group is expected to realise a gain on the disposal before taxation of approximately RMB500 million.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from two business segments as follows: Property development and Technology-enabled construction. Revenue of the Group increased by 39.4% to approximately RMB226,309 million in the first half of 2023 from approximately RMB162,363 million for the corresponding period in 2022. 97.6% of the Group's revenue was generated from the sales of properties (corresponding period in 2022: 96.3%), and 2.4% from Technology-enabled construction and Others segments (corresponding period in 2022: 3.7%).

Property Development

Due to the increase of GFA delivered, revenue generated from property development increased by 41.2% to approximately RMB220,803 million for the six months ended 30 June 2023 from approximately RMB156,373 million for the corresponding period in 2022. The recognised average selling price of property delivered (value-added taxes not included) was approximately RMB7,163 per sq.m. for the six months ended 30 June 2023.

Technology-enabled Construction

Technology-enabled construction revenue from external parties decreased by 6.7% to approximately RMB3,272 million for the six months ended 30 June 2023 from approximately RMB3,507 million for the corresponding period in 2022, primarily due to the decrease in new construction volume resulting from sluggish market of real estate.

Others

Others segment mainly includes property investment and hotel operation. Revenue from external parties of others segment decreased by 10.0% to approximately RMB2,234 million for the six months ended 30 June 2023 from approximately RMB2,483 million for the corresponding period in 2022.

Selling and marketing costs and Administrative expenses

Benefited by the excellent cost control and the improvement of organization efficiency, the Group's selling and marketing costs and administrative expenses amounted to approximately RMB9,857 million for the six months ended 30 June 2023. It accounted for 4.4% of the revenue for the first half of 2023, with a decrease of 1.1 percentage points compared with the corresponding period in 2022.

Finance Costs – Net

The Group recorded net finance costs of approximately RMB1,454 million in the first half of 2023 (corresponding period in 2022: approximately RMB3,541 million).

During the period, the Group recorded post-hedging net foreign exchange loss of approximately RMB3,038 million (corresponding period in 2022: approximately RMB4,482 million), interest income of approximately RMB961 million (corresponding period in 2022: approximately RMB914 million), and gains on repurchase of senior notes approximately RMB623 million (corresponding period in 2022: approximately RMB27 million). Interest expenses, amounting to approximately RMB7,054 million for the six months ended 30 June 2023 (corresponding period in 2022: approximately RMB8,877 million) was fully capitalised on qualifying assets. Interest expenses decreased primarily due to the decrease in total debts.

(Loss)/Profit before Income Tax

The Group recorded loss before income tax of approximately RMB46,148 million in the first half of 2023 (corresponding period in 2022: the profit before income tax of approximately RMB5,358 million), mainly due to:

(1) Affected by the continuous decline in sales volume and prices in the real estate market starting from the second quarter of this year, a net impairment provision of approximately RMB40,338 million was provided for properties under development and completed properties held for sale, resulting in a gross loss of approximately RMB24,263 million;

(2) Affected by multiple adverse factors such as macroeconomic environment, industry environment, and negative financial conditions of counterparties, the net impairment losses on financial and contract assets of approximately RMB6,662 million was provided;

(3) Due to the fluctuations of foreign exchange, net foreign exchange loss was approximately RMB3,038 million.

Loss/Profit and Core Net Loss/Profit Attributable to Owners of the Company

For the first half of 2023, the loss attributable to owners of the Company was approximately RMB48,932 million (corresponding period in 2022: the profit attributable to owners of the Company was approximately RMB612 million).

After deduction of effects such as fair value changes and net foreign exchange gains/losses from realized earnings, the core net loss attributable to owners of the Company in the first half of 2023 was approximately RMB45,345 million (corresponding period in 2022: the core net profit attributable to owners of the Company was approximately RMB4,910 million).

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2023, the Group's total cash (equals to the sum of cash and cash equivalents and restricted cash) amounted to approximately RMB130,569 million (31 December 2022: approximately RMB147,550 million), including approximately RMB101,115 million in cash and cash equivalents and approximately RMB29,454 million in restricted cash.

Restricted cash mainly included unreleased guarantee deposits for construction of pre-sale properties, guarantee deposits for workers' wages and funds frozen as a result of litigations.

As at 30 June 2023, 97.2% (31 December 2022: 94.3%) of the Group's total cash was denominated in Renminbi and 2.8% (31 December 2022: 5.7%) was denominated in other currencies (mainly US dollars, HK dollars and Malaysian Ringgit).

Debt Composition

As at 30 June 2023, the Group's bank and other borrowings, senior notes, corporate bonds and convertible bonds amounted to approximately RMB156,176 million, RMB68,682 million, RMB26,944 million and RMB6,103 million respectively (31 December 2022: approximately RMB162,540 million, RMB70,655 million, RMB32,319 million and RMB5,793 million respectively).

For bank and other borrowings, approximately RMB69,520 million, RMB82,969 million and RMB3,687 million will be repayable within 1 year, between 1 and 5 years and beyond 5 years respectively (31 December 2022: approximately RMB61,205 million, RMB97,490 million and RMB3,845 million respectively). As at 30 June 2023 and 31 December 2022, the majority of the bank and other borrowings were secured by certain properties, right-of-use assets, equipment and financial assets at fair value through profit or loss of the Group and secured by the equity interests of certain group companies, and/or guaranteed by the Group.

The Group strictly manages the debt scale. As at 30 June 2023, the total debts decreased to approximately RMB257,905 million, from approximately RMB271,307 million as at 31 December 2022.

Net Gearing Ratio

Net gearing ratio is measured by the net debt (representing bank and other borrowings, senior notes, corporate bonds and convertible bonds, net of total cash, which equals to the sum of cash and cash equivalents and restricted cash) over total equity. The Group's net gearing ratio increased from approximately 40.0% as at 31 December 2022 to approximately 50.1% as at 30 June 2023.

Key Risk Factors and Uncertainties

The following lists out the key risks and uncertainties the Group is facing. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

Risks Pertaining to the Property Market and Operation

The Group's businesses and prospects are largely dependent on the performance of the property market in mainland China. The property market in mainland China is affected by a number of factors, including changes in social, political, economic and legal environment, as well as changes in the government's financial, economic, monetary, industrial and environmental conservation policies. The Group is also susceptible to changes in economic conditions, consumer confidence, consumption spending, and changes in consumption preferences. Therefore, the Group continues to implement its strategies to develop and strengthen penetration of different regional markets thereby reducing its dependence on specific markets. Meanwhile, the Group's operation is subject to a number of risk factors distinctive to property development, property investment and property related businesses, such as default on the part of our buyers, tenants and strategic business partners, inadequacies or failures of internal processes, people and systems or other external factors which may have various levels of negative impact on the results of operations.

Interest Rate Risk

The Group's bank and other borrowings mainly bear floating rates. As at 30 June 2023, the weighted average borrowing cost of the Group's total debt was 5.73%, approximately the same as that as at 31 December 2022. The Group has implemented certain interest rate management which includes, among others, close monitoring of interest rate movements, applying interest rate swaps to mitigate interest rate risk, refinancing on existing banking facilities and entering into new banking facilities when good pricing opportunities arise.

Foreign Exchange Risk

The Group's business is mainly denominated in Renminbi. Foreign exchange risk mainly arises from the outstanding foreign currency borrowings (mainly denominated in US dollars and HK dollars). Since 2015, the Group has adopted foreign currency hedging instruments to achieve better management over foreign exchange risk. The objective of the hedges is to minimise the volatility of the RMB cost of highly probable forecast repayments of foreign debts. The Group's risk management policy is to partially hedge forecasted foreign currency cash flows, subject to availability of appropriate hedging instruments and cost of hedging. The Group uses a combination of foreign exchange forward contracts, foreign currency option contracts and foreign exchange structured derivatives and cross currency swaps to hedge its exposure to foreign exchange risk.

Liquidity Risk

The Group is facing phased liquidity pressure. In light of the current liquidity position, the Group has undertaken a number of plans and measures to mitigate the liquidity pressure and to improve the financial position of the Group, details of which are set out in note 1 to the "NOTES TO THE INTERIM FINANCIAL INFORMATION" in this announcement.

Guarantees

As at 30 June 2023, the Group had guarantees in respect of mortgage facilities for certain property buyers amounting to approximately RMB377,515 million (31 December 2022: approximately RMB401,887 million).

Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks, and the Group is entitled to take over the legal title and possession of the related properties. The guarantees were to be discharged upon the earlier of: (i) issuance of the real estate ownership certificate which are generally available within three months after the buyers take possession of the relevant properties; and (ii) the satisfaction of mortgage loans by the property buyers.

In addition, as at 30 June 2023, the Group had provided guarantees amounting to approximately RMB12,528 million (31 December 2022: approximately RMB24,178 million) for certain liabilities of the joint ventures, associates and other related parties of the Group.

Employees and Remuneration Policy

Human resource has always been the most valuable resource of the Group. As at 30 June 2023, the Group had approximately 58,140 full-time employees.

Employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group is subject to social insurance contribution plans or other pension schemes organised by the regional governments and is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing fund or to contribute regularly to other mandatory provident fund schemes on behalf of the employees. As at the date of this announcement, there were no significant labor disputes which adversely affect or are likely to have an adverse effect on the operations of the Group.

In order to achieve sustainable development and corporate core advantage, the Group is establishing a "Corporate University". All employees from different levels and different fields can all have opportunities to receive training, including Leadership Development Program, New Staff Campaign and On-the-job Training. All projects are aimed at enabling employees to become senior management and inter-disciplinary talent and form a perfect HR training system of the Group.

The Group has approved and/or adopted certain share option scheme and share award scheme, details can be referred in the sections headed "EMPLOYEE INCENTIVE MECHANISMS" in this announcement.

Forward Looking

In recent years, China's property sector has experienced volatile adjustments and encountered unprecedented difficulties. Accompanied with sales plunge in the industry, insufficient consumer confidence and difficulties in obtaining financing have presented significant challenges to the operation and survival of enterprises. The Group's liquidity is under unprecedented pressure with a dual tightening of sales and financing.

The Group has always been committed to doing the right things and adhering to prudent financial policies and risk control measure in the face of new challenges and market changes. Facing such an extremely difficult situation industry-wide, the Group spared no effort to shoulder its social responsibility, actively respond and fully ensure its delivery. In 2022 and the first half of 2023, the Group, together with its joint ventures and associates, delivered nearly 700,000 and 278,000 units of properties, respectively, while at the same time making every effort to repay the principals and interests of financing despite the continuous increase in cash flow pressure.

In the future, the Group will continue to do its utmost to ensure the safety of cash flow, intensify efforts to revitalize under-performing assets, further streamline its organizational structure and strengthen expense controls, and actively consider taking various debt management measures to resolve periodic liquidity pressures. In order to deliver systematic smart construction solutions that best suit with the construction market, the Group seeks new opportunities in expanding the business of providing property development services and management services for other parties with the implementation of such advanced construction technologies and new ways of organizing and managing construction. The Group will continue to explore new models for real estate development through the new strategy of "One Core and Two Wings", giving full play to the advantages of the entire industry chain.

Since its establishment, the Group has experienced 31 years of trials and hardships. The long road to success is indeed as hard as iron, but now we must start from scratch. Despite the current difficulties, the Group will continue to ensure delivery with a high sense of responsibility and make every effort to reverse the situation. The Group firmly believes that the real estate industry will eventually return to stable and healthy after undergoing such difficult adjustments. With the concerted efforts of the entire Group and the help and support of all parties, the Group will be able to navigate through predicaments and set sail again.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") assists the Board in providing an independent review of the effectiveness of the financial reporting process, risk management and internal control systems of the Group, overseeing the audit process, and performing other duties and responsibilities as may be assigned by the Board from time to time. The members of the Audit Committee are all independent non-executive Directors, namely Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham and Mr. TONG Wui Tung (Mr. HUANG Hongyan was a member of the Audit Committee until his retirement on 23 May 2023). Mr. LAI Ming, Joseph is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company the accounting policies and practices adopted by the Group and discussed, among other things, internal control, risk management and financial reporting matters including a review of the unaudited interim financial information of the Group for the six months ended 30 June 2023. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT ON REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The following is an extract of the independent auditor's report on review of the Group's unaudited interim financial information for the six months ended 30 June 2023 which has included an emphasis of matter paragraph, but without qualification:

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Emphasis of Matter

We draw attention to Note 2 to the interim financial information, which states that the Group recorded a loss of RMB51,461 million and a loss attributable to owners of the Company of RMB48,932 million for the six months ended 30 June 2023. As at 30 June 2023, the Group had borrowings in the forms of senior notes, convertible bonds, corporate bonds and bank and other borrowings amounted to RMB257,905 million in aggregate, of which RMB108,703 million was repayable within 12 months, while the Group's cash and cash equivalents amounted to RMB101,115 million and restricted cash amounted to RMB29,454 million. As affected by the downturn of the property market in the PRC, the Group faced significant challenges in the pre-sale performance, in particular, the Group's pre-sale performance has declined significantly since April 2023 and there has been no obvious sign of rebound up to the date of this report. In addition, subsequent to 30 June 2023 and up to the date of this report, the Group has commenced negotiations with the bondholders of certain domestic corporate bonds to seek their agreement to extend the respective maturity dates. Furthermore, the Group did not make interest payments due in August 2023 of certain senior notes though these interest payments are still within the 30-day grace period as at the date of this report. If the financial performance of the Group continues to deteriorate in the future, the Group might not be able to fulfill the financial covenants of certain borrowings, which may result in default in the respective borrowings and cross-default in certain other borrowings. These conditions, along with other events and conditions that set out in Note 2, indicate the existence of material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

The aforesaid "note 2 to the interim financial information" in the extract from the independent auditor's report on review of the Group's unaudited interim financial information is disclosed as note 1 to the "NOTES TO THE INTERIM FINANCIAL INFORMATION" in this results announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board and the management of the Company are committed to the principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasise transparency, accountability and independence.

During the six months ended 30 June 2023, the Company has applied the principles and has complied with the code provisions set out in Part 2 of the Corporate Governance Code ("**CG Code**") under Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), save and except for the code provision F.2.2 of Part 2 of the CG Code as the chairman of the Board (who was also the chairman of the nomination committee, corporate governance committee, environmental, social and governance committee and executive committee of the Company) was unable to attend the annual general meeting of the Company held on 23 May 2023 as she had other important engagement.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") of the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out therein throughout the six months ended 30 June 2023. No incident of non-compliance was noted by the Company to date in 2023. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

EMPLOYEE INCENTIVE MECHANISMS

For the purpose of rewarding the contribution of the senior management and employees of the Group (including executive Directors of the Company who are also senior management) engaging in profitable property development projects of the Group, two incentive mechanisms (the "**Incentive Mechanisms**") were adopted by the Group on 27 December 2019 and 18 September 2020, which respectively concern property development projects located in the Mainland China and property development projects located in Hong Kong and other overseas jurisdictions (the "**Property Development Projects**"). Under the Incentive Mechanisms, in general, senior management and employees will be provided with cash rewards, calculated with reference to net profits generated from the Property Development Projects and the Group's internal rate of return. A portion of these cash rewards will be used as the consideration for the exercise of the share options to be granted to them by the Company under the then existing Share Option Scheme (in respect of executive Directors of the Company who are also senior management) or the consideration for the purchase of existing shares of the Company (the "**Share(s)**"), i.e. the share awards (in respect of other senior management and employees).

(i) Share Award Scheme

The aforementioned share awards concern existing shares of the Company, and shall be distributed in accordance with the Principles for Employees' Shares Conversion Rights (as amended from time to time) adopted by the Group on 11 February 2015 (the "**Share Award Scheme**"). The Share Award Scheme has no fixed expiry date.

According to the trust deed approved by the Board on 27 January 2015, the trustee of the Share Award Scheme is Power Great Enterprises Limited ("**Power Great**"), a wholly-owned subsidiary of the Company. During the six months ended 30 June 2023, Power Great had not purchased any Share from the market, and had not acquired any Share by any other way in accordance with the Share Award Scheme. During the six months ended 30 June 2023, no Shares were granted under the Share Award Scheme. As at 30 June 2023, the total number of Shares in relation to share awards that were granted under the Share Award Scheme was 165,746,992 Shares (being the net number after deduction of the exercised and lapsed share awards). As at 30 June 2023, the cumulative total number of Shares held by Power Great under the Share Award Scheme was 283,259,032 Shares (including Shares which had been granted to relevant employees with the registration and transfer procedures yet to be completed) (31 December 2022: 283,259,032 Shares).

(ii) Share Option Schemes

A share option scheme (the "**2007 Share Option Scheme**") was approved and adopted by the shareholders of the Company (the "**Shareholders**") on 20 March 2007 for a period of 10 years commencing on the adoption date. The 2007 Share Option Scheme had expired on 19 March 2017. Another share option scheme (the "**2017 Share Option Scheme**", together with the 2007 Share Option Scheme, the "**Share Option Schemes**") was approved and adopted by the Shareholders at the annual general meeting of the Company held on 18 May 2017 for a period of 10 years commencing on the adoption date and ending on 17 May 2027. Subject to the terms and conditions of the 2017 Share Option Scheme, the Board may, at its discretion, grant share options to any eligible person to subscribe for the Shares of the Company within the validity period of the scheme.

The total number of options available for grant under the Share Option Schemes is 2,048,830,798 Shares both as at 1 January 2023 (as at 1 January 2022: 2,055,786,455 Shares) and as at 30 June 2023 (as at 31 December 2022: 2,048,830,798 Shares). During the six months ended 30 June 2023, no share options were granted to eligible persons in accordance with the terms of the Share Option Schemes (whereas during the year ended December 2022, all the share options granted to eligible persons in accordance with the terms of the Share Option Schemes have been exercised during the same year).

The Board will continue to monitor the Share Option Schemes and Share Award Scheme for motivating the eligible person, the senior management and employees of the Group and consider when it may be appropriate and/or desirable to modify or replace the schemes with and/or adopt any other incentive scheme.

CONVERTIBLE BONDS AND WRITTEN CALL OPTIONS

On 21 November 2018, the Company, Smart Insight International Limited (the "**Issuer**", a wholly-owned subsidiary of the Company), J.P. Morgan Securities plc, Goldman Sachs (Asia) L.L.C and The Hongkong and Shanghai Banking Corporation Limited (the "**Joint Lead Managers**") entered into an agreement, under which the Joint Lead Managers agreed to subscribe for the 4.50% secured guaranteed convertible bonds due 2023 to be issued by the Issuer in the aggregate principal amount of HKD7,830 million (the "**2023 Convertible Bonds**"). On 5 December 2018, the Issuer issued the 2023 Convertible Bonds in the principal amount of HKD7,830 million. The 2023 Convertible Bonds are listed on Singapore Exchange Securities Trading Limited ("**SGX**"). There was no change to the conversion price of the 2023 Convertible Bonds during the six months ended 30 June 2023. Accordingly, as at the date of this announcement, based on the total outstanding principal amount of the 2023 Convertible Bonds of HKD3,000 million, the 2023 Convertible Bonds may be converted into the maximum number of 293,829,578 Shares at the latest modified conversion price of HKD10.21 per Share (as last adjusted on 7 June 2022) during the conversion period under the terms of the 2023 Convertible Bonds.

On 21 November 2018, the Issuer entered into call option transaction(s) involving the sale of call option(s) by the Issuer to J.P. Morgan Securities plc and Goldman Sachs International or their respective affiliates with the initial strike price of HKD17.908 (the "**Written Call Option(s)**"). There was no change to the latest modified strike price of HKD14.53 per Written Call Option (as last adjusted on 7 June 2022) during the six months ended 30 June 2023. The Written Call Options are exercisable only on their expiration dates ranging from 14 September 2023 to 24 November 2023. The maximum number of Shares that may be issued upon physical settlement of the Written Call Options is 293,804,662 Shares as at the date of this announcement.

Please refer to the announcements of the Company dated 21 November 2018, 22 November 2018, 12 December 2018, 24 May 2019, 3 June 2019, 12 September 2019, 1 June 2020, 15 September 2020, 2 June 2021, 13 September 2021 and 6 June 2022, and the circular of the Company dated 11 April 2019 for further details.

On 20 January 2022, the Company, the Issuer and UBS AG Hong Kong Branch (the "**Sole Bookrunner**") entered into an agreement, under which the Sole Bookrunner agreed to subscribe for the 4.95% secured guaranteed convertible bonds due 2026 to be issued by the Issuer in the aggregate principal amount of HKD3,900 million (the "**2026 Convertible Bonds**"). On 28 January 2022, the Issuer issued the 2026 Convertible Bonds in the principal amount of HKD3,900 million. The 2026 Convertible Bonds are listed on SGX. There was no change to the conversion price of the 2026 Convertible Bonds during the six months ended 30 June 2023. Accordingly, as at the date of this announcement, based on the total outstanding principal amount of the 2026 Convertible Bonds of HKD3,900 million, the 2026 Convertible Bonds may be converted into the maximum number of 492,424,242 Shares at the latest modified conversion price of HKD7.92 per Share (as last adjusted on 13 June 2022) during the conversion period under the terms of the 2026 Convertible Bonds.

Please refer to the announcements of the Company dated 21 January 2022 and 6 June 2022 for further details.

Details of convertible bonds are set out in note 10 to the "NOTES TO THE INTERIM FINANCIAL INFORMATION" in this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, bought back, sold or redeemed any of the Shares during the six months ended 30 June 2023.

On 30 August 2023 (before trading hours), the Company and Ever Credit Limited (the "**Subscriber**") entered into the subscription agreement pursuant to which the Company agreed to allot and issue, and the Subscriber agreed to subscribe for 350,649,350 Shares (the "**Subscription Share(s)**")), having an aggregate nominal value of HK$35,064,935, at the price of HK$0.77 per Share (the "**Subscription Agreement**"). The total consideration for the Subscription Shares, being HK$270,000,000, will be set off against a sum of HK$318,775,890.41 (being part of the amount owing to the Subscriber under the facility agreement in respect of a HK$1,880,000,000 term loan facility dated 1 December 2021 made between the Company as borrower and the Subscriber as lender), and accordingly no cash proceeds will be received by the Company from the subscription. The net price per Subscription Share is approximately HK$0.77 and the market price per Subscription Share on 30 August 2023 is HK$0.88. The Subscription Shares will, on allotment and issue, rank pari passu in all respects with other existing Shares upon issuance. Subject to all the conditions to completion of the subscription being fulfilled, the subscription is expected to be completed on 6 September 2023.

For further details, please refer to the announcement of the Company dated 30 August 2023.

On 11 January 2023, the Company had cancelled the partially repurchased 4.75% senior notes due January 2023 (ISIN: XS1751178499) (the "**Notes**") in the cumulative total principal amount of USD218,390,000, which is previously repurchased from the open market. The Company has repaid the outstanding amount of the Notes in full with accrued interest upon its maturity on 17 January 2023. Following such repayment, no Notes were outstanding and the Notes have been cancelled and delisted from the SGX.

For further details, please refer to the announcements of the Company dated 11 January 2023 and 17 January 2023.

For details of purchase, sale or redemption by the Company or any of its subsidiaries of its listed securities (other than Shares and convertible bonds referred to in the section headed "CONVERTIBLE BONDS AND WRITTEN CALL OPTIONS" above) during the six months ended 30 June 2023, please also refer to notes 8 and 9 to the "NOTES TO THE INTERIM FINANCIAL INFORMATION" in this announcement.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (2022 interim dividend: Nil).

PUBLICATION OF INTERIM RESULTS

The interim results announcement is published on the Company's website (http://www.countrygarden.com.cn) and the Stock Exchange's designated website (http://www.hkexnews.hk).

By order of the Board
Country Garden Holdings Company Limited
MO Bin
President and Executive Director

Foshan, Guangdong Province, the PRC, 30 August 2023

As of the date of this announcement, the executive directors of the Company are Ms. YANG Huiyan (Chairman), Mr. MO Bin (President), Ms. YANG Ziying, Dr. CHENG Guangyu, Ms. WU Bijun and Mr. SU Baiyuan. The non-executive director of the Company is Mr. CHEN Chong. The independent non-executive directors of the Company are Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham, Mr. TONG Wui Tung and Mr. TO Yau Kwok.