



中國恒大集團

CHINA EVERGRANDE GROUP

China Evergrande Group

中國恒大集團

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3333

2023

INTERIM REPORT





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BOARD OF DIRECTORS AND COMMITTEES

CHAIRMAN OF THE BOARD OF DIRECTORS

Professor Hui Ka Yan

EXECUTIVE DIRECTORS

Professor Hui Ka Yan

Mr. Siu Shawn

Mr. Shi Junping

Mr. Liu Zhen

Mr. Qian Cheng

NON-EXECUTIVE DIRECTOR

Mr. Liang Senlin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David

Mr. He Qi

Ms. Xie Hongxi

AUDIT COMMITTEE

Mr. Chau Shing Yim, David (*Chairman*)

Mr. He Qi

Ms. Xie Hongxi

REMUNERATION COMMITTEE

Mr. He Qi (*Chairman*)

Professor Hui Ka Yan

Ms. Xie Hongxi

NOMINATION COMMITTEE

Professor Hui Ka Yan (*Chairman*)

Mr. He Qi

Mr. Chau Shing Yim, David

AUTHORISED REPRESENTATIVES

Professor Hui Ka Yan

Mr. Fong Kar Chun, Jimmy

CORPORATE INFORMATION

HEAD OFFICE

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Tianhe District, Guangzhou
Guangdong Province
The PRC
Postal code: 510620

PLACE OF BUSINESS IN HONG KONG

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38 Gloucester Road, Wanchai
Hong Kong

WEBSITE

www.evergrande.com

COMPANY SECRETARY

Mr. Fong Kar Chun, Jimmy
Hong Kong solicitor

AUDITOR

Prism Hong Kong and Shanghai Limited

STOCK CODE

HKEX: 3333

INVESTOR RELATIONS

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Investor Relations Department
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REPORT OF CHAIRMAN

BUSINESS REVIEW

In the first half of 2023, the Company has always taken stabilisation of operation and risk mitigation as its first priority, and has made every effort to ensure the delivery of properties. Based on the principles of respecting international restructuring practices and treating the rights and claims of all creditors in a fair and equitable manner, the Company steadily pushed forward the work related to the restructuring of its offshore debts and signed an offshore restructuring support agreement with its creditors in April. The Company obtained approval from the courts of the three jurisdictions to convene creditors' meetings to advance the restructuring scheme. The Company also obtained the approval of the High Court of Hong Kong to adjourn the hearing of the winding-up petition.

Land Reserves

As at 30 June 2023, the Group owns land reserves of 0.19 billion square meters.

In addition, the Group was also involved in 78 urban redevelopment projects, including 55 in the Greater Bay Area (34 in Shenzhen), and 23 in other cities.

Contracted Sales

During the first half of 2023, the Group achieved contracted sales of RMB33.413 billion and contracted gross floor area of 5.115 million square meters, with an accumulated cash collection of RMB27.1 billion for the first half year.

Evergrande Auto:

The specific development strategy is planned and operated by Evergrande Auto (00708.HK), a listed company.

Evergrande Property Services:

The specific development strategy is planned and operated by Evergrande Property Services (06666.HK), a listed company.

BUSINESS OUTLOOK

Looking ahead, the Company will firmly assume the main responsibility for self-help and risk mitigation, and strive to do a solid job of securing the delivery of properties. The Company will also seek to sustain the operation of its automobile and property services segments, actively bring in quality resources and enhance the internal dynamics of development; expedite the restructuring of offshore debts and other works to protect the long-term interests of various creditors; continuously improve internal risk control and management effectiveness, stabilise its team and steadily advance its daily operations.

MANAGEMENT DISCUSSION AND ANALYSIS

I. DEBT PROFILE

During the Period, the total liabilities amounted to RMB2,388.2 billion, of which liabilities, net of contract liabilities of RMB603.98 billion, amounted to RMB1,784.22 billion, representing an increase of RMB67.83 billion as compared to liabilities, net of contract liabilities, of RMB1,716.39 billion in 2022.

Borrowings

As at 30 June 2023, the Group's borrowings amounted to RMB624.77 billion, representing an increase of RMB12.38 billion as compared to borrowings of RMB612.39 billion at the end of 2022.

A portion of the borrowings were secured by a pledge of properties and equipment, land use rights, investment properties, properties under development, completed properties held for sale and cash at bank of the Group, as well as the equity interests of certain subsidiaries of the Group. As at 30 June 2023, the average interest rate of borrowings was 7.97% per annum (31 December 2022: 8.12%).

Trade and Other Payables

As at 30 June 2023, the Group's trade and other payables amounted to RMB1,056.57 billion, representing an increase of RMB54.31 billion as compared to the end of 2022.

These include construction material payables of RMB596.17 billion and other payables of RMB460.40 billion.

Other Liabilities

As at 30 June 2023, the Group's other liabilities amounted to RMB102.88 billion.

II. OPERATING LOSS FOR THE PERIOD

Revenue

The Group's revenue for the Period amounted to RMB128.18 billion. In particular, the revenue from property development business amounted to RMB120.07 billion.

Gross Profit

The Group's gross profit for the Period was RMB9.80 billion. The gross profit margin for the Period was 7.64%.

Selling and Marketing Costs

During the Period, the Group's selling and marketing costs increased by 30.4% to RMB3.07 billion from RMB2.35 billion in the first half of 2022, which was mainly due to higher selling and marketing expenses as a result of the increase in business volume during the Period.

Administrative Expenses

During the Period, the Group's administrative expenses decreased by 32.8% from RMB5.60 billion in the first half of 2022 to RMB3.76 billion for the Period, which was mainly due to the overall reduction in day-to-day management expenses as a result of significant cost-cutting measures.

Finance Costs

The Group's finance costs for the Period amounted to RMB19.73 billion.

Other Operating Expenses

The Group's other losses, net for the Period amounted to RMB2.27 billion.

Other Incomes

Other income for the Period amounted to RMB1.65 billion, which was mainly attributable to the interest income, forfeited customer deposits and management and consulting service income.

Operating Losses

In conclusion, operating losses for the Period was RMB17.38 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

III. NON-OPERATING LOSSES FOR THE PERIOD

Impairment of Completed Properties Held for Sale and Properties under Development

Provision for impairment of inventories during the Period amounted to RMB2.16 billion.

Fair Value Losses on Investment Properties, net

Fair value losses on the Group's investment properties during the Period amounted to RMB0.08 billion. The Group's investment properties mainly comprised commercial podiums and offices in living communities with a total gross floor area of approximately 4.296 million square meters and approximately 178,000 car parking spaces.

Impairment Losses on Financial Assets

During the Period, impairment of financial assets amounted to RMB0.64 billion, which was mainly due to the Group's provision for other receivables and prepayments to associates, joint ventures and third parties.

Other Losses

Other losses for the Period amounted to RMB12.15 billion, which was attributable to litigation losses, loss of land withdrawal, loss on disposal of shareholdings and other losses.

In conclusion, non-operating losses for the Period was RMB15.03 billion.

IV. FOREIGN EXCHANGE EXPOSURE

The Group's business is principally conducted in Renminbi. A significant portion of residential and investment properties are located in Mainland China. There are 26.3% of borrowings denominated in US dollar and HK dollar.

The Group estimates the Renminbi exchange rate to continue its two-way volatility as the Renminbi exchange mechanism becomes more market-oriented. During the Period, the RMB depreciated against the US dollar and HK dollar. During the Period, the Group recorded an exchange loss of RMB4.14 billion. However, there is still uncertainty on the actual exchange losses or gains relating to the above borrowings in foreign currencies, when they were repaid on due dates.

The Group will closely monitor its exchange risk exposure and will adjust its debt portfolio when necessary according to market conditions. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

V. LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group had total cash and cash equivalents and restricted cash of RMB13.38 billion. In addition, cash amounting to RMB34.87 billion has been placed under the centralised supervisory account and included in other receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

Up to the date of this report, various parties have filed litigation against the Group for the settlement of unpaid borrowings, outstanding construction and daily operations payables, delayed delivery of several projects and other matters. The directors have assessed the impact of the above litigation matters on the interim condensed consolidated financial statements for the six months ended 30 June 2023 and accrued provision on the interim condensed consolidated financial statements of the Group. The Group is also actively communicating with relevant creditors and seeking various ways to resolve these litigations. As at 30 June 2023, the Group had material contingent liabilities of approximately RMB73.85 billion (31 December 2022: RMB46.78 billion).

SIGNIFICANT LITIGATION

As at 30 June 2023, the number of pending litigation cases of the Company with a subject amount of RMB30 million or more totalled 2,229 cases, with a subject amount of approximately RMB534.992 billion in aggregate.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Period, the Group transferred 30.99% equity interest in Xinjiang Guanghui Industry Investment Group Co., Ltd. which is subject to pledge to Shengjing Bank Co., Ltd. (“**Shengjing Bank**”) as a set-off against a portion of the Group’s indebtedness in respect of the borrowings amounting to a total of approximately RMB32.595 billion at a price of RMB9.753 billion.

Save as disclosed above, during the six months ended 30 June 2023, the Group had no other significant investments or material acquisitions or disposals of subsidiaries, associates or joint ventures.

HUMAN RESOURCES

As at 30 June 2023, the Group had a total of 109,085 employees (including 1,597 employees of Evergrande Auto (708.HK) and 82,836 employees of Evergrande Property Services (6666.HK)).

For the six months ended 30 June 2023, the Group’s total staff costs (including directors’ remuneration) amounted to approximately RMB2.78 billion (corresponding period in 2022: approximately RMB2.87 billion).

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEMES

On 14 October 2009, the Company adopted a share option scheme (the “2009 Share Option Scheme”) whereby the Board can grant options for the subscription of the shares of the Company (the “Shares”) to the employees, executives and officers of the Group and such other persons that the Board considers to contribute or having contributed to the Group (the “Participants”) as described in the 2009 Share Option Scheme for the purposes of providing incentives and rewards for their contributions to the Group.

The number of Shares in respect of the options that may be granted according to the 2009 Share Option Scheme shall not exceed 10% of the total number of issued Shares of the Company immediately after completion of the Global Offering (as defined in the prospectus) of the Company. Such scheme mandate limit was refreshed on 3 October 2017, and on 8 June 2018, the shareholders of the Company again resolved to refresh the scheme mandate limit of the 2009 Share Option Scheme to 1,317,838,890 Shares, representing 10% of the total number of Shares of the Company in issue on the date of the passing of the resolution to refresh such mandate limit and 9.98% of the total number of issued Shares of the Company as at the date of this report.

Unless otherwise approved by the shareholders of the Company in a general meeting, the number of Shares that may be granted to each of the Participants under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders, as defined in the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)), or the total number of Shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the Shares in issue of the Company from time to time.

There is no minimum period for which the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, provided that no options shall be exercised 10 years after they have been granted.

The exercise price of the options shall not be lower than the highest of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the Shares.

Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted.

Other details of the 2009 Share Option Scheme are set out in appendix VIII — Statutory and General Information of the prospectus published by the Company on 22 October 2009.

CORPORATE GOVERNANCE AND OTHER INFORMATION

On 18 May 2010, the Company granted an aggregate of 713,000,000 options to 137 Participants to subscribe for an aggregate of 713,000,000 Shares in the Company, representing approximately 4.75% of the number of Shares in issue as at the date of grant. On 9 October 2014, the Company granted in aggregate 530,000,000 options to 8 Directors and 93 employees to subscribe for 530,000,000 Shares, representing approximately 3.63% of the number of Shares in issue as at the date of grant. The Company refreshed the scheme mandate limit at the extraordinary general meeting held on 3 October 2017 and on 6 October 2017, the Company granted in aggregate 743,570,000 options to 5 Directors and 7,989 employees to subscribe for 743,570,000 Shares, representing approximately 5.7% of the total number of Shares of the Company in issue as at the date of grant.

As the 2009 Share Option Scheme was nearing the expiry of its term, the shareholders of the Company resolved at the annual general meeting held on 6 June 2019 to adopt a new share option scheme (the "Share Option Scheme") with largely similar terms as that of the 2009 Share Option Scheme. Upon the adoption of the Share Option Scheme on 6 June 2019, the 2009 Share Option Scheme was cancelled. Options that have been granted under the 2009 Share Option Scheme prior to its cancellation shall remain valid in accordance with its terms.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The Directors consider that the Share Option Scheme will serve to motivate the eligible participants to contribute to the Group's development. The Share Option Scheme, which will be in the form of options to subscribe for Shares, will enable the Group to recruit, incentivize and retain high-calibre staff, which the Directors consider that it is in line with modern commercial practice that eligible participants, which will include full-time or part-time employees, directors, members of the management, advisors, consultants, agents, suppliers and joint venture partners who have contributed to the Group, be given incentives and align their interests and objectives with that of the Group.

The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the Share Option Scheme provide that the Board may determine, at its sole discretion, such terms and conditions on the grant of an option.

Based on 13,127,834,900 Shares in issue as at the date of the annual general meeting, the maximum number of Shares that may be issued upon the exercise of the options that may be granted under the Share Option Scheme is 1,312,783,490 Shares, being 10% of the issued share capital of the Company as at the date of the adoption of the Share Option Scheme and 9.94% of the total number of issued Shares of the Company as at the date of this report.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme to any eligible participant shall not exceed 1% of the Shares in issue within any 12-month period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Options may be exercised in accordance with the terms of the Share Option Scheme within the relevant option period. Such period shall be determined by the Board at its absolute discretion and notified to the relevant grantee, provided that such period shall not exceed 10 years from the date on which an option is deemed to have been granted and accepted by the grantee under the Share Option Scheme.

Any option offer will be deemed to have been granted and accepted by the grantee when the duplicate offer document constituting acceptance of the option duly signed by the grantee, and a remittance in favour of the Company of HK\$1.00 as consideration for the grant thereof is received by the Company within 30 days of the offer date.

The exercise price of the options is determined by the Board at its absolute discretion and will be not less than the highest price of the official closing price of the Shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer, the average official closing prices of the Company's Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the Shares of the Company.

The aggregate number of Shares which may be issued upon the exercise of all share options that may be granted under the Share Option Scheme and all outstanding share options granted and yet to be exercised under the other share option schemes of the Company has not exceeded 30% of the Shares in issue.

The Share Option Scheme is valid and effective for a period of 10 years from its date of adoption to 5 June 2029. As at the date of this report, the remaining period of the Share Option Scheme is approximately 5 years and 9 months.

On 24 April 2020, the Company granted options to certain participants to subscribe for a total of 623,000,000 Shares, representing approximately 4.70% of the total number of Shares in issue as at the date of grant.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The details of movement in the options granted under the share option schemes of the Company for the six months ended 30 June 2023 are as follows:

Grantees	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options				Outstanding as at 30 June 2023
				Outstanding as at 1 January 2023	Granted during the period	Exercised during the period	Cancelled and Lapsed during the period	
Siu Shawn	6 October 2017	30.20	Note 2	600,000	N/A	N/A	N/A	600,000
	24 April 2020	13.112	Note 3	20,000,000	N/A	N/A	N/A	20,000,000
Shi Junping	6 October 2017	30.20	Note 2	500,000	N/A	N/A	N/A	500,000
	24 April 2020	13.112	Note 3	6,000,000	N/A	N/A	N/A	6,000,000
Liu Zhen	6 October 2017	30.20	Note 2	400,000	N/A	N/A	N/A	400,000
	24 April 2020	13.112	Note 3	3,000,000	N/A	N/A	N/A	3,000,000
Qian Cheng	6 October 2017	30.20	Note 2	200,000	N/A	N/A	N/A	200,000
	24 April 2020	13.112	Note 3	3,000,000	N/A	N/A	N/A	3,000,000
Other employees of the Group (in aggregate)	9 October 2014	3.05	Note 1	800,000	N/A	N/A	N/A	800,000
	6 October 2017	30.20	Note 2	304,489,000	N/A	N/A	27,736,000	276,753,000
	24 April 2020	13.112	Note 3	318,960,000	N/A	N/A	30,080,000	288,880,000

Notes:

1. The options granted on 9 October 2014 with respect to a Participant will be exercisable in 5 tranches in the following manners:
 - (i) the first tranche of 20% of the Shares that are the subject to the Option granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2015 and ending on 8 October 2020;
 - (ii) the second tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2016 and ending on 8 October 2021;
 - (iii) the third tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2017 and ending on 8 October 2022;
 - (iv) the fourth tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2018 and ending on 8 October 2023; and
 - (v) the fifth tranche comprising the remaining number of Shares that are subject to the Option granted will be exercisable at any time during the period commencing from 9 October 2019 and ending on 8 October 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION

2. On 6 October 2017, an aggregate of 743,570,000 options were granted to 5 Directors and 7,989 employees. The exercise price of the options is HK\$30.20 and the closing price of the Shares on 4 October 2017, the date immediately before the date on which the options were granted, was HK\$30.75. The options will be exercisable in 5 tranches in the following manners:
 - (i) the first tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2018 to 5 October 2023;
 - (ii) the second tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2019 to 5 October 2024;
 - (iii) the third tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2020 to 5 October 2025;
 - (iv) the fourth tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2021 to 5 October 2026; and
 - (v) the fifth tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2022 to 5 October 2027.
3. On 24 April 2020, an aggregate of 623,000,000 options were granted to 5 Directors and 198 employees of the Group. The exercise price of the options is HK\$13.112 and the closing price of the Shares on 23 April 2020, the date immediately before the date on which the options were granted, was HK\$12.90. The options will be exercisable in 5 tranches in the following manners:
 - (i) the first tranche of 20% of the Shares that are the subject of the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 24 April 2021 and ending on 23 April 2026;
 - (ii) the second tranche of 20% of the Shares that are the subject of the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 24 April 2022 and ending on 23 April 2027;
 - (iii) the third tranche of 20% of the Shares that are the subject of the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 24 April 2023 and ending on 23 April 2028;
 - (iv) the fourth tranche of 20% of the Shares that are the subject of the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 24 April 2024 and ending on 23 April 2029; and
 - (v) the fifth tranche comprising the remaining number of Shares that are subject of the Options granted will be exercisable at any time during the period commencing from 24 April 2025 and ending on 23 April 2030.
4. On 24 August 2023, Mr. Siu Shawn, Mr. Shi Junping, Mr. Liu Zhen and Mr. Qian Cheng surrendered all the outstanding share options held by each of them.

At the beginning and the end of the six months ended 30 June 2023, the number of Shares available for issue upon exercise of all options that may be granted under the Share Option Scheme is 1,305,538,990 Shares.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTEREST AND SHORT POSITIONS OF DIRECTORS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2023, the interest and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or 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”) set forth in Appendix 10 of the Listing Rules were as follows:

(i) Interest in the Shares of the Company

Names of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding
Hui Ka Yan (Note 1)	Interest of controlled corporation	7,893,031,497 (L)	59.78%
Chau Shing Yim, David	Beneficial Owner	1,000,000 (L)	0.01%
He Qi	Beneficial Owner	209,000 (L)	0.00%
Xie Hongxi	Beneficial Owner	600,000 (L)	0.00%

Note:

(1) Such Shares were held by Xin Xin (BVI) Limited, a company wholly owned by Professor Hui Ka Yan.

(ii) Interest in the underlying Shares of the Company

Name of Director	Nature of interest	Number of issued Shares involved in the options granted under the share option schemes	Approximate percentage of shareholding of those options granted and exercised under the share option schemes based on the existing issued share capital of the Company
Siu Shawn	Beneficial owner	20,600,000 (Note 1)	0.16%
Shi Junping	Beneficial owner	6,500,000 (Note 1)	0.05%
Liu Zhen	Beneficial owner	3,400,000 (Note 1)	0.03%
Qian Cheng	Beneficial owner	3,200,000 (Note 1)	0.02%

Note:

(1) On 24 August 2023, Mr. Siu Shawn, Mr. Shi Junping, Mr. Liu Zhen and Mr. Qian Cheng surrendered all the outstanding share options held by each of them.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(iii) Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Number of securities	Approximate percentage of shareholding
Hui Ka Yan	Xin Xin (BVI) Limited	100 shares	100%
Siu Shawn	China Evergrande New Energy Vehicle Group Limited	24,600,000 (Note 1)	0.23%
Liu Zhen	Evergrande Property Services Group Limited	200,000	0.00%
	China Evergrande New Energy Vehicle Group Limited	1,650,000 (Note 2)	0.02%

Notes:

(1) Such interest included 20,000,000 share options of China Evergrande New Energy Vehicle Group Limited.

(2) Such interest included 1,500,000 share options of China Evergrande New Energy Vehicle Group Limited.

(iv) Interest in debentures of the Company

Name of Director	Currency of debentures	Amount of debenture held	Amount of debenture in same class in issue	Type of debenture
Hui Ka Yan	US\$	50,000,000	1,000,000,000	12% senior notes due 2024
	US\$	20,000,000	2,000,000,000	11.5% senior notes due 2022
	US\$	580,000,000	2,000,000,000	12% senior notes due 2023

Save as disclosed above, as at 30 June 2023, none of the Directors, executives of the Company or their respective associates had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As far as the Directors or executives of the Company are aware, as at 30 June 2023, other than the Directors or chief executives of the Company as disclosed above, the following persons had interest or short positions in the Shares or underlying Shares which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required pursuant to Section 336 of the SFO to be entered in the register to be kept therein or to be notified to the Company and the Stock Exchange:

Name of shareholder	Nature of interest held	Interest in the Shares	Approximate percentage of shareholding
Xin Xin (BVI) Limited	Beneficial owner	7,893,031,497 (L) (Note 1)	59.78%
Ding Yu Mei	Interest of controlled corporation	791,248,238 (L) (Note 2)	5.99%
Even Honour Holdings Limited	Beneficial owner	791,248,238 (L) (Note 2)	5.99%
Yaohua Limited	Interest of controlled corporation	791,248,238 (L) (Note 2)	5.99%

Notes:

(1) Xin Xin (BVI) Limited is beneficially owned by Professor Hui Ka Yan.

(2) Even Honour Holdings Limited is wholly owned by Yaohua Limited, and Yaohua Limited is wholly owned by Ding Yu Mei.

INTERIM DIVIDEND

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code as the code of conduct for securities transactions conducted by the Directors. Having made due and careful enquiries with the Directors, the Company confirmed that for the six months ended 30 June 2023, all Directors have abided by the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has been in compliance with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2023.

REVIEW OF INTERIM REPORT BY THE AUDIT COMMITTEE

The Audit Committee comprises three members who are all independent non-executive Directors, namely, Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi. Mr. Chau Shing Yim, David, who has appropriate professional qualifications and experience in accounting matters, is the chairman of the Audit Committee.

The Audit Committee of the Board has reviewed the Group's interim results for the six months ended 30 June 2023, and discussed with the Company's management regarding the review, internal controls and other relevant matters.

On behalf of the Board

Hui Ka Yan

Chairman

Hong Kong, 27 August 2023

INDEPENDENT AUDITOR'S REPORT



To the Board of Directors of China Evergrande Group

(Incorporated in the Cayman Islands with limited liability)

We were engaged to review the interim financial information set out on pages 19 to 64, which comprises the interim condensed consolidated statement of financial position of China Evergrande Group (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2023 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (the “interim financial information”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the interim financial information described in the “Basis for Disclaimer of Conclusion” section of our report, however, it is not possible for us to express a conclusion on the interim financial information.

BASIS FOR DISCLAIMER OF CONCLUSION

Multiple Uncertainties Relating to Going Concern

As disclosed in note 2 to the interim financial information, the Group incurred a net loss of approximately RMB39,248 million for the six months ended 30 June 2023 and, as at 30 June 2023, the Group had net liabilities and net current liabilities of approximately RMB644,203 million and RMB713,102 million respectively. The Group’s current borrowings amounted to approximately RMB581,811 million, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB13,381 million only. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group’s ability to continue as a going concern.

Nevertheless, the interim financial information have been prepared on a going concern basis. The Company has been undertaking a number of plans and measures to improve the Group’s liquidity and financial position, and have developed debt solutions which are set out in note 2 to the interim financial information. The interim condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to material uncertainties. We are unable to determine whether the use of the going concern assumption in the preparation of the interim condensed consolidated financial statements is appropriate.

INDEPENDENT AUDITOR'S REPORT

Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all non-current assets and liabilities as current assets and liabilities, to write down the values of assets to their recoverable amounts and to provide for any further liabilities which may arise. The interim condensed consolidated financial statements do not include any such adjustments. However, material uncertainties exist in relation to the Group's ability to continue as a going concern in view of the Group's future cash flow. We consider that appropriate disclosures have been made in the interim condensed consolidated financial statements concerning this situation but we have not obtained sufficient appropriate audit evidence regarding the Group's ability to meet its financial obligations as and when they fall due and we consider the potential cumulative effect on the interim condensed consolidated financial statements of this material uncertainty relating to going concern to be so significant that we have disclaimed our opinion.

DISCLAIMER OF CONCLUSION

Because of the potential interaction of the multiple uncertainties related to going concern and their possible cumulative effect on these interim condensed consolidated financial statements described in the "Basis for Disclaimer of Conclusion" section of our report, we do not express a conclusion on the interim financial information.

Prism Hong Kong and Shanghai Limited

Certified Public Accountants

Lee Kwok Lun

Practising Certificate Number: P06294

27 August 2023, Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	55,428	56,421
Right-of-use assets	6	13,941	14,465
Investment properties	6	58,812	63,062
Goodwill	6	1,080	1,146
Intangible assets	6	3,198	6,076
Trade and other receivables	8	801	1,327
Prepayments	9	1,055	456
Investments accounted for using equity method	10	27,141	25,893
Financial assets at fair value through other comprehensive income	11	1,240	1,275
Financial assets at fair value through profit or loss	12	2,710	2,962
Deferred income tax assets		127	66
		165,533	173,149
Current assets			
Inventories		896	532
Properties under development	7	1,085,988	1,136,084
Completed properties held for sale	7	98,390	102,894
Trade and other receivables	8	224,930	228,911
Contract acquisition costs		3,066	3,025
Prepayments	9	118,325	131,443
Income tax recoverable		29,545	29,864
Financial assets at fair value through profit or loss	12	3,943	18,131
Restricted cash	13	9,334	9,971
Cash and cash equivalents	13	4,047	4,334
		1,578,464	1,665,189
Total assets		1,743,997	1,838,338

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium	14	4,226	4,226
Reserves		(555,754)	(503,696)
		(551,528)	(499,470)
Non-controlling interests		(92,675)	(99,604)
Deficiency in equity		(644,203)	(599,074)
LIABILITIES			
Non-current liabilities			
Borrowings	15	42,954	25,268
Contingent consideration payables		51	51
Deferred income tax liabilities		47,357	47,869
Other payables	16	6,272	11,301
		96,634	84,489
Current liabilities			
Borrowings	15	581,811	587,123
Trade and other payables	16	1,056,574	1,002,264
Contract liabilities		603,979	721,021
Current income tax liabilities		49,202	42,515
		2,291,566	2,352,923
Total liabilities		2,388,200	2,437,412
Net current liabilities		(713,102)	(687,734)
Total equity and liabilities		1,743,997	1,838,338

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Revenue	5	128,181	89,281
Cost of sales		(118,385)	(82,169)
Gross profit		9,796	7,112
Write-down of properties under development and completed properties held for sale		(2,161)	(1,163)
Fair value (losses)/gains on investment properties		(81)	1,246
Other losses, net	17	(11,175)	(6,619)
Other income	18	1,647	1,088
Selling and marketing costs		(3,066)	(2,352)
Administrative expenses		(3,763)	(5,598)
Impairment loss of investments accounted for using equity method		—	(18,025)
Impairment losses on financial assets		(643)	(8,194)
Other operating expenses		(2,274)	(6,859)
Operating loss		(11,720)	(39,364)
Share of losses of investments accounted for using equity method		(472)	(47)
Fair value losses on financial assets at fair value through profit or loss		(4)	(1,156)
Fair value (losses)/gains on financial guarantee contracts		(490)	1,749
Finance costs, net	20	(19,726)	(42,150)
Losses before income tax		(32,412)	(80,968)
Income tax expenses	21	(6,836)	(5,201)
Losses for the period		(39,248)	(86,169)
Other comprehensive income/(expenses) <i>(Item that may be reclassified to profit or loss)</i>			
Exchange difference arising on translation of financial statements of foreign operations		353	2,407
<i>(Item that may not be reclassified to profit or loss)</i>			
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		(30)	(250)
Other comprehensive income for the period, net of tax		323	2,157
Total comprehensive expenses for the period		(38,925)	(84,012)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Loss attributable to:			
Shareholders of the Company		(33,012)	(66,350)
Non-controlling interests		(6,236)	(19,819)
		(39,248)	(86,169)
Total comprehensive expenses attributable to:			
Shareholders of the Company		(32,689)	(64,193)
Non-controlling interests		(6,236)	(19,819)
		(38,925)	(84,012)
Loss per share for loss attributable to shareholders of the Company for the period (expressed in RMB per share)			
— Basic loss per share	22	(2.972)	(5.025)
— Diluted loss per share	22	(2.972)	(5.025)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Total RMB million	Non- controlling interests RMB million	Total RMB million
	Share capital RMB million	Share premium RMB million	Exchange reserves RMB million	Other reserves RMB million	Accumulated losses RMB million			
Unaudited:								
Balance as at 1 January 2023	930	3,296	898	101,319	(605,913)	(499,470)	(99,604)	(599,074)
Comprehensive expenses								
Loss for the period	—	—	—	—	(33,012)	(33,012)	(6,236)	(39,248)
Other comprehensive income								
Change in value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	(30)	—	(30)	—	(30)
Currency translation differences	—	—	353	—	—	353	—	353
Total comprehensive income/(expenses)	—	—	353	(30)	(33,012)	(32,689)	(6,236)	(38,925)
Transactions with owners								
Employee share option scheme	—	—	—	211	—	211	—	211
Changes in ownership interests in subsidiaries without change of control	—	—	—	(12,749)	(6,831)	(19,580)	13,165	(6,415)
Total transactions with owners	—	—	—	(12,538)	(6,831)	(19,369)	13,165	(6,204)
Balance as at 30 June 2023	930	3,296	1,251	88,751	(645,756)	(551,528)	(92,675)	(644,203)
Unaudited:								
Balance as at 1 January 2022	930	3,296	835	103,515	(499,910)	(391,334)	(81,720)	(473,054)
Comprehensive expense								
Loss for the period	—	—	—	—	(66,350)	(66,350)	(19,819)	(86,169)
Other comprehensive expenses								
Change in value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	(250)	—	(250)	—	(250)
Currency translation differences	—	—	2,407	—	—	2,407	—	2,407
Total comprehensive expenses	—	—	2,407	(250)	(66,350)	(64,193)	(19,819)	(84,012)
Transactions with owners								
Transfer to statutory reserves	—	—	—	13	(13)	—	—	—
Employee share option schemes	—	—	—	700	—	700	—	700
Changes in ownership interests in subsidiaries without change of control	—	—	—	(2,188)	—	(2,188)	370	(1,818)
Total transactions with owners	—	—	—	(1,475)	(13)	(1,488)	370	(1,118)
Balance as at 30 June 2022	930	3,296	3,242	101,790	(566,273)	(457,015)	(101,169)	(558,184)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	5,437	4,295
Net cash (used in)/generated from investing activities	(6,815)	19,594
Net cash generated from/(used in) financing activities	1,049	(25,065)
Decrease in cash and cash equivalents	(329)	(1,176)
Cash and cash equivalents at beginning of period	4,334	5,435
Exchange gains/(losses) on cash and cash equivalents	42	(5)
Cash and cash equivalents at end of period	4,047	4,254

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

China Evergrande Group (the “Company”) was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands. The Company is engaged in investment holding. The Company and its subsidiaries (the “Group”) are principally engaged in the property development, property investment, property management, new energy vehicle business, cultural tourism business and health industry business in the People’s Republic of China (the “PRC”). The address of its registered office is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.

The Company had its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 5 November 2009.

These interim condensed consolidated financial statements are presented in Renminbi Yuan (“RMB”) millions, unless otherwise stated. These interim condensed consolidated financial statements have been approved for issue by the board of directors (the “Board”) of the Company on 27 August 2023.

These interim condensed consolidated financial statements have not been audited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

(i) Going concern assessment

The Group incurred a net loss of approximately RMB39,248 million for the period ended 30 June 2023. As at 30 June 2023, the Group had net current liabilities and net liabilities of approximately RMB713,102 million and RMB644,203 million respectively, and the Group’s total cash (including cash and cash equivalents and restricted cash) amounted to approximately RMB13,381 million. In addition, the Group was involved in various litigation and arbitration cases for various reasons.

The above conditions indicate the existence of material uncertainties that may cast significant doubt on the Group’s ability to continue as a going concern.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Going concern assessment (Continued)

In light of the above, the directors of the Company have carefully considered the Group's expected cash flow projections not less than 12 months from the date of reporting period and have given due consideration to the matters that give rise to material doubt as to its ability to continue as a going concern, and accordingly, have proactively come up with debt solutions to alleviate the liquidity pressure. The Group has continued to implement the following plans and measures:

- The Group has been actively negotiating with other onshore lenders on the extension of borrowings. Due to the diverse lender base and changing market environment, it takes time to finalise the extension plans with individual lenders case-by-case;
- The Group has been actively seeking new financing or additional capital inflows through various channels, including but not limited to new financing from asset management companies or financial institutions, special borrowings and supporting borrowings for guaranteed home delivery, business cooperation with business partners, and assets disposals. Up to the date of approval of these condensed consolidated financial statements, the Group has achieved certain business cooperation, and has obtained new financing or additional capital for certain projects through the above channels. The Group will also continue to seek new financing or additional capital;
- The Group has been actively communicating with creditors to resolve the pending lawsuits. Up to the date of approval of these condensed consolidated financial statements, the Group has completed settlement arrangements with certain creditors;
- The Group will continue to focus on the completion and delivery of property projects to ensure the stability and sustainable operation of the Group's business.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Going concern assessment (Continued)

At the same time, the Group will continue to follow up on the proposed restructuring of offshore debts (“Proposed Offshore Debts Restructuring”) that has not yet been completed. As of the date of approval of these condensed consolidated financial statements, the progress is as follows:

- The Company has been working closely with its legal and financial advisors to formulate a viable restructuring plan aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all stakeholders. Over the past few months, the Company and an ad-hoc group of offshore creditors of the Company (the “AHG”), together with their respective advisors, have been engaged in constructive dialogue towards a consensual restructuring of the Company’s offshore indebtedness;
- On 3 April 2023, the Company and the AHG entered into the restructuring support agreement (the “RSA”) in relation to the terms of the restructuring. The contemplated restructuring is intended to (i) provide the Company with a long-term, sustainable capital structure; (ii) allow adequate financial flexibility and sufficient runway to stabilize the business; and (iii) protect the rights and interests, and maximise value, for all stakeholders. The restructuring is expected to be implemented through one or more schemes of arrangement. The longstop date is 15 December 2023 (as may be extended in accordance with the terms of respective term sheets).
- The restructuring plan includes (i) China Evergrande Group (“CEG”) schemes (“CEG Schemes”); (ii) Scenery Journey Limited (“SJ”) scheme (“SJ Scheme”) and (iii) Tianji Holding Limited (“TJ”) scheme (“TJ Scheme”):

CEG Schemes

The Company plans to implement a restructuring through, *inter alia*, schemes of arrangement in the Cayman Islands, Hong Kong and/or other applicable jurisdictions. There would be two classes of debts under the CEG Schemes, namely:

- i. Class A: Class A debts consist of ten series of US dollar denominated senior secured notes, one series of HK dollar denominated convertible bonds and one private loan; and
- ii. Class C: Class C debts consist of debts including private loans, repurchase obligations and guarantees provided by the Company in relation to certain offshore and onshore debts.

Both Class A creditors and Class C creditors can elect from two options of scheme consideration under CEG Schemes, namely “Option 1” and “Option 2”.

Under Option 1, creditors would receive new notes to be issued by the Company with a tenor of 10-12 years (“A1/C1 Notes”).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Going concern assessment (Continued)

CEG Schemes (Continued)

Under Option 2, creditors can elect to convert their entitlements into the following (subject to adjustments and re-allocations):

- i. new notes to be issued by the Company with a tenor of 5-9 years (“A2/C2 Notes”);
- ii. a package of rights and instruments consisting of mandatory exchangeable bonds to be issued by the Company exchangeable into shares in Evergrande Property Services Group Limited, mandatory exchangeable bonds to be issued by the Company exchangeable into shares of China Evergrande New Energy Vehicle Group Limited, mandatory convertible bonds to be issued by the Company and security linked notes to be issued by the Company (collectively, “A2/C2 Package”); or
- iii. a combination of the A2/C2 Notes and A2/C2 Package.

Class A creditors’ entitlement to distribution will be on a full accrued claim basis, while Class C creditors’ entitlement to distribution will be on a deficiency claim basis which means, in respect of a debt instrument, (x) the full accrued claims minus (y) the assessed value (determined pursuant to adjudication principles and procedures to be set out in the relevant scheme documents) of any related rights (whether principal, guarantee or collateral support) which are against any party who is not CEG. A similar approach will be taken to determine any net claim in respect of a put option.

SJ Scheme

SJ plans to implement a restructuring through, *inter alia*, a scheme of arrangement in the British Virgin Islands (“BVI”). Creditors under the SJ Scheme are referred to as “SJ creditors” and consist of holders of 4 series of US dollar denominated senior notes issued by SJ (“Existing SJ Notes”).

SJ creditors’ entitlement to distribution of scheme consideration will be on the deficiency claim basis (i.e. the full accrued claims minus the assessed value of any related rights (whether principal, guarantee or collateral support) which are (i) against any party who is not SJ or SJ subsidiary guarantors or keepwell provider but is an obligor or provides credit support; and (ii) in connection with the Existing SJ Notes.

Under the proposed SJ Scheme, each SJ creditor will be allocated a pro rata portion of the new notes to be issued by SJ in an aggregate principal amount equal to US\$6.5 billion (“SJ New Notes”) based on such SJ creditor’s entitlement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Going concern assessment (Continued)

TJ Scheme

TJ plans to implement a debt restructuring through, *inter alia*, a scheme of arrangement in Hong Kong.

Creditors under the TJ Scheme are referred to as “TJ creditors”. Debts included in the TJ Scheme (the “TJ Existing Debt Instruments”) consist of TJ’s guarantee obligations under the SJ existing notes and certain other financial indebtedness as set out in the TJ Term Sheet.

TJ creditors’ entitlement to distribution scheme consideration will be on the deficiency claim basis (i.e. the full accrued claims minus the assessed value of any related rights (whether principal, guarantee or collateral support) which are (i) against any party who is not TJ but is an obligor or provides credit support; and (ii) in connection with the TJ Existing Debt Instruments).

Under the proposed TJ Scheme, each TJ creditor will be allocated a pro rata portion of the new notes to be issued by TJ in an aggregate principal amount equal to US\$0.8 billion (“TJ New Notes”) based on such TJ creditor’s entitlement.

On 3 April 2023, the Company and members of the AHG (representing over 20% and 35% of the aggregate outstanding principal amount of the Existing CEG Notes and the Existing SJ Notes respectively), among others, entered into three restructuring support agreements, namely the Class A restructuring support agreements (“Class A RSA”), SJ restructuring support agreements (“SJ RSA”) and TJ restructuring support agreements (“TJ RSA”), under which the parties agreed to co-operate in order to facilitate the implementation of the Proposed Offshore Debts Restructuring.

Under the Class A RSA, the SJ RSA and the TJ RSA, each participating creditor undertakes that it shall use its beneficial interest in its debts to approve and support the Proposed Offshore Debts Restructuring on the terms and conditions of the respective restructuring support agreements.

On 3 April 2023, the Company has also launched a restructuring support agreement in relation to Class C (the “Class C RSA”, together with the Class A RSA, the SJ RSA and the TJ RSA, the “RSAs”). The Class C RSA also provides that each participating creditor confirms that it shall use its beneficial interest in its debts to approve and support the Proposed Offshore Debts Restructuring on the terms and conditions of the Class C RSA.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Going concern assessment (Continued)

TJ Scheme (Continued)

Together with the financial adviser, the Group has always maintained active communication with offshore creditors, and strived to obtain support from a sufficient number of relevant creditors to join and sign the restructuring support agreement as soon as possible, so as to complete the relevant legal procedures for implementing the Proposed Offshore Debts Restructuring as soon as possible.

The Board has reviewed the cash flow projections of the Group prepared by the management covering a period of not less than 12 months from 30 June 2023. In their opinion, in view of the above plans and measures, the Group will be able to adequately fund its operations and meet its financial obligations as and when they fall due within the next 12 months from 30 June 2023. Accordingly, the Board considers that the preparation of the condensed consolidated financial statements as at 30 June 2023 on a going concern basis is appropriate.

The management has formulated a number of plans and taken a number of measures, but the Group's ability to continue as a going concern still depends on (i) whether it can successfully complete the Proposed Offshore Debts Restructuring and (ii) whether it can successfully negotiate with the remaining lenders on the extension or deferral of the repayment of the Group's borrowings.

If the Group is unable to complete the Proposed Offshore Debt Restructuring and unable to continue as a going concern, adjustments must be made to reduce the carrying amount of the Group's assets to recoverable amounts, to provide for any future liabilities that may arise, and to reclassify non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

(b) Accounting policies

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment properties, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and contingent consideration payables that are measured at fair values, at the end of each reporting period. The accounting policies and the methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the Group's audited consolidated financial statements for the year ended 31 December 2022. The adoption of the new and amendments to HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods. The Group has not early adopted the new/amendments to HKFRSs that have been issued but are not yet effective. The directors of the Company do not anticipate that the adoption of the new and amendments to HKFRSs in future periods will have any material impact on the Group's interim condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3 ACCOUNTING ESTIMATES

The preparation of interim condensed consolidated financial statements 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 these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factor

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.

(b) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are denominated in other currencies. As at 30 June 2023, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Monetary assets		
– HK\$	16,742	14,215
– US\$	3,046	2,821
– EURO	671	911
– Others	46	26
	20,505	17,973
Monetary liabilities		
– HK\$	12,663	41,639
– US\$	158,199	172,225
– EURO	299	315
– Others	—	653
	171,161	214,832

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT (Continued)

(b) Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies.

The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the period-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of decrease/(increase) in the loss for the period/year is as follows:

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
5% appreciation in RMB against HK\$	(153)	1,028
5% depreciation in RMB against HK\$	153	(1,028)
5% appreciation in RMB against US\$	5,818	6,353
5% depreciation in RMB against US\$	(5,818)	(6,353)
5% appreciation in RMB against EURO	(14)	(22)
5% depreciation in RMB against EURO	14	22

The interim condensed consolidated financial statements 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 2022.

There have been no changes in the risk management department or in any risk management policies since year ended 31 December 2022.

(c) Liquidity Risk

For detailed introduction on liquidity, please refer to liquidity and going concern in note 2.

(d) 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value:

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
At 30 June 2023 (Unaudited)				
Assets				
FVOCI	653	—	587	1,240
FVPL	3,634	—	3,019	6,653
Total assets	4,287	—	3,606	7,893
Liabilities				
Contingent consideration payables	—	—	51	51
At 31 December 2022 (Audited)				
Assets				
FVOCI	684	—	591	1,275
FVPL	3,640	—	17,453	21,093
Total assets	4,324	—	18,044	22,368
Liabilities				
Contingent consideration payables	—	—	51	51

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) of the Group has been identified as the executive directors of the Company who are responsible for reviewing 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, property management and other businesses. Other businesses mainly include new energy vehicle business, cultural tourism business and health industry business. As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group’s assets are located outside the PRC, no geographical segment information is presented.

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Impairment losses on financial assets, fair value losses on financial assets at fair value through profit or loss, fair value (losses)/gain on financial guarantee contracts and finance costs, net are not included in the result for each operating segment.

Transactions between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

The segment results and other segment items included in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2023 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Total RMB million
Gross segment revenue	120,073	204	6,145	2,463	128,885
Inter-segment revenue	—	—	(36)	(668)	(704)
Revenue	120,073	204	6,109	1,795	128,181
Revenue from contracts with customers					
— Recognised at a point in time	120,073	—	367	115	120,555
— Recognised over time	—	—	5,742	1,680	7,422
Revenue from other sources					
— Rental income	—	204	—	—	204
Share of post-tax profits of associates	58	—	7	—	65
Share of post-tax losses of joint ventures	(537)	—	—	—	(537)
Segment results	(5,979)	(636)	1,043	(5,977)	(11,549)
Impairment losses on financial assets					(643)
Fair value losses on financial assets at FVPL					(4)
Fair value losses on financial guarantee contracts					(490)
Finance costs, net					(19,726)
Loss before income tax					(32,412)
Income tax expenses					(6,836)
Loss for the period					(39,248)
Depreciation and amortisation	3,570	—	14	1,592	5,176
Fair value losses on investment properties, net	—	(81)	—	—	(81)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

The segment results and other segment items included in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2022 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Total RMB million
Gross segment revenue	79,749	157	5,826	3,596	89,328
Inter-segment revenue	—	—	(38)	(9)	(47)
Revenue	79,749	157	5,788	3,587	89,281
Revenue from contracts with customers					
— Recognised at a point in time	79,749	—	267	3,480	83,496
— Recognised over time	—	—	5,521	107	5,628
Revenue from other sources					
— Rental income	—	157	—	—	157
Share of post-tax (losses)/ profits of associates	(21)	—	1	—	(20)
Share of post-tax losses of joint ventures	(27)	—	—	—	(27)
Segment results	(27,173)	1,982	870	(6,896)	(31,217)
Impairment losses on financial assets					(8,194)
Fair value losses on financial assets at FVPL					(1,156)
Fair value gains on financial guarantee contracts					1,749
Finance costs, net					(42,150)
Loss before income tax					(80,968)
Income tax expense					(5,201)
Loss for the period					(86,169)
Depreciation and amortisation	1,026	—	77	1,186	2,289
Fair value gains on investment properties, net	—	1,246	—	—	1,246

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

Segment assets as at 30 June 2023 are as follows:

	Property development RMB million (Unaudited)	Property investment RMB million (Unaudited)	Property management services RMB million (Unaudited)	Other businesses RMB million (Unaudited)	Group RMB million (Unaudited)
Segment assets	1,569,872	58,812	7,482	70,266	1,706,432
Unallocated assets					37,565
Total assets					1,743,997
Segment assets include:					
Interest in associates	9,276	—	23	1,634	10,933
Interest in joint ventures	15,875	—	—	333	16,208

Segment assets as at 31 December 2022 are as follows:

	Property development RMB million (Audited)	Property investment RMB million (Audited)	Property management services RMB million (Audited)	Other businesses RMB million (Audited)	Group RMB million (Audited)
Segment assets	1,632,364	63,062	7,144	83,470	1,786,040
Unallocated assets					52,298
Total assets					1,838,338
Segment assets include:					
Interest in associates	9,283	—	16	1,634	10,933
Interest in joint ventures	14,567	—	—	393	14,960

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

Segment assets consist primarily of property, plant and equipment, right-of-use assets, land use rights, investment properties, goodwill, intangible assets, investments accounted for using equity method, inventories, properties under development, completed properties held for sale, trade and other receivables, contract acquisition costs, prepayments and cash balances. They exclude deferred income tax assets, income tax recoverable, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, INVESTMENT PROPERTIES, GOODWILL AND INTANGIBLE ASSETS

	Property, plant and equipment	Right-of- use assets	Investment Properties	Goodwill	Intangible Assets	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Six months ended 30 June 2023						
Opening net book amount as at 1 January 2023 (Audited)	56,421	14,465	63,062	1,146	6,076	141,170
Additions	4,540	1,632	—	—	576	6,748
Disposals	(2,192)	(478)	(712)	—	(9)	(3,391)
Disposal of subsidiaries	—	—	(3,457)	—	—	(3,457)
Fair value losses on investment properties	—	—	(81)	—	—	(81)
Depreciation and amortisation	(2,865)	(1,678)	—	—	(633)	(5,176)
Impairment	(492)	—	—	(66)	(2,812)	(3,370)
Currency difference	16	—	—	—	—	16
Closing net book amount as at 30 June 2023 (Unaudited)	55,428	13,941	58,812	1,080	3,198	132,459
Six months ended 30 June 2022						
Opening net book amount as at 1 January 2022 (Audited)	73,893	16,227	69,328	1,161	8,102	168,711
Additions	1,803	—	81	—	2,368	4,252
Disposals	(6,879)	(1,871)	(181)	—	(512)	(9,443)
Disposal of subsidiaries	(1,301)	—	(5,569)	—	—	(6,870)
Fair value gains on investment properties	—	—	1,246	—	—	1,246
Depreciation and amortisation	(1,171)	(398)	—	—	(720)	(2,289)
Impairment	(426)	—	—	—	(122)	(548)
Currency difference	(11)	—	—	—	(17)	(28)
Closing net book amount as at 30 June 2022 (Unaudited)	65,908	13,958	64,905	1,161	9,099	155,031

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, INVESTMENT PROPERTIES, GOODWILL AND INTANGIBLE ASSETS

(Continued)

(a) The Group measures its investment properties at fair value.

(b) Valuation techniques

Valuations were based on either:

- (i) direct comparison approach is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.
- (ii) residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an “as-if” completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer’s profits, as well as land acquisition costs.

There were no changes to the valuation techniques during the six months ended 30 June 2023.

- Market price

Decreases in market price may result in decrease of fair value.

- Developer’s profit margin

Increase in developer’s profit margin may result in decrease of fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

(a) Properties under development

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Properties under development expected to be completed with one operating cycle included under current assets	1,085,988	1,136,084
Properties under development comprise:		
– Construction costs and capitalised expenditures	491,254	498,314
– Interests capitalised	147,811	143,606
– Land use rights	446,923	494,164
	1,085,988	1,136,084

Properties under development include costs of acquiring rights to use certain lands, which are located in various areas of the PRC other than Hong Kong, for property development over fixed periods. Land use rights are held on leases of between 40 to 70 years.

The weighted average capitalisation rate of borrowing costs for the six months ended 30 June 2023 is 10.36% (for the six months ended 30 June 2022: 11.56%).

(b) Completed properties held for sale

All completed properties held for sale are located in the PRC.

As at 30 June 2023, completed properties held for sale of approximately RMB17,179 million (for the year ended 31 December 2022: RMB17,321 million) were pledged as collateral for the Group's borrowings.

During the six months ended 30 June 2023, a provision of RMB2,161 million (for the year ended 31 December 2022: RMB1,163 million) was made to write down the properties under development and completed properties held for sale.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 TRADE AND OTHER RECEIVABLES

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Trade receivables (a)	17,084	18,143
Other receivables (b)	208,647	212,095
	225,731	230,238
Less: non-current portion of trade receivables and other receivables	(801)	(1,327)
Current portion	224,930	228,911

(a) Trade receivables

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Trade receivables	20,657	21,685
Less: allowance provision for impairment	(3,573)	(3,542)
Trade receivables — net	17,084	18,143
Less: non-current portion	(631)	(1,327)
Current portion	16,453	16,816

During the six months ended 30 June 2023, impairment provision of RMB31 million (for the year ended 31 December 2022: RMB289 million) was made against the gross amount of trade receivables.

Trade receivables mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

The ageing analysis of trade receivables based on revenue recognition date as at the respective balance sheet dates is as follows:

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Within 90 days	6,915	10,881
Over 90 days and within 180 days	1,774	1,479
Over 180 days and within 365 days	4,667	1,184
Over 365 days	7,301	8,141
	20,657	21,685

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.

(b) Other receivables

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Other receivables		
— associates	1,194	4,051
— joint ventures	62,574	58,596
— non-controlling interests (note (i))	18,789	19,943
— third parties (note (ii))	178,806	182,089
	261,363	264,679
Less: allowance provision for impairment	(52,716)	(52,584)
Other receivables — net	208,647	212,095

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 TRADE AND OTHER RECEIVABLES (Continued)

(b) Other receivables (Continued)

Notes:

- (i) Amounts are unsecured, interest free and repayable on demand.
- (ii) Amounts mainly represented the deposits for acquisition of land use rights, deposits for construction projects and borrowings, receivables of cooperation parties.

During the six months ended 30 June 2023, impairment provision of RMB612 million (for the year ended 31 December 2022: RMB12,095 million) was made against the gross amount of other receivables.

The carrying amounts of the Group's other receivables are mainly denominated in RMB.

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above.

As at 30 June 2023 and 31 December 2022, the fair value of trade and other receivables approximated their carrying amounts.

9 PREPAYMENTS

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Prepaid value added taxes and other taxes	33,994	42,047
Prepayments to third parties	85,386	89,852
— for acquisition of land use rights	70,864	82,657
— others	14,522	7,195
	119,380	131,899
Less: non-current portion		
— prepayments for acquisition of property, plant and equipment and land use rights	(1,055)	(456)
	118,325	131,443

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	30 June 2023	31 December 2022
	RMB million (Unaudited)	RMB million (Audited)
Associates	10,998	10,933
Joint ventures	16,143	14,960
	27,141	25,893

The amounts recognised in profit and loss are as follows:

	Six months ended 30 June	
	2023	2022
	RMB million (Unaudited)	RMB million (Unaudited)
Share of profits/(losses) of associates	65	(20)
Share of losses of joint ventures	(537)	(27)
	(472)	(47)

(a) Investments in associates

The movements of the investments in associates are as follows:

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
Balance as at 1 January	10,933	19,046
Additions	—	13,356
Disposals	—	(519)
Share of post-tax gains/(losses) of associates	65	(20)
Impairment	—	(7,232)
Balance as at 30 June (Unaudited)	10,998	24,631

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(b) Investments in joint ventures

The movements of the interests in joint ventures are as follows:

	Six months ended 30 June	
	2023 RMB million	2022 RMB million
Balance as at 1 January	14,960	14,215
Additions	2,033	12,295
Disposals	(313)	(907)
Share of post-tax losses of joint ventures	(537)	(27)
Impairment	—	(10,793)
Balance as at 30 June (Unaudited)	16,143	14,783

As at 30 June 2023, the Group provided financial guarantees in respect of certain borrowings of joint ventures and associates amounting to RMB49,007 million (31 December 2022: RMB49,117 million).

The Group has no commitments relating to interests in associates.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023 RMB million	2022 RMB million
Balance as at 1 January (Audited)	1,275	1,573
Net fair value losses recognised in equity	(35)	(333)
Balance as at 30 June (Unaudited)	1,240	1,240

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
Balance as at 1 January	21,093	23,487
Additions	18	93
Fair value losses	(4)	(1,156)
Disposals	(14,454)	(306)
Balance as at 30 June (Unaudited)	6,653	22,118
Less: non-current portion	(2,710)	(4,018)
	3,943	18,100

As at 30 June 2023 and 31 December 2022, the balances of financial assets at fair value through profit or loss include the following:

	30 June	31 December
	2023	2022
	RMB million	RMB million
	(Unaudited)	(Audited)
Listed equity securities	3,634	3,640
Unlisted equity investments	3,019	17,453
	6,653	21,093

As at 30 June 2023 and 31 December 2022, the listed equity securities represented the Group's equity investments in certain companies listed on the Shanghai Stock Exchange Limited, the Shenzhen Stock Exchange Limited and the Stock Exchange, which are quoted in an active market.

As at 30 June 2023 and 31 December 2022, the unlisted equity investments represented the Group's equity investment in certain high technology and media companies.

Changes in fair values of these investments are recorded in "Fair value losses on financial assets at fair value through profit or loss" in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

(a) Restricted cash

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
– Denominated in RMB	9,283	9,889
– Denominated in other currencies	51	82
	9,334	9,971

The conversion of the PRC group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

As at 30 June 2023, the Group's restricted cash comprised mainly guarantee deposits for construction of projects, guarantee deposits for bank acceptance notes and loans, and guarantee deposits for sale.

(b) Cash and cash equivalents

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Cash at bank and in hand:		
– Denominated in RMB	2,773	3,156
– Denominated in other currencies	1,274	1,178
	4,047	4,334

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.

Cash at banks earns interest at floating daily bank deposit rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares share	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary share RMB million	Share premium RMB million	Total RMB million
As at 1 January 2023 (Audited), 31 December 2022 (Audited) and 30 June 2023 (Unaudited)	13,204,300,900	132,043,009	930	3,296	4,226

15 BORROWINGS

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Borrowings included in non-current liabilities:		
Senior notes (note (a))	144,982	139,539
PRC corporate bonds (note (b))	53,534	53,262
Convertible bonds (note (c))	75	72
Bank and other borrowings (note (d))	378,646	364,231
	577,237	557,104
Less: non-current borrowings within one year	(534,283)	(531,836)
	42,954	25,268
Borrowings included in current liabilities:		
Bank and other borrowings	47,528	55,287
Non-current borrowings within one year	534,283	531,836
— Senior notes (note (a))	144,982	139,539
— PRC corporate bonds (note (b))	53,534	53,262
— Convertible bonds (note (c))	75	72
— Bank and other borrowings (note (d))	335,692	338,963
	581,811	587,123
Total borrowings	624,765	612,391
The total borrowings are denominated in the following currencies:		
RMB	460,630	445,169
US\$	157,896	154,344
HK\$	6,239	12,878
	624,765	612,391

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 BORROWINGS (Continued)

(a) Senior notes

	30 June 2023 US\$ million (Unaudited)	31 December 2022 US\$ million (Audited)
Par value		
2017 issued 2022 Notes	997	997
2017 issued 2024 Notes	951	951
2017 issued 2023 Notes	1,332	1,332
2017 issued 2025 Notes	4,633	4,633
2018 issued 2022 Notes	644	644
2018 issued 2023 Notes	589	589
2019 issued 2022 Notes I	1,025	1,025
2019 issued 2022 Notes II	1,450	1,450
2019 issued 2023 Notes	834	834
2019 issued 2024 Notes	691	691
2019 issued 2022 Notes III	300	300
2019 issued 2021 Notes III	260	260
2020 issued 2022 Notes	1,999	1,999
2020 issued 2023 Notes I	1,994	1,994
2020 issued 2023 Notes II	999	999
2020 issued 2024 Notes	995	995
2021 issued 2023 Notes I	314	314
2021 issued 2023 Notes II	110	110
Total	20,117	20,117
Unrecognised financing charges	(23)	(61)
Amortised cost — US\$	20,094	20,056
Amortised cost — RMB	144,982	139,539

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 BORROWINGS (Continued)

(a) Senior notes (Continued)

On 23 March 2017, the Company issued 8.25%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,886 million) at 100% of the face value ("2017 issued 2022 Notes").

On 29 March 2017, the Company issued 9.5%, seven-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,886 million) at 100% of the face value ("2017 issued 2024 Notes").

On 28 June 2017, the Company issued 7.5%, six-year senior notes with an aggregated principal amount of US\$1,345 million (equivalent to approximately RMB9,172 million) at 100% of the face value ("2017 issued 2023 Notes") and 8.75%, eight-year senior notes with an aggregated principal amount of US\$4,681 million (equivalent to approximately RMB31,921 million) at 100% of the face value ("2017 issued 2025 Note").

On 6 November 2018, the Group has issued 13.0% four-year senior notes with an aggregated principal amount of US\$645 million (equivalent to approximately RMB4,419 million) at 100% of the face value ("2018 issued 2022 Notes"), and 13.75% five-year senior notes with an aggregated principal amount of US\$590 million (equivalent to approximately RMB4,042 million) at 100% of the face value ("2018 issued 2023 Notes").

On 25 January 2019, the Company issued 8.25%, 42-month senior notes with an aggregated principal amount of US\$1,025 million (equivalent to approximately RMB6,964 million) at 94.054% of the face value ("2019 issued 2022 Notes I").

On 6 March 2019, a subsidiary of the Company issued 9.00%, two-year senior notes with an aggregated principal amount of US\$600 million (equivalent to approximately RMB4,023 million) at 100% of the face value ("2019 issued 2021 Notes II").

On 11 April 2019, the Company issued 9.50%, 3-year senior notes with an aggregated principal amount of US\$1,450 million (equivalent to approximately RMB9,728 million) at 100% of the face value ("2019 issued 2022 Notes II"), 10.00% , 4-year senior notes with an aggregated principal amount of US\$850 million (equivalent to approximately RMB5,702 million) at 100% of the face value ("2019 issued 2023 Notes"), and 10.50%, 5-year senior notes with an aggregated principal amount of US\$700 million (equivalent to approximately RMB4,696 million) at 100% of the face value ("2019 issued 2024 Notes").

On 30 April 2019, the Company issued 9.50%, 33-month senior notes with an aggregated principal amount of US\$300 million (equivalent to approximately RMB2,019 million) at 100% of the face value ("2019 issued 2022 Notes III").

On 22 January 2020, the Company issued 11.5%, 3-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,813 million) at 100% of the face value ("2020 issued 2023 Notes II"), and 12.0%, 4-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,813 million) at 100% of the face value ("2020 issued 2024 Notes").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 BORROWINGS (Continued)

(a) Senior notes (Continued)

On 24 January 2020, a subsidiary of the Company issued 11.5%, 33-month senior notes with an aggregated principal amount of US\$2,000 million (equivalent to approximately RMB13,617 million) at 100% of the face value (“2020 issued 2022 Notes”), and 12.0%, 45-month senior notes with an aggregated principal amount of US\$2,000 million (equivalent to approximately RMB13,617 million) at 100% of the face value (“2020 issued 2023 Notes I”).

On 22 January 2021, the Company issued 9.00%, 2-years senior notes with an aggregated principal amount of US\$314 million (equivalent to approximately RMB2,209 million) at 100% of the face value (“2021 issued 2023 Notes I”).

On 1 March 2021, the Company issued 9.00%, 1.89-year senior notes with an aggregated principal amount of US\$110 million (equivalent to approximately RMB712 million) at 100% of the face value (“2021 issued 2023 Notes II”). All senior notes contain various early redemption options. Early redemption options exercisable by the Group are regarded as embedded derivatives not closely related to the host contract.

All senior notes contain various early redemption options. Early redemption options exercisable by the Group 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 on initial recognition as at 30 June 2023 and 31 December 2022.

The above senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of these subsidiaries.

(b) PRC corporate bonds

On 7 July 2015, a subsidiary of the Company issued 6.98%, seven-year PRC bonds with an aggregated principal amount of RMB8,200 million at 100% of the face value.

On 6 May 2019, a subsidiary of the Company issued 6.27%, four-year public PRC corporate bonds with an aggregated principal amount of RMB15,000 million at 100% of the face value, and 6.80%, five-year public PRC corporate bonds with an aggregated principal amount of RMB5,000 million at 100% of the face value.

On 8 January 2020, a subsidiary of the Company issued 6.98%, three-year public PRC corporate bonds with an aggregated principal amount of RMB4,500 million at 100% of the face value.

On 26 May 2020, a subsidiary of the Company issued 5.90%, three-year public PRC corporate bonds with an aggregated principal amount of RMB4,000 million at 100% of the face value.

On 5 June 2020, a subsidiary of the Company issued 5.60%, three-year public PRC corporate bonds with an aggregated principal amount of RMB2,500 million at 100% of the face value.

On 23 September 2020, a subsidiary of the Company issued 5.80%, five-year public PRC corporate bonds with an aggregated principal amount of RMB4,000 million at 100% of the face value.

On 19 October 2020, a subsidiary of the Company issued 5.80%, five-year public PRC corporate bonds with an aggregated principal amount of RMB2,100 million at 100% of the face value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 BORROWINGS (Continued)

(b) PRC corporate bonds (Continued)

On 27 April 2021, a subsidiary of the Company issued 7.00%, five-year public PRC corporate bonds with an aggregated principal amount of RMB\$200 million of 100% of the face value.

Except for the PRC corporate bonds amounting to RMB8,200 million issued on 7 July 2015, other PRC corporate bonds contain the early redemption options.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the early redemption options was insignificant as at 30 June 2023 and 31 December 2022.

(c) Convertible bonds

On 30 January 2018, the Company entered into the Subscription Agreement with certain investment banks, pursuant to which the investment banks have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds (the "Convertible bonds") in an aggregate principal amount of HK\$18,000 million at the face value.

The Convertible bonds will be mature in five years from the issuance date with an interest rate of 4.25% per annum, and can be convertible to ordinary shares of the Company at the holder's option at the conversion price of HK\$38.99 per share during the period from 27 March 2018 to the seventh day prior to the Bonds' maturity date.

On 14 February 2018 (the "Issuance Day"), the Group received the net proceeds from issuance of the Convertible Bonds of HK\$17,736 million (equivalent to RMB14,383 million).

The Convertible bonds was recognised as embedded financial derivatives and debt component as follows:

- Embedded financial derivatives, comprise the fair value of the option of the holders of the Convertible bonds to convert the Convertible bonds into ordinary shares of the Company at the conversion price; the fair value of the option of the holders of the Convertible bonds to require the Company to redeem the Convertible bonds; and the fair value of the option of the Company to redeem the Convertible bonds. These embedded options are interdependent as only one of these options can be exercised. Therefore, they are not able to be accounted for separately and a single compound derivative was recognised.
- Debt component initially recognised at the residual amount after deducting the fair value of the derivative component from the net proceeds at the initial recognition, and is subsequently carried at amortised cost.

(d) Bank and other borrowings

Other borrowings mainly represent certain subsidiaries of the Group in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), pursuant to which the Trustees raised trust funds and injected the funds to the group companies. All the funds bear fixed interest rates and have fixed repayment terms.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16 TRADE AND OTHER PAYABLES

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Trade payables — third parties	601,961	603,324
Other payables:	241,628	307,933
— associates	135	8,868
— joint ventures	67,853	54,627
— non-controlling interests	22,189	22,393
— payables for acquisition of land use rights	17,773	16,507
— payables for acquisition of subsidiaries and associates	24,908	24,685
— Strategic investors	15,875	15,875
— third parties	92,895	164,978
Accrued expenses	147,918	35,315
Payroll payable	1,113	1,132
Deferred income from grants	3,061	3,207
Lease liabilities	865	1,158
Provision for financial guarantee contracts	50,891	50,401
Provision for litigations	6,010	6,508
Other taxes payable	9,399	4,587
	1,062,846	1,013,565
Less: non-current portion		
Other payables:	(2,885)	(7,538)
— non-controlling interests	(2,885)	(7,538)
Deferred income from government grants	(3,031)	(3,207)
Lease liabilities	(356)	(556)
	(6,272)	(11,301)
Current portion	1,056,574	1,002,264

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16 TRADE AND OTHER PAYABLES (Continued)

- (a) The following is an ageing analysis of trade payables presented based on invoice date at the end of reporting period:

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Within one year	116,910	103,145
Over one year	485,051	500,179
	601,961	603,324

17 OTHER LOSSES, NET

	Six months ended 30 June	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Gains on disposal of subsidiaries	2,356	7,438
(Losses)/gains on disposal of joint ventures and associates	(5,650)	121
Net foreign exchange gains	2,108	1,823
Impairment losses on property, plant and machinery	(126)	(78)
Impairment losses on construction-in-progress	(366)	(348)
Impairment losses on goodwill	(66)	—
Impairment losses on intangible assets	(2,812)	(122)
Land withdrawal losses	(1,603)	(13,483)
Litigation losses	(5,016)	(1,969)
Late delivery losses	—	(1)
	(11,175)	(6,619)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 OTHER INCOME

	Six months ended 30 June	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Interest income	178	465
Forfeited customer deposits	23	33
Gains on disposal of investment properties	675	516
Management and consulting service income	8	2
Others	763	72
	1,647	1,088

19 EXPENSES BY NATURE

Major expenses included in cost of sales, selling and marketing costs and other operating expenses are analysed as follows:

	Six months ended 30 June	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Cost of properties sold	110,653	77,230
Employee benefit expenses	638	730
Employee benefit expenditure — including directors' emoluments	2,783	2,874
Less: capitalised in properties under development, investment properties under construction and construction in progress	(2,145)	(2,144)
Tax and other levies	198	164
Advertising and promotion expenses	676	426
Sales commissions	1,453	965
Depreciation of property, plant and equipment	2,865	1,171
Amortisation of right-of-use assets and intangible assets	2,311	1,118
Write-down of properties held for sale and property under development	2,161	1,163
Impairment losses on financial assets	643	8,194

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20 FINANCE COSTS, NET

	Six months ended 30 June	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Finance costs		
Interest expenses from borrowings	35,843	44,610
Less: interest capitalised	(22,369)	(10,185)
	13,474	34,425
Exchange losses	6,248	7,574
Other finance costs	4	151
	19,726	42,150

21 INCOME TAX EXPENSES

	Six months ended 30 June	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Current income tax		
— Hong Kong profits tax	—	—
— PRC corporate income tax	3,445	2,387
— PRC land appreciation tax	4,305	5,434
	7,750	7,821
Deferred income tax		
— PRC corporate income tax	(573)	(84)
— PRC land appreciation tax	(341)	(2,536)
	6,836	5,201

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21 INCOME TAX EXPENSES (Continued)

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The group companies 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

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the current period in respect of operations in Hong Kong.

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate of 25% (six months ended 30 June 2022: 25%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

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 according to the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land use rights and property development expenditures.

22 LOSS PER SHARE

Basic loss per share are calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted loss per share is the same as basic loss per share for the six months ended 30 June 2023 and the six months ended 30 June 2022, as the share options had anti-dilutive effect on ordinary shares for the period.

23 DIVIDENDS

The Board of Directors has resolved not to pay an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24 FINANCIAL GUARANTEES

	30 June 2023	31 December 2022
	RMB million (Unaudited)	RMB million (Audited)
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units (note (a))	390,754	491,529
Guarantees for borrowings of cooperation parties (note (b))	66,384	65,821
Guarantees for borrowings of joint ventures and associates (note 26(c))	49,007	49,117
	506,145	606,467

- (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) 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.

- (b) Amounts represent guarantees provided to certain cooperation parties (mainly construction subcontractors) of the Group, who are independent third parties, to obtain borrowings after assessing the credit history of these cooperation parties. The management believes it is highly probable that impairment losses on the expected credit risk of such guarantees will be incurred and therefore a provision is made for such guarantees in the financial statements.

25 COMMITMENTS

(a) Commitments for property development and acquisition of subsidiaries

	30 June 2023	31 December 2022
	RMB million (Unaudited)	RMB million (Audited)
Contracted but not provided for		
Property development activities	215,781	176,666
Acquisition of land use rights	47,448	59,802
Acquisition of plant and equipment and intangible assets	13,071	14,294
Acquisition of subsidiaries	300	300
	276,600	251,062

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 COMMITMENTS (Continued)

(b) Lease Commitments

As at 30 June 2023, the Group did not have any material short-term lease commitments.

26 RELATED PARTY TRANSACTIONS

Professor Hui Ka Yan is the ultimate controlling shareholder and also the director of the Company.

(a) Transactions with related parties

During six months ended 30 June 2023 and 30 June 2022, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business:

	Six months ended 30 June	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Nature of transactions		
Joint ventures		
Sales of goods to joint ventures	7	13
Provision of services to joint ventures	48	104
Rental income from joint ventures	4	2
Interest income from joint ventures	516	347
Rental fee charged by joint ventures	9	13
Integrated insurance procurement	—	2
Interest expenses from joint ventures	—	65
Shareholders of the Company and Key management		
Interest of senior notes charged by Professor Hui Ka Yan	20	19
Interest of senior notes charged by Mr. Xia Haijun ("Mr. Xia")	12	28
Interest of senior notes charged by Mr. Lai Lixin ("Mr. Lai")	—	1

Aforementioned revenue and cost were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors of the Company, were determined with reference to the market price of the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

As at 30 June 2023 and 31 December 2022, the Group had the following significant non-trade balances with related parties:

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Due from related parties		
Cash and cash equivalents:		
– Associates	38	1,178
Trade receivables		
– Associates	5	5
– Joint ventures	1,580	818
	1,585	823
Other receivables (note (i))		
– Associates	1,194	4,051
– Joint ventures	62,574	58,596
	63,768	62,647
Prepayments		
– Associates	–	1
– Joint ventures	153	18

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Due to related parties		
Trade and other payables (note (i))		
— Joint ventures	67,853	54,627
— Associates	135	8,868
— Professor Hui Ka Yan	19	19
— Mr. Xia	—	18
	68,007	63,532
Borrowings (note (ii))		
— Joint ventures	254	1,064
— An associate	1,750	1,525
— Holding companies	1,152	1,117
— Professor Hui Ka Yan (note (iii))	2,237	2,135
— Ms. Ding Yu Mei (note (iii))	1,777	1,721
— Mr. Xia (note (iii))	566	544
— Mr. Lai (note (iii))	27	26
	7,763	8,132
Included in dividend payables		
— Professor Hui Ka Yan	2,062	1,998
— Ms. Ding Yu Mei	207	200
	2,269	2,198

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

- (i) The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.
- (ii) The balances are borrowings in nature, which are secured, interest bearing and repayable according to respective loan agreements.
- (iii) The balances represented Professor Hui Ka Yan subscribed for US\$50 million 2020 issued 2024 Notes and loans of HKD2,000 million provided to the Group by Professor Hui Ka Yan respectively.

The balances represented loans of HKD1,927 million provided to the Group by Ms. Ding Yu Mei.

The balances represented Mr. Xia subscribed for US\$28 million 2017 issued 2025 Notes and US\$50 million 2020 issued 2023 Notes II, respectively.

The balances represented Mr. Lai subscribed for US\$200 thousand 2017 issued 2025 Notes, US\$300 thousand 2019 issued 2022 Notes II, US\$300 thousand 2020 issued 2023 Notes II, US\$900 thousand 2020 issued 2022 Notes, US\$1 million 2017 issued 2023 Notes and US\$900 thousand 2017 issued 2022 Notes, respectively.

(c) Financial guarantees to joint ventures and associates

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Guarantees for borrowings of joint ventures and associates	49,007	49,117

(d) Key management compensation

Key management includes directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Salaries and other employee benefits	84	87
Retirement scheme contributions	1	3
	85	90

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27 SUBSEQUENT EVENTS

1. Proposed Issue of New Shares in China Evergrande New Energy Vehicle Group Limited (“Evergrande Auto”) to NWTN Inc. Under Specific Mandate

On 14 August 2023, the Company, NWTN Inc., Evergrande Auto and Professor Hui Ka Yan entered into a share subscription agreement (the “Share Subscription Agreement”), pursuant to which Evergrande Auto has conditionally agreed to allot and issue, and NWTN Inc. has conditionally agreed to subscribe for, 6,177,106,404 new shares of Evergrande Auto (the “Subscription Shares”) (the “Share Subscription”), such that NWTN Inc. will hold approximately 27.50% of the total issued shares of Evergrande Auto as enlarged by the issue of the shares upon completion of the Loan Conversion (as defined below) and the Share Subscription (assuming no other issue of new shares from the date of the Share Subscription Agreement to the date of completion of the Share Subscription Agreement (the “Closing Date”) and no exercise of any share options by the grantees under the Share Option Scheme), for a total consideration of HK\$3,889,723,903 (equivalent to approximately US\$500 million), implying the subscription price of HK\$0.6297 per subscription share.

On 14 August 2023, the Company and Professor Hui Ka Yan have delivered to NWTN Inc. a deed on voting control (the “Deed on Voting Control”) duly executed by the Company and Professor Hui Ka Yan, and NWTN Inc. has delivered to the Company and Professor Hui Ka Yan the Deed on Voting Control duly executed by the NWTN Inc.. The Deed on Voting Control shall become effective on the Closing Date.

The above matters are subject to the approval of the independent shareholders by way of poll at the general meeting, the fulfilment of the relevant conditions precedent and approval by the relevant regulatory authorities.

2. Conversion of Loans Provided by the Company, Professor Hui Ka Yan, Xin Xin (BVI) Limited (“Xin Xin”), Ms. Ding Yumei and Good Bond Limited (“Good Bond”) to Evergrande Auto (The “Loan Conversion”)

On 14 August 2023, the Company entered into a loan conversion subscription agreement with Evergrande Auto, Professor Hui Ka Yan, Xin Xin, Ms. Ding Yumei and Good Bond, pursuant to which each of them conditionally agreed to subscribe for, and Evergrande Auto conditionally agreed to allot and issue to them (or any person(s) designated by them), an aggregate of 5,441,305,702 new shares of Evergrande Auto at the subscription price of HK\$3.84 per share for an aggregate subscription amount of HK\$20,894,613,901.15 (the “Loan Conversion Subscription Agreement”). Such subscription amount will be satisfied by way of set-off against the relevant loans owed by Evergrande Auto to the Company, Professor Hui Ka Yan, Xin Xin, Ms. Ding Yumei and Good Bond in the aggregate amount of HK\$20,894,613,901.15 pursuant to the set-off agreement entered into between the Company and Evergrande Auto, Professor Hui Ka Yan, Xin Xin, Ms. Ding Yumei and Good Bond on 14 August 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27 SUBSEQUENT EVENTS (Continued)

2. Conversion of Loans Provided by the Company, Professor Hui Ka Yan, Xin Xin (BVI) Limited (“Xin Xin”), Ms. Ding Yumei and Good Bond Limited (“Good Bond”) to Evergrande Auto (The “Loan Conversion”) (Continued)

Pursuant to the Loan Conversion Subscription Agreement, (i) the outstanding principal amount of the loans provided by the Company to Evergrande Auto of US \$1,767,815,270 (equivalent to approximately HK\$13.8 billion) plus accrued interest on the outstanding principal amount of the relevant loans up to and including 14 August 2023 in the aggregate amount of US\$294,474,434 (equivalent to approximately HK\$2.3 billion) to be converted into 4,178,284,870 new shares of Evergrande Auto (representing approximately 25.66% of the total number of Shares upon completion of the Loan Conversion) at HK\$3.84 per share and issued to the Company (or the immediate holding company of Evergrande Auto as designated by the Company, being Evergrande Health Industry Holdings Limited, a subsidiary of the Company) for deposit into a custody account in relation to the mandatory exchangeable bonds exchangeable into Shares proposed to be issued by the Company to its creditors and the Company’s New Note A2 linked to Evergrande Auto and the Company’s New Note C2 linked to Evergrande Auto proposed to be issued by the Company to its creditors; (ii) the outstanding principal amount of the loan provided by Professor Hui Ka Yan and Xin Xin to Evergrande Auto of HK\$2,650,000,000 will be converted into 690,104,166 new shares of Evergrande Auto (representing approximately 4.24% of the total number of Shares upon completion of the Loan Conversion) at HK\$3.84 per share and issued to Professor Hui Ka Yan and Xin Xin for deposit into the custody account as additional exchange property; and (iii) the outstanding principal amount of the loan provided by Ms. Ding Yumei and Good Bond to Evergrande Auto of HK\$2,200,000,000 will be converted into 572,916,666 new shares of Evergrande Auto (representing approximately 3.52% of the total issued shares upon completion of the Loan Conversion) at HK\$3.84 per share and issued to Ms. Ding Yumei and Good Bond. Such new shares will be issued upon completion of the Loan Conversion.

The above matters are subject to the approval of the independent shareholders by way of poll at the general meeting, the fulfilment of the relevant conditions precedent and approval by the relevant regulatory authorities.

3. Offshore Debt Restructuring Arrangement

On 17 August 2023, the Company applied to the U.S. courts for recognition of offshore debt restructuring scheme of arrangement under the legal system of Hong Kong and the British Virgin Islands (BVI) under Chapter 15 of the U.S. Code.

For details of the various schemes of arrangement on the offshore debt restructuring, please refer to the announcements of the Company on the website of the Stock Exchange.